



Mustard Seed
Communities

CARING FOR THE MOST VULNERABLE

**FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

MUSTARD SEED COMMUNITIES, INC.

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DECEMBER 31, 2013 AND 2012**

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CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

Where Every Client Is A Valued Client

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Mustard Seed Communities, Inc. (a Georgia corporation, not for profit) which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mustard Seed Communities, Inc. as of December 31, 2013 and 2012, 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.

Alexander, Aronson, Finning & Co. P.C.

Wellesley, Massachusetts
April 25, 2014

MUSTARD SEED COMMUNITIES, INC.

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012**

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
CURRENT ASSETS:		
Cash	\$ 1,004,805	\$ 1,082,799
Certificates of deposit	86,544	86,402
Current portion of pledges receivable	448,525	148,056
Prepaid expenses and other	<u>21,440</u>	<u>1,924</u>
Total current assets	<u>1,561,314</u>	<u>1,319,181</u>
PLEDGES RECEIVABLE , net of current portion and allowance	<u>68,572</u>	<u>-</u>
COMPUTER EQUIPMENT	6,376	10,358
Less - accumulated depreciation	<u>5,434</u>	<u>10,247</u>
Net computer equipment	<u>942</u>	<u>111</u>
Total assets	<u>\$ 1,630,828</u>	<u>\$ 1,319,292</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	<u>\$ 12,725</u>	<u>\$ 7,291</u>
NET ASSETS:		
Unrestricted:		
Operating	390,292	323,389
Equipment	<u>942</u>	<u>111</u>
Total unrestricted	391,234	323,500
Temporarily restricted	<u>1,226,869</u>	<u>988,501</u>
Total net assets	<u>1,618,103</u>	<u>1,312,001</u>
Total liabilities and net assets	<u>\$ 1,630,828</u>	<u>\$ 1,319,292</u>

The accompanying notes are an integral part of these statements.

MUSTARD SEED COMMUNITIES, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013		2012	
	UNRESTRICTED	TEMPORARILY RESTRICTED	UNRESTRICTED	TEMPORARILY RESTRICTED
SUPPORT AND REVENUE AND SPECIAL EVENTS:				
Special events:				
Event contributions and support	\$ 353,947	\$ -	\$ 294,610	\$ -
Less - direct expenses	(74,399)	-	(88,640)	-
Net revenues from special events	<u>279,548</u>	<u>279,548</u>	<u>205,970</u>	<u>-</u>
Contributions and support - cash	2,090,280	734,578	2,047,602	930,908
Contributions and support - donated	710,019	-	404,493	-
Interest and other	2,519	-	2,723	-
Net assets released from restrictions	496,210	(496,210)	560,275	(560,275)
Total support and revenue	<u>3,578,576</u>	<u>238,368</u>	<u>3,221,063</u>	<u>370,633</u>
OPERATING EXPENSES:				
Program expenses:				
Grants and aid:				
Cash	2,302,931	-	2,064,306	-
Donated	710,019	-	404,493	-
Total grants and aid	<u>3,012,950</u>	<u>3,012,950</u>	<u>2,468,799</u>	<u>-</u>
Personnel, related and other	165,337	-	156,450	-
Total program expenses	<u>3,178,287</u>	<u>3,178,287</u>	<u>2,625,249</u>	<u>-</u>
Administration	131,249	-	120,114	-
Fundraising	201,306	-	209,531	-
Total operating expenses	<u>3,510,842</u>	<u>3,510,842</u>	<u>2,954,894</u>	<u>-</u>
Changes in net assets	67,734	238,368	266,169	370,633
NET ASSETS, beginning of year	<u>323,500</u>	<u>988,501</u>	<u>57,331</u>	<u>617,868</u>
NET ASSETS, end of year	<u>\$ 391,234</u>	<u>\$ 1,226,869</u>	<u>\$ 323,500</u>	<u>\$ 988,501</u>
			<u>\$ 294,610</u>	<u>\$ 294,610</u>
			<u>(88,640)</u>	<u>(88,640)</u>
			<u>205,970</u>	<u>205,970</u>
			<u>2,047,602</u>	<u>2,978,510</u>
			<u>404,493</u>	<u>404,493</u>
			<u>2,723</u>	<u>2,723</u>
			<u>560,275</u>	<u>-</u>
			<u>3,221,063</u>	<u>3,591,696</u>
			<u>2,302,931</u>	<u>2,064,306</u>
			<u>710,019</u>	<u>404,493</u>
			<u>3,012,950</u>	<u>2,468,799</u>
			<u>165,337</u>	<u>156,450</u>
			<u>3,178,287</u>	<u>2,625,249</u>
			<u>131,249</u>	<u>120,114</u>
			<u>201,306</u>	<u>209,531</u>
			<u>3,510,842</u>	<u>2,954,894</u>
			<u>67,734</u>	<u>370,633</u>
			<u>323,500</u>	<u>617,868</u>
			<u>\$ 391,234</u>	<u>\$ 988,501</u>
			<u>\$ 1,226,869</u>	<u>\$ 1,312,001</u>
			<u>\$ 323,500</u>	<u>\$ 1,312,001</u>
			<u>\$ 294,610</u>	<u>\$ 294,610</u>
			<u>(88,640)</u>	<u>(88,640)</u>
			<u>205,970</u>	<u>205,970</u>
			<u>2,047,602</u>	<u>2,978,510</u>
			<u>404,493</u>	<u>404,493</u>
			<u>2,723</u>	<u>2,723</u>
			<u>560,275</u>	<u>-</u>
			<u>3,221,063</u>	<u>3,591,696</u>

The accompanying notes are an integral part of these statements.

MUSTARD SEED COMMUNITIES, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 306,102	\$ 636,802
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	338	987
Bad debt	3,231	-
Changes in operating assets and liabilities:		
Pledges receivable	(372,272)	(79,291)
Prepaid expenses and other	(19,516)	-
Accounts payable and accrued expenses	5,434	(5,751)
	(76,683)	552,747
Net cash provided by (used in) operating activities	(76,683)	552,747
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturity of certificates of deposit	86,402	86,186
Purchase of certificates of deposit	(86,544)	(86,402)
Purchase of equipment	(1,169)	-
Sale of investments	-	4,061
	(1,311)	3,845
Net cash provided by (used in) investing activities	(1,311)	3,845
NET INCREASE (DECREASE) IN CASH	(77,994)	556,592
CASH, beginning of year	1,082,799	526,207
CASH, end of year	\$ 1,004,805	\$ 1,082,799
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cost basis of fully depreciated equipment disposed	\$ 5,151	\$ -

The accompanying notes are an integral part of these statements.

MUSTARD SEED COMMUNITIES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	ADMINIS- TRATION	FUND- RAISING	TOTAL	ADMINIS- TRATION	FUND- RAISING	TOTAL
	PROGRAM			PROGRAM		
OPERATING EXPENSES:						
Personnel and related:						
Salaries and wages	\$ 101,374	\$ 92,873	\$ 247,134	\$ 93,260	\$ 123,647	\$ 266,156
Payroll taxes	8,691	8,297	21,424	8,251	10,713	22,850
Recruitment	-	5,926	5,926	-	-	-
Employee benefits	1,145	4,629	5,806	1,022	5,996	7,359
Total personnel and related	111,210	111,725	280,290	102,533	140,356	296,365
Grants and aid:						
Cash	2,302,931	-	2,302,931	2,064,306	-	2,064,306
Donated	710,019	-	710,019	404,493	-	404,493
Total grants and aid	3,012,950	-	3,012,950	2,468,799	-	2,468,799
Other:						
Financial and internet fees	11,657	14,581	40,435	9,473	10,977	33,890
Professional fees	-	515	39,323	-	465	35,855
Donation processing fees	-	35,019	35,019	-	27,109	27,109
Mission trips - other	21,816	-	21,816	20,947	-	20,947
Printing and publications	-	16,459	16,695	48	4,366	4,753
Occupancy	5,760	5,760	14,400	5,760	5,760	14,400
Travel	6,086	5,941	13,942	8,016	6,102	16,332
Postage	-	7,070	9,583	-	4,224	7,375
Telephone	4,318	1,887	6,904	4,993	2,247	8,032
Office and other	264	272	4,974	553	592	4,848
Insurance	476	4,029	4,845	435	312	4,489
Website development	3,750	750	4,500	3,595	6,896	10,491
Bad debt	-	3,231	3,231	-	-	-
Miscellaneous	-	610	1,597	97	125	222
Depreciation	-	338	338	-	987	987
Total other	54,127	73,894	217,602	53,917	69,175	189,730
Total operating expenses	\$ 3,178,287	\$ 201,306	\$ 3,510,842	\$ 2,625,249	\$ 209,531	\$ 2,954,894

The accompanying notes are an integral part of these statements.

MUSTARD SEED COMMUNITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

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 for the work of Mustard Seed International (MSC International) locations in Jamaica, Nicaragua, Zimbabwe, 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.

SIGNIFICANT ACCOUNTING POLICIES

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

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Unrestricted contributions and support are recorded as revenue when received or unconditionally pledged. Restricted contributions and support are recorded as temporarily restricted revenue and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs associated with purpose restrictions are incurred or time restrictions have lapsed. Donor restricted grants and contributions received and satisfied in the same period are included in unrestricted net assets. All other revenue is recorded when earned or as services are provided.

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.

Contributions and Support - Donated

Volunteers and other agencies contribute goods, merchandise, and services to the Organization in support of various aspects of its programs. Donated goods consist of products shipped directly to the communities operated by MSC International. Donated merchandise is used in fundraising efforts. These goods, merchandise, and services are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donating volunteers, agencies, or by management (see Note 3).

MUSTARD SEED COMMUNITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

(Continued)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Events

Special events revenue is shown net of related direct expenses in the accompanying statements of activities and changes in net assets for the years ended December 31, 2013 and 2012.

Expense Allocation

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

Advertising

The Organization expenses advertising costs as incurred. Advertising costs of approximately \$250 and \$100 for the years ended December 31, 2013 and 2012, respectively, are included in office and other on the accompanying statements of functional expenses.

Certificates of Deposit

The certificates of deposit (CDs) have initial maturities of eleven months. The CDs at December 31, 2013, mature on May 10, 2014, and July 29, 2014, and have an interest rate of 0.05%. The CDs at December 31, 2012, matured on July 10, 2013, and August 29, 2013, and had an interest rate of 0.25%.

Pledges Receivable and Allowance for Uncollectible Accounts

The 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.

Computer Equipment and Depreciation

Computer equipment is recorded at cost. Donated computer equipment is recorded at fair value at the time of donation. Renewals and betterments with an expected life greater than one year are capitalized, while repairs and maintenance are expensed as they are incurred. Depreciation is calculated using the straight-line method over three to five years.

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. Any grants and aid that are due and not paid as of year-end in accordance with the predetermined payment schedule are recorded as a liability of the Organization.

MUSTARD SEED COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(Continued)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement 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, 2013 and 2012. The Organization's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

Fair Value Measurements

ASC Topic, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance only applies when the fair value measurement of assets and liabilities is required or permitted. The Organization has determined that none of its financial or nonfinancial assets or liabilities is measured at fair value, therefore, the disclosure requirements do not currently apply.

Subsequent Events

Subsequent events have been evaluated through April 25, 2014, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

(2) NET ASSETS

Unrestricted Net Assets

The Organization has grouped its unrestricted net assets into the following categories:

Operating represents those net resources that bear no external restrictions and are generally available for use by the Organization to carry on its operations.

Equipment reflects the net book value of the Organization's computer equipment.

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2013 and 2012, are comprised of amounts received with purpose restrictions which have not yet been expended. As of December 31, 2013 and 2012, temporarily restricted net assets are restricted as follows:

	<u>2013</u>	<u>2012</u>
Purpose	\$1,138,351	\$988,501
Time	<u>88,518</u>	<u>-</u>
	<u>\$1,226,869</u>	<u>\$988,501</u>

MUSTARD SEED COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(Continued)

(3) GRANTS AND AID AND RELATED PARTIES

Non-Cash Donated

The Organization receives contributions of medical supplies, medicines, physical therapy equipment, vehicles, office equipment, stock, jewelry, and other items. Contributions such as medicine, medical supplies and equipment are allocated directly to support and revenue as contributions and support - donated and are expensed as grants and aid - donated. The Organization uses publicly available information to determine the value of these contributions. Information may be in the form of appraisals or the current fair value in the case of securities, which are readily marketable or listed on an exchange or quoted in an open market. The Organization has a policy to liquidate securities upon receipt. In the absence of the above, these contributions are stated at fair value as determined by the Organization.

Grants and aid - donated for the years ended December 31, 2013 and 2012, were as follows:

	<u>2013</u>	<u>2012</u>
Grants and aid - donated:		
Medicines, clothes and food	\$658,631	\$370,568
Shipping fees	<u>51,388</u>	<u>33,925</u>
Total	<u>\$710,019</u>	<u>\$404,493</u>

Cash and Related Parties

The Organization is one of the supporters of MSC International. Grants and aid - cash includes direct payments of cash to MSC International in Zimbabwe, Nicaragua, the Dominican Republic, and Jamaica (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.

(4) PLEDGES RECEIVABLE

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

Pledges receivable are due as follows at December 31, 2013:

Less than one year	\$448,525
One to three years	<u>71,803</u>
	520,328
Less - allowance for doubtful pledges	3,231
Less - current portion	<u>448,525</u>
Long-term pledges receivable, net	<u>\$ 68,572</u>

There were no long-term pledges at December 31, 2012.

MUSTARD SEED COMMUNITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

(Continued)

(5) LEASE AGREEMENTS

The Organization maintains its headquarters in Medfield, Massachusetts, under a two-year lease with monthly payments of \$1,200 that expired on July 31, 2012. This lease was renewed in August, 2012, with the same monthly payments, and expires on July 31, 2014. During fiscal years 2013 and 2012, the Organization incurred \$14,400 of rent expense associated with this lease. Remaining minimum lease payments under the Medfield lease agreement are \$8,400 for 2014.

(6) COMMITMENTS

The Organization has a service contract for an online fundraising application. The contract, revised in April, 2012, requires advanced fixed quarterly payments of \$5,475, plus a contingent fee of zero to 5.5% of certain transactions processed online. The contract expires on November 30, 2014. Contingent payments totaled \$35,019 and \$27,109 for the years ended December 31, 2013 and 2012, respectively, and are reflected as donation processing fees in the accompanying statements of functional expenses. The fixed quarterly payments are reflected in financial and internet fees in the accompanying statements of functional expenses. Remaining minimum fixed quarterly payments (excluding the fee for online transactions) under the contract are \$20,075 for 2014.

(7) CONCENTRATIONS

The Organization maintains its cash balances in three banks in Massachusetts. The Federal Deposit Insurance Corporation insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. 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.

Concentrations of pledges receivable are as follows for the years ended December 31:

<u>Donor</u>	<u>2013</u>	<u>2012</u>
A	38%	17%
B	30%	0%
C	6%	17%