

MANSFIELD MISSION CENTER, INC.

Mansfield, Texas

Financial Statements

Year Ended December 31, 2021

MANSFIELD MISSION CENTER, INC.

Financial Statements
Year Ended December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mansfield Mission Center, Inc.
Mansfield, Texas

Opinion

We have audited the accompanying financial statements of Mansfield Mission Center, Inc. (the "MMC"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mansfield Mission Center, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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

Management's Responsibilities 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.

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 MMC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards 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, including omissions, 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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards, 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 MMC'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 MMC'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.

PSK LLP

Arlington, Texas
September 28, 2022

MANSFIELD MISSION CENTER, INC.
Statement of Financial Position
December 31, 2021

ASSETS

Cash and cash equivalents	\$ 889,744
Inventory	49,369
Other assets	819
Investments	
Time deposits	233,011
Joint venture	1,848,531
Physical properties, net	<u>1,085,454</u>
Total assets	<u>\$ 4,106,928</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ 6,967
Note payable	<u>229,300</u>
Total liabilities	<u>236,267</u>
Net Assets	
Without donor restrictions	3,730,387
With donor restrictions	<u>140,274</u>
Total net assets	<u>3,870,661</u>
Total liabilities and net assets	<u>\$ 4,106,928</u>

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

MANSFIELD MISSION CENTER, INC.

Statement of Activities
Year Ended December 31, 2021

Changes in net assets without donor restrictions:

Revenues	
Contributions	\$ 372,080
Thrift store sales	900,457
Special events	128,845
Net investment returns	15,742
Paycheck Protection Program loan forgiven	225,100
Noncash contributions	988,452
	<u>2,630,676</u>
Net assets released from restrictions	<u>24,812</u>
 Total revenues	 <u>2,655,488</u>
Expenses	
Program expenses	
Client programs	439,837
Thrift store	1,520,673
Linda Nix Clinic	441,580
	<u>2,402,090</u>
Supporting services	
Fundraising	136,832
General and administrative	163,390
	<u>300,222</u>
 Total expenses	 <u>2,702,312</u>
 Change in net assets without donor restrictions	 <u>(46,824)</u>
Changes in net assets with donor restrictions:	
Grants	162,436
Net assets released from restrictions	<u>(24,812)</u>
 Change in net assets with donor restrictions	 <u>137,624</u>
 Change in net assets	 90,800
Net assets at beginning of the year, as restated	<u>3,779,861</u>
 Net assets at end of the year	 <u>\$ 3,870,661</u>

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

MANSFIELD MISSION CENTER, INC.

Statement of Functional Expenses

Year Ended December 31, 2021

	Client Programs	Thrift Store	Linda Nix Clinic	Fundraising	General and Administrative	Total
Emergency assistance	\$ 67,839	\$ -	\$ -	\$ -	\$ -	\$ 67,839
Food pantry goods	69,553	-	-	-	-	69,553
Disaster relief	28,332	-	-	-	-	28,332
Financial empowerment	1,556	-	-	-	-	1,556
Employment services	6,423	-	-	-	-	6,423
Supplies	7,679	11,667	45,672	774	693	66,485
Personnel	217,019	517,017	245,109	97,536	67,618	1,144,299
Advertising	-	-	-	2,500	-	2,500
Administration	203	206	-	-	4,523	4,932
Bank and processing fees	-	12,444	-	-	1,004	13,448
Dues and subscriptions	-	1,334	815	1,261	2,558	5,968
Meals and entertainment	30	161	-	-	245	436
Insurance	3,907	11,378	4,239	-	2,247	21,771
Janitorial	535	25,467	1,376	-	393	27,771
Marketing	753	476	-	4,995	89	6,313
Miscellaneous	442	91	441	187	69	1,230
Office expense	8,406	2,750	1,730	909	7,203	20,998
Meeting and event costs	75	86	302	21,806	3,253	25,522
Professional development	649	-	-	-	6,684	7,333
Professional fees	5,983	14,253	7,535	2,689	21,894	52,354
Cost of goods sold	-	847,514	-	-	-	847,514
Rent expense	-	23,264	-	-	-	23,264
Repairs and maintenance	328	2,606	4,408	-	245	7,587
Security	-	3,004	1,524	-	40	4,568
Information technology	5,470	2,584	3,924	3,872	39,913	55,763
Utilities	-	27,539	11,963	177	2,345	42,024
Transportation	12,667	608	-	-	-	13,275
Volunteer support	152	3,475	328	126	-	4,081
Donated facilities	1,029	7,147	22,173	-	1,331	31,680
Donated services	-	-	72,662	-	-	72,662
Depreciation	807	5,602	17,379	-	1,043	24,831
Total expenses	<u>\$ 439,837</u>	<u>\$ 1,520,673</u>	<u>\$ 441,580</u>	<u>\$ 136,832</u>	<u>\$ 163,390</u>	<u>\$ 2,702,312</u>

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

MANSFIELD MISSION CENTER, INC.Statement of Cash Flows
Year Ended December 31, 2021

Cash flows from operating activities:	
Change in net assets	\$ 90,800
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:	
Depreciation	24,831
Investment gains	(11,457)
Paycheck Protection Program loan forgiven	(225,100)
(Increase) decrease in assets:	
Inventory	16,845
Other assets	2,908
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(11,445)
Accrued unrelated business income tax	<u>(115,659)</u>
Net cash and cash equivalents used in operating activities	<u>(228,277)</u>
Cash flows from investing activities:	
Proceeds from maturity of time deposits	1,155,989
Investment in joint venture	(1,848,531)
Purchases of physical properties	<u>(80,216)</u>
Net cash and cash equivalents used in investing activities	<u>(772,758)</u>
Cash flows from financing activities:	
Borrowings on notes payable	<u>229,300</u>
Change in cash and cash equivalents	(771,735)
Cash and cash equivalents at beginning of the year	<u>1,661,479</u>
Cash and cash equivalents at end of the year	<u>\$ 889,744</u>
Supplemental cash flow information:	
Cash paid for income taxes	<u>\$ 115,659</u>

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

MANSFIELD MISSION CENTER, INC.
Notes to Financial Statements

1 - Historical Background

Mansfield Mission Center, Inc. ("MMC") is incorporated in the state of Texas as a nonprofit organization. MMC is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code as other than a private foundation. MMC's function is to empower people who are experiencing crisis or living in poverty to realize economic self-sufficiency and wholeness.

2 - Significant Accounting Policies

Basis of Accounting - The financial statements of MMC have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the obligation is incurred. The financial statements of MMC have been prepared using accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of Presentation - Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When restrictions on donor-restricted contributions are met in the same year as received, they are reported as support within net assets without donor restrictions.

Revenue Recognition - Revenues and support for MMC are primarily derived from grants, contributions from the community, Thrift Store sales, and special events. Revenues related to grants and contributions generally are recognized when the funds are received. Revenues related to Thrift Store sales, special events, and rental income are recognized over the period during which services are rendered. All revenues are recognized in an amount that reflects the consideration MMC has received or expects to receive in exchange for those services.

Performance Obligations - Performance obligations related to Thrift Store sales and special events are satisfied when the sale is made to the customer or when the event occurs. Performance obligations related to rental income are satisfied over the period of time for which MMC has made resources available for the customer's use.

Programs - MMC pursues its objectives through the execution of the following programs:

Client Programs - Provides various programs to empower those in crisis, including C.A.R.E. (Care, Assistance, Resources, Empowerment), Food Pantry, Robin's Wings, Jobs for Life, and Assist Through Education.

Thrift Store - Sells/provides clothing and household items to clients of the C.A.R.E. program as well as the general public by utilizing donated goods.

Linda Nix Clinic - Promotes physical, financial, and relational wellbeing and provides medical, vision, and dental services to uninsured adults and low to moderate income residents of Mansfield.

MANSFIELD MISSION CENTER, INC.
Notes to Financial Statements

2 - Significant Accounting Policies (continued)

Cash and Cash Equivalents - MMC considers all bank deposits and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Investments - MMC holds time deposits issued by the Texas Methodist Foundation with minimum terms of one year and an interest rate of 0.50%. These investments are carried at cost plus accrued interest.

The Organization also holds a 50% stake in a real estate joint venture which is valued under the equity method of accounting.

Inventory - Inventory consists of items donated to the Thrift Store. The fair value of the items is not easily measurable or verifiable with sufficient reliability at the time of donation; accordingly, MMC values the items after sale. In accordance with this policy, \$830,668 was recognized as noncash contributions in the statement of activities.

Physical Properties - Property and equipment are recorded at cost, if purchased, and fair market value at date of donation, if contributed. Maintenance, repairs, and minor renewals that do not significantly improve or extend the lives of the representative assets are expensed when incurred. Additions, improvements, and major renewals are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings and improvements	20 to 40 years
Equipment	3 to 10 years
Vehicles	5 years

Donated Goods and Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. During the year ended December 31, 2021, MMC received donations of food pantry items valued at \$85,122 in the statement of activities.

Donated Services - MMC receives contributions of services from various sources. For donated services of volunteers with specialized skills, contributions are recorded at the fair value of the services provided. Revenue is recognized as services are received, and the related expenses are reflected in the appropriate functional area that received the benefits of the services provided. During the year ended December 31, 2021, revenue of \$72,662 was recognized related to physician services that were contributed to the Linda Nix Clinic.

Compensated Absences - Employees of MMC are entitled to paid vacation, depending upon length of service and other factors. MMC cannot reasonably estimate the amount of compensation for future absences; accordingly, no liability has been recorded in the accompanying financial statements. MMC's policy is to recognize the cost of compensated absences when paid to employees.

Use of Estimates - Management used estimates and assumptions in preparing these financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of estimates of time and effort and utilization of facilities.

MANSFIELD MISSION CENTER, INC.
Notes to Financial Statements

2 - Significant Accounting Policies (continued)

Income Taxes - MMC follows the Income Taxes topic of the FASB ASC, which prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. MMC is not aware of any activities that would jeopardize its tax-exempt status; however, certain activities not related to MMC's tax exempt purpose are subject to taxation as unrelated business income. As of December 31, 2021, MMC has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and does not expect this to change in the next twelve months. The 2018 through 2021 tax years remain subject to examination by the Internal Revenue Service.

3 - Liquidity and Availability of Resources

MMC operates under a budget, and its Board of Directors (the "Board") is responsible for monitoring the liquidity necessary to meet MMC's operating needs and meets periodically throughout the year to evaluate the actual results of financial operations versus the budget. Additionally, at times, MMC maintains donor-restricted funds purposed for various other activities consistent with the mission of MMC. MMC management, in accordance with MMC policy and/or in collaboration with the Board, appropriates resources from donor-restricted funds as needed.

Financial assets available for general expenditure, that is, without donor restrictions limiting their use or without requiring specific action of the Board, within one year of the date of the statement of financial position, are comprised of the following:

Cash and cash equivalents	\$	889,744
Time deposits		233,011
		1,122,755
Donor-restricted net assets		(140,274)
Financial assets available to meet general expenditure needs within one year	\$	982,481

4 - Investment in Joint Venture

During 2021, MMC invested \$1,848,531, which represents 50% ownership in a joint venture known as 78 Regency Parkway LLC (the "LLC"), in conjunction with the purchase of real estate to be used for office space and certain ministry efforts. The LLC's application for recognition as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code was approved on June 17, 2022. As of the date of the Auditors' Report, an application for LLC's property tax exemption was still pending approval by the Tarrant Appraisal District.

Arlington-Mansfield Area YMCA (the "YMCA"), which is the managing member of the LLC obtained a 50% ownership interest as well by contributing cash and securing \$1,600,000 in financing for the LLC. The YMCA is obligated to repay the \$1,600,000 in debt, but if MMC is required to make additional contributions to cure a default by YMCA, MMC's ownership interest would increase accordingly, based upon the amount of the additional capital contributions.

MANSFIELD MISSION CENTER, INC.
Notes to Financial Statements

5 - Physical Properties

Physical properties were comprised of the following at December 31, 2021:

Land	\$ 475,786
Buildings and improvements	618,776
Equipment	60,392
Vehicles	798
	<u>1,155,752</u>
Less: accumulated depreciation	(70,298)
Physical properties, net	<u>\$ 1,085,454</u>

6 - Notes Payable

In April 2020, MMC secured a note payable under the Small Business Administration (“SBA”) Paycheck Protection Program in the amount of \$225,100 (“PPP1”). Under the terms of PPP1, all or a portion of the loan was eligible for forgiveness for amounts that were used for qualifying purposes under SBA requirements. In May 2021, MMC received notification that its \$225,100 PPP1 note payable had been forgiven in full, so this amount is recorded as revenue in the accompanying statement of activities.

In January 2021, MMC secured a second note payable under the SBA Paycheck Protection Program in the amount of \$229,300 (“PPP2”). Under the terms of PPP2, all or a portion of the loan is eligible for forgiveness for amounts that are used for qualifying purposes under SBA requirements. Management was notified that that loan was forgiven by the SBA on January 3, 2022. This loan will be recognized as revenue in the 2022 statement of activities.

7 - Net Assets With Donor Restrictions

The \$140,274 balance of net assets with donor restrictions as of December 31, 2021 primarily relates to grants for which the donors have imposed purpose or time restrictions. These restrictions require MMC to use the funds for various ministry needs of for future periods as outlined in the grants. During the year ended December 31, 2021, net assets with donor restrictions in the amount of \$24,812 had been expended in accordance with donor restrictions and have been reclassified to net assets without donor restrictions.

8 - Commitments and Contingencies

The Thrift Store is obligated on a 6-year lease for its premises that commenced on April 1, 2020. Rent for the first year was \$10, while the second annual period rent was 40% of market value of the premises. In the third year, the rent increases to 75% of the market value. Rent for the final three years is 100% of market value. MMC paid \$23,264 in rents during the year ended December 31, 2021 under this arrangement.

The Linda Nix Clinic occupies a building that was donated to MMC on March 15, 2019. MMC is obligated to use the property for nonprofit charitable purposes for thirty years, or the property shall revert to the donor.

MANSFIELD MISSION CENTER, INC.
Notes to Financial Statements

9 - Prior Period Adjustment

MMC sold real estate in 2020 at a substantial gain, which was subject to unrelated business income taxes of \$115,659. The taxes were paid in 2021; however, management did not accrue the income taxes in the 2020 financial statements in accordance with generally accepted accounting principles. Accordingly, a prior period adjustment has been made to restate beginning net assets in the 2021 financial statements:

Net assets as of December 31, 2020, as originally reported	\$ 3,895,520
Prior period adjustment to accrue income taxes	(115,659)
Net assets as of December 31, 2020, as restated	<u>\$ 3,779,861</u>

10 - Subsequent Events

Subsequent events have been evaluated through September 28, 2022, which is the date the financial statements were available to be issued.