



Mustard Seed Communities, Inc.

Financial Statements

December 31, 2025 and 2024

Mustard Seed Communities, Inc.

Table of Contents

December 31, 2025 and 2024

	<u>Pages</u>
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 15



Independent Auditor's Report

To the Board of Directors of
Mustard Seed Communities, Inc.:

Opinion

We have audited the financial statements of Mustard Seed Communities, Inc. (a Georgia corporation not for profit) (the Organization), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mustard Seed Communities, Inc. as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

AAFCPAs, Inc.

Westborough, Massachusetts
May 19, 2026

Mustard Seed Communities, Inc.
Statements of Financial Position
As of December 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash	\$ 5,135,962	\$ 4,036,000
Current portion of pledges and other receivables	529,218	571,784
Prepaid expenses and other	113,124	99,330
Total current assets	5,778,304	4,707,114
Pledges and Other Receivables, net	357,991	256,975
Property and Website, net	16,969	8,876
Right-of-Use Asset - Operating Lease	275,413	333,257
Total assets	\$ 6,428,677	\$ 5,306,222
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 118,789	\$ 44,786
Current portion of operating lease liability	63,032	44,746
Total current liabilities	181,821	89,532
Operating Lease Liability, net of current portion	234,867	294,428
Total liabilities	416,688	383,960
Net Assets		
Without donor restrictions	3,930,320	3,293,446
With donor restrictions	2,081,669	1,628,816
Total net assets	6,011,989	4,922,262
Total liabilities and net assets	\$ 6,428,677	\$ 5,306,222

The accompanying notes are an integral part of these financial statements.

Mustard Seed Communities, Inc.
Statements of Activities and Changes in Net Assets
For the years ended December 31, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Special events						
Event contributions and support	\$ 195,614	\$ -	\$ 195,614	\$ 246,677	\$ -	\$ 246,677
Less: Direct expenses	(63,415)	-	(63,415)	(57,316)	-	(57,316)
Net revenue from special events	132,199	-	132,199	189,361	-	189,361
Contributions and support - cash	8,368,407	1,196,475	9,564,882	8,051,032	727,148	8,778,180
Contributions and support - donated	612,879	-	612,879	464,114	-	464,114
Interest and other	65,749	-	65,749	52,785	-	52,785
Net assets released from restrictions	743,622	(743,622)	-	892,952	(892,952)	-
Total support and revenue	9,922,856	452,853	10,375,709	9,650,244	(165,804)	9,484,440
Operating Expenses						
Program expenses						
Grants and aid						
Cash	6,926,062	-	6,926,062	6,213,746	-	6,213,746
Donated	612,879	-	612,879	456,206	-	456,206
Total grants and aid	7,538,941	-	7,538,941	6,669,952	-	6,669,952
Personnel, related and other	625,208	-	625,208	564,177	-	564,177
Total program expenses	8,164,149	-	8,164,149	7,234,129	-	7,234,129
Administration	525,907	-	525,907	468,254	-	468,254
Fundraising	595,926	-	595,926	514,367	-	514,367
Total operating expenses	9,285,982	-	9,285,982	8,216,750	-	8,216,750
Changes in net assets	636,874	452,853	1,089,727	1,433,494	(165,804)	1,267,690
Net assets at beginning of year	3,293,446	1,628,816	4,922,262	1,859,952	1,794,620	3,654,572
End of year	\$ 3,930,320	\$ 2,081,669	\$ 6,011,989	\$ 3,293,446	\$ 1,628,816	\$ 4,922,262

The accompanying notes are an integral part of these financial statements.

Mustard Seed Communities, Inc.
Statements of Functional Expenses
For the years ended December 31, 2025 and 2024

	2025				2024			
	Program	Administration	Fundraising	Total Expenses	Program	Administration	Fundraising	Total Expenses
Operating Expenses								
Personnel and related								
Salaries and wages	\$ 416,888	\$ 266,005	\$ 313,532	\$ 996,425	\$ 392,540	\$ 225,185	\$ 293,527	\$ 911,252
Payroll taxes	31,622	21,716	24,364	77,702	29,939	18,120	22,706	70,765
Employee benefits	37,914	15,135	23,407	76,456	30,356	15,774	18,434	64,564
Recruitment	-	4,760	-	4,760	-	1,708	-	1,708
Total personnel and related	486,424	307,616	361,303	1,155,343	452,835	260,787	334,667	1,048,289
Grants and aid								
Cash	6,926,062	-	-	6,926,062	6,213,746	-	-	6,213,746
Donated	612,879	-	-	612,879	456,206	-	-	456,206
Total grants and aid	7,538,941	-	-	7,538,941	6,669,952	-	-	6,669,952
Other:								
Donation processing fees	-	-	90,434	90,434	-	-	70,621	70,621
Technology	43,350	16,318	30,509	90,177	32,834	12,153	20,698	65,685
Occupancy	28,404	20,476	28,404	77,284	14,119	7,502	14,121	35,742
Direct event expenses	-	-	63,415	63,415	-	-	57,316	57,316
Travel	21,391	16,152	24,580	62,123	33,406	20,398	19,061	72,865
Professional fees	-	50,460	9,557	60,017	-	39,458	12,138	51,596
Bad debt	-	59,418	-	59,418	-	68,973	-	68,973
Website development	14,452	-	24,135	38,587	7,525	-	17,194	24,719
Financial and other internet fees	5,940	15,668	581	22,189	6,647	16,033	774	23,454
Printing and publications	1,272	2,693	16,678	20,643	1,424	1,578	15,765	18,767
Office and other	879	15,020	1,475	17,374	655	17,918	1,466	20,039
Insurance	753	10,806	450	12,009	812	10,507	391	11,710
Mission trips - other	11,351	-	-	11,351	11,251	-	-	11,251
Miscellaneous	8,391	1,872	-	10,263	205	2,950	22	3,177
Postage	526	3,309	5,873	9,708	31	3,397	5,564	8,992
Depreciation	-	5,346	-	5,346	-	5,846	-	5,846
Telephone	2,075	753	1,506	4,334	2,433	754	1,349	4,536
Advertising	-	-	441	441	-	-	536	536
Total other	138,784	218,291	298,038	655,113	111,342	207,467	237,016	555,825
Total operating expenses before direct event expenses	8,164,149	525,907	659,341	9,349,397	7,234,129	468,254	571,683	8,274,066
Direct event expenses	-	-	(63,415)	(63,415)	-	-	(57,316)	(57,316)
Total operating expenses	\$ 8,164,149	\$ 525,907	\$ 595,926	\$ 9,285,982	\$ 7,234,129	\$ 468,254	\$ 514,367	\$ 8,216,750

The accompanying notes are an integral part of these financial statements.

Mustard Seed Communities, Inc.
Statements of Cash Flows
For the years ended December 31, 2025 and 2024

	2025	2024
Cash flows from Operating Activities:		
Change in net assets	\$ 1,089,727	\$ 1,267,690
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	5,346	5,846
Bad debt	59,418	68,973
Non-cash lease expenses	16,569	5,917
Donated property and website	-	(7,908)
Changes in operating assets and liabilities		
Pledges and other receivables	(117,868)	(35,773)
Prepaid expenses and other	(13,794)	(44,337)
Accounts payable and accrued expenses	74,003	7,617
Net cash provided by operating activities	1,113,401	1,268,025
Cash flows from Investing Activities		
Purchase of property and website	(13,439)	-
Net Change in Cash	1,099,962	1,268,025
Cash at Beginning of year	4,036,000	2,767,975
Cash at End of year	\$ 5,135,962	\$ 4,036,000
Supplemental Disclosure of Non-cash Flow Information		
Right-of-use assets acquired in exchange for new operating lease liability	\$ -	\$ 338,025

The accompanying notes are an integral part of these financial statements.

Mustard Seed Communities, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

1. Operations and Nonprofit Status

Mustard Seed Communities, Inc. (the Organization) is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization was formed to provide financial and spiritual support along with Mustard Seed International (MSC International) for MSC International's locations in Jamaica, Nicaragua, Zimbabwe, Malawi, and the Dominican Republic. MSC International cares for abandoned children with disabilities and HIV/AIDS and operates over twenty outreach programs to help the local communities, including children and families living with HIV/AIDS and pregnant teens.

During 2016, the Organization commenced a campaign to raise funds for the Formation Program. The Formation Program is tasked with sustaining and further developing the spiritual core of the Organization. The Formation Program includes the construction and operation of a Formation Center in Jamaica. The Formation Center promotes vocations and trains priests, deacons and sisters who serve MSC internationally and attend to the pastoral and spiritual needs of the Organization. The campaign's goal was to raise \$1.6 million to fund capital and operating expenses over a ten-year period. Funds raised through December 31, 2025, totaled \$1.8 million, including a \$30,000 intention to give that is not recorded in the financial statements.

2. Significant Accounting Policies

Basis of Accounting

The Organization prepares its financial statements in accordance with generally accepted accounting principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Revenue Recognition

In accordance with ASC Subtopic 958-605, *Revenue Recognition* (Topic 958), the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or another measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Restrictions on gifts of property or cash for the purchase of property expire when the asset is placed in service.

Special events revenue is recorded in the period the event occurs and is shown net of related direct expenses in the accompanying statements of activities and changes in net assets.

Interest and other income are recognized as earned.

Mustard Seed Communities, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

2. Significant Accounting Policies (Continued)

Contributions and Support - Donated

The Organization's policy related to donated goods and services is to utilize the assets given to carry out the mission of the Organization. Volunteers and other agencies contribute goods, merchandise, and services to the Organization in support of various aspects of its programs (see Note 4). Donated goods consist of products shipped directly to the communities operated by MSC International. Donated merchandise is used in fundraising efforts.

These goods, merchandise, services and furniture are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donors, volunteers or agencies at the time of donation and are reported as unrestricted support and revenue unless explicit donor stipulations specify how donated assets must be used. Donated securities are recorded as contributions and support at fair value on the date of donation. The Organization has a policy to liquidate donated securities upon receipt. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs, but which do not meet the criteria for financial statement recognition.

Bequests

Unconditional promises to give by an estate are included in the accompanying financial statements as contributions revenue in the appropriate net asset category. Bequests are recorded when received or when the amount is known.

Grants and Aid

The Organization reserves the right to exercise variance authority over all grants, and therefore, has no legal liability to pay the balance of any grant. Accordingly, grants and aid are expensed based on predetermined payment schedules.

Net Assets

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Organization.

Net assets with donor restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose or amounts restricted for use in future periods.

Cash

For the purpose of the statements of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash.

Pledges and Other Receivable and Allowance for Uncollectible Accounts

Pledges and other receivables are recorded at net realizable value. Monthly pledge receipts due more than two years after the statements of financial position date are fully reserved. An allowance for uncollectible accounts is recorded based on management's analysis of specific accounts and the estimate of amounts that may be uncollectible, if any.

Mustard Seed Communities, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

2. Significant Accounting Policies (Continued)

Property and Website and Depreciation

Purchased property is recorded at cost. Donated property is recorded at fair value at the date of receipt by the Organization. Renewals and betterments costing at least \$1,000 with an expected life greater than one year are capitalized, while repairs and maintenance are expensed as they are incurred. Land is not depreciated. Depreciation is computed using the straight-line method over three to seven years.

Costs incurred for developing new websites or adding new components to the websites are capitalized and amortized over a useful life of three years. Costs incurred for renovations, upgrades, and uploading of content to the websites are considered routine maintenance and are expensed as incurred.

Property and website had a cost of \$70,568 and \$57,129 as of December 31, 2025 and 2024, respectively. Accumulated depreciation as of December 31, 2025 and 2024, was \$53,599 and \$48,253, respectively.

Leases

The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified asset in exchange for consideration. The Organization determines these assets are leased because the Organization has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the Organization separately identifies lease and non-lease components such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its office space. The Organization has elected the practical expedient to combine lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As the leases does not provide an implicit rate, the Organization uses the risk free rate based on the information available at the lease commencement date to determine the present value of lease payments.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. The Organization has elected not to record leases with an initial term of twelve months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Mustard Seed Communities, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

2. Significant Accounting Policies (Continued)

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs or supporting functions based upon management's estimate of the percentage attributable to each program.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include personnel and related, occupancy, telephone, and office and other, which are allocated based on an estimate of time and level of personnel effort spent on the Organization's program and supporting functions.

Mustard Seed Communities, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

2. Significant Accounting Policies (Continued)

Advertising Costs

The Organization expenses advertising costs as they are incurred.

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2025 and 2024. The Organization's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through May 19, 2026, which is the date the financial statements were available to be issued. There were no such events that met the criteria for recognition or disclosure in the financial statements.

3. Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of amounts received with donor-imposed purpose or time restrictions that have not yet been met. As of December 31, 2025 and 2024, these amounts are restricted as follows:

	<u>2025</u>	<u>2024</u>
Funds held for restricted purposes		
Restricted for Jamaica	\$ 969,985	\$ 390,118
Restricted for Malawi	424,199	289,199
Restricted for the Formation Program	109,757	154,466
Restricted for the Dominican Republic	41,118	318,560
Restricted for Fundraising Expense	25,500	30,000
Restricted for Zimbabwe	21,746	61,746
Restricted for Nicaragua	412	22,836
Total with donor purpose restrictions	<u>1,592,717</u>	<u>1,266,925</u>
Promises to give that are not restricted by donors, but which are unavailable for expenditure until collected	488,952	361,891
Total net assets with donor restrictions	<u>\$ 2,081,669</u>	<u>\$ 1,628,816</u>

Mustard Seed Communities, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

3. Net Assets with Donor Restrictions (Continued)

Net assets released from donor restrictions are as follows:

	<u>2025</u>	<u>2024</u>
Satisfaction of purpose restrictions:		
Jamaica	\$ 3,965,974	\$ 3,140,401
Dominican Republic	705,864	922,499
Nicaragua	360,067	260,672
Zimbabwe	228,183	183,639
Formation Program	94,710	115,328
Malawi	1,044	98,235
Fundraising Expense	4,500	2,812
	<hr/>	<hr/>
Total funds released from net assets with donor restrictions	5,360,342	4,723,586
Less - funds received and released in the same year	4,616,720	3,830,634
	<hr/>	<hr/>
Net funds released from net assets with donor restrictions	\$ 743,622	\$ 892,952
	<hr/>	<hr/>

4. Grants and Aid and Related Parties

Contributions and Support - Donated

The Organization receives contributions of medical supplies, medicines, physical therapy equipment, vehicles, construction materials, office equipment, jewelry, and other items. Contributions such as medicine, medical supplies, and equipment are allocated directly to support and revenue as contributions and support - donated in the accompanying statements of activities and changes in net assets and are expensed as grants and aid - donated in the accompanying statements of functional expenses.

Grants and aid - donated were as follows for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Medicines, equipment, clothing, food, construction materials and jewelry and other	\$ 575,332	\$ 431,544
Shipping fees	37,547	24,662
	<hr/>	<hr/>
Total	\$ 612,879	\$ 456,206
	<hr/>	<hr/>

Mustard Seed Communities, Inc.

Notes to Financial Statements

December 31, 2025 and 2024

4. Grants and Aid and Related Parties (Continued)

The Organization received medicine, equipment, clothing, food, construction materials and jewelry from its donors which were utilized by the Organization's programs. Goods from donors are valued based on historical donations of similar kind or on current market prices that the Organization would pay to a vendor at the time of donation.

The Organization also received in-kind shipping fees from a vendor which were used to support program services. Shipping from the vendor is valued based on fair market prices received from the vendor.

In 2024, the Organization received donated furniture of \$7,908 for use in their new office space, which was included in contributions and support - donated in the accompanying statement of activities and changes in net assets for the year ended December 31, 2024, and in and property and website in the accompanying statement of financial position as of December 31, 2024.

There were no donor-imposed restrictions associated with the donated goods and services.

Contributions and Support - Cash

The Organization is one of the supporters of MSC International. Grants and aid - cash includes direct payments of cash to MSC International in Jamaica, Nicaragua, Zimbabwe, Malawi, and the Dominican Republic (the Apostolates). The grants and aid support the cost of operations and capital expenditures incurred by MSC International in these Apostolates. One of the directors of the Organization is also a director of MSC International.

5. Pledges and Other Receivables

The Organization has unconditional pledges from various donors for general support, grants, and mission trip purposes.

Pledges and other receivables are due as follows at December 31:

	<u>2025</u>	<u>2024</u>
Pledges due in less than one year	\$ 529,218	\$ 571,784
Pledges due in one to five years	417,219	308,983
Total	<u>946,437</u>	<u>880,767</u>
Less - allowance for doubtful pledges	59,228	52,008
Less - current portion	<u>529,218</u>	<u>571,784</u>
Long-term pledges and other receivables, net	<u>\$ 357,991</u>	<u>\$ 256,975</u>

No discount was recorded at December 31, 2025 or 2024, as the discount amount would be immaterial to the accompanying financial statements.

Mustard Seed Communities, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

6. Pension

The Organization has a pension plan agreement pursuant to IRC Section 401(k), which covers substantially all employees. Employees may elect to defer their salary within IRC limits. There is no matching contribution from the Organization based on the pension plan agreement. The Organization incurred \$363 and \$1,124 in plan-related expenses for the years ended December 31, 2025 and 2024, respectively, which are included in employee benefits expense in the accompanying statements of functional expenses.

7. Commitments

The Organization entered into a five-year agreement for an online fundraising application. The agreement has an annual cancellation option with 45 days notice prior to each annual term commencement. Annual subscription fees under this agreement were \$74,176 and \$53,984 for the years ended December 31, 2025 and 2024, respectively, and are included in technology in the accompanying statements of functional expenses. Subscription fees for the noncancelable term through December 2026 are \$76,407.

The agreement includes a variable fee component of 3% of certain transactions processed online. These payments totaled \$23,619 and \$22,587 for the years ended December 31, 2025 and 2024, respectively, and are included in donation processing fees in the accompanying statements of functional expenses.

8. Lease Commitments

Operating Leases

In December 2024, the Organization entered into a lease for office space that expires in March 2030. Under the agreement, monthly rent is \$6,049, which increases as defined in the agreement. The Organization received four months of free rent under this agreement. Total lease expense under the operating lease agreement was \$71,010 and \$5,918 for the years ended December 31, 2025 and 2024, respectively, and are included in occupancy in accompanying statement of functional expenses.

The operating lease liability has been calculated utilizing the risk-free discount rate of 4.08%. There is a five-year option to renew the office lease, which was not considered when assessing the value of the ROU asset because the Organization is not reasonably certain that it will exercise the option.

Future Minimum Payments

Future minimum lease payments for the operating lease as of December 31, 2025, are as follows:

2026	\$	73,772
2027		75,350
2028		76,928
2029		78,506
2030		19,725
		<hr/>
Total future undiscounted lease payments		324,281
Less - present value discount		26,382
		<hr/>
Present value of lease liability	\$	297,899
		<hr/>

Mustard Seed Communities, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

8. Lease Commitments (Continued)

As of December 31, 2025, there were no material leases that have been executed but not yet commenced.

9. Concentration of Credit Risk

The Organization maintains its cash balances in various banks in Massachusetts banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amount. Management monitors the financial condition of the financial institutions on a regular basis, along with their balances, to keep this potential risk to a minimum.

As of December 31, 2025 and 2024, 10% and 11%, respectively, of pledges and other receivables was due from one donor.

10. Liquidity and Availability of Financial Assets

Financial assets available for use by the Organization within one year from the statements of financial position date are as follows as of December 31:

	<u>2025</u>	<u>2024</u>
Cash	\$ 5,135,962	\$ 4,036,000
Current portion of pledges and other receivables	<u>529,218</u>	<u>571,784</u>
Current financial assets available	<u><u>\$ 5,665,180</u></u>	<u><u>\$ 4,607,784</u></u>

The Organization receives significant contributions with specific donor restrictions to be used in accordance with the associated purpose restrictions. It considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Operating expenditures include administrative and general expenses, fundraising expenses, and monthly operating grants and aid. Monthly operating grants and aid are budgeted but are not commitments of the Organization and are paid only if funds are available.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization maintains current financial assets less current liabilities at a minimum of sixty days operating expenses. The Organization targets a year-end balance of reserves of operating net assets at fifteen to thirty days of expected expenditures. To achieve these targets, the Organization monitors its liquidity and reserves monthly. During the years ended December 31, 2025 and 2024, the level of liquidity and reserves was managed within these ratios.