

MANSFIELD MISSION CENTER, INC.

Mansfield, Texas

Financial Statements

Year Ended December 31, 2022

MANSFIELD MISSION CENTER, INC.

Financial Statements
Year Ended December 31, 2022

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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 "Organization"), which comprise the statement of financial position as of December 31, 2022, 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, 2022, 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 the Organization 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 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.

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 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.

PSK LLP

Arlington, Texas
October 25, 2023

MANSFIELD MISSION CENTER, INC.
Statement of Financial Position
December 31, 2022

ASSETS

Cash and cash equivalents	\$ 420,253
Inventory	89,473
Other assets	819
Investment in joint venture	1,811,044
Physical properties, net	<u>1,395,005</u>
Total assets	<u>\$ 3,716,594</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ 14,711
Construction and retainage payable	<u>73,433</u>
Total liabilities	<u>88,144</u>
Net Assets	
Without donor restrictions	3,564,117
With donor restrictions	<u>64,333</u>
Total net assets	<u>3,628,450</u>
Total liabilities and net assets	<u>\$ 3,716,594</u>

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

MANSFIELD MISSION CENTER, INC.

Statement of Activities
Year Ended December 31, 2022

Changes in net assets without donor restrictions:

Revenues	
Contributions	\$ 274,642
Thrift store sales	1,003,361
Special events	155,588
Other income	9,491
Paycheck Protection Program loan forgiven	229,300
Noncash contributions	<u>1,138,789</u>
	2,811,171
Net assets released from restrictions	<u>178,441</u>
Total revenues	<u>2,989,612</u>
Expenses	
Program expenses	
Client programs	570,517
Thrift store	1,478,547
Linda Nix Clinic	<u>323,130</u>
Total program expenses	<u>2,372,194</u>
Supporting services	
Fundraising	306,599
General and administrative	<u>477,089</u>
Total supporting services	<u>783,688</u>
Total expenses	<u>3,155,882</u>
Change in net assets without donor restrictions	<u>(166,270)</u>
Changes in net assets with donor restrictions:	
Grants	102,500
Net assets released from restrictions	<u>(178,441)</u>
Change in net assets with donor restrictions	<u>(75,941)</u>
Change in net assets	(242,211)
Net assets at beginning of the year	<u>3,870,661</u>
Net assets at end of the year	<u>\$ 3,628,450</u>

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

MANSFIELD MISSION CENTER, INC.Statement of Functional Expenses
Year Ended December 31, 2022

	Client Programs	Thrift Store	Linda Nix Clinic	Fundraising	General and Administrative	Total
Emergency assistance	\$ 52,469	\$ -	\$ -	\$ -	\$ -	\$ 52,469
Food pantry goods	226,775	-	-	-	-	226,775
Community outreach	6,626	-	-	-	-	6,626
Financial empowerment	1,494	-	-	-	-	1,494
Employment services	240	-	-	-	-	240
Counseling services	17,145	-	-	-	-	17,145
Supplies	7,731	10,232	20,868	718	539	40,088
Personnel	205,738	421,409	243,922	174,367	290,176	1,335,612
Advertising	-	-	-	-	-	-
Administration	5,812	-	-	-	3,890	9,702
Bank and processing fees	-	25,477	-	-	-	25,477
Dues and subscriptions	-	1,272	810	1,215	2,487	5,784
Meals and entertainment	-	-	-	-	149	149
Insurance	3,483	10,063	3,870	-	2,273	19,689
Janitorial	654	29,741	1,634	-	654	32,683
Marketing	-	-	-	23,403	-	23,403
Miscellaneous	-	-	-	-	870	870
Office expense	9,492	2,906	1,898	1,187	8,304	23,787
Meeting and event costs	-	-	-	41,821	3,954	45,775
Professional development	-	-	-	-	4,499	4,499
Professional fees	6,997	14,332	7,327	5,930	31,138	65,724
Cost of goods sold	-	861,470	-	-	-	861,470
Occupancy	-	59,286	-	40,195	68,292	167,773
Repairs and maintenance	4,530	4,530	-	-	4,667	13,727
Security	-	2,300	1,239	-	-	3,539
Information technology	5,901	2,951	4,131	11,939	42,490	67,412
Utilities	-	24,266	12,133	5,824	6,309	48,532
Transportation	14,346	-	-	-	599	14,945
Volunteer support	-	-	-	-	4,353	4,353
Depreciation	1,084	8,312	25,298	-	1,446	36,140
Total expenses	<u>\$ 570,517</u>	<u>\$ 1,478,547</u>	<u>\$ 323,130</u>	<u>\$ 306,599</u>	<u>\$ 477,089</u>	<u>\$ 3,155,882</u>

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

MANSFIELD MISSION CENTER, INC.Statement of Cash Flows
Year Ended December 31, 2022

Cash flows from operating activities:	
Change in net assets	\$ (242,211)
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:	
Depreciation	36,140
Appreciation of time deposits	(1,115)
Change in value of joint venture	37,487
Paycheck Protection Program loan forgiven	(229,300)
(Increase) decrease in assets:	
Inventory	(40,104)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	<u>7,744</u>
Net cash and cash equivalents used in operating activities	<u>(431,359)</u>
Cash flows from investing activities:	
Proceeds from maturity of time deposits	234,126
Purchases of physical properties	<u>(272,258)</u>
Net cash and cash equivalents used in investing activities	<u>(38,132)</u>
Change in cash and cash equivalents	(469,491)
Cash and cash equivalents at beginning of the year	<u>889,744</u>
Cash and cash equivalents at end of the year	<u>\$ 420,253</u>
Supplemental cash flow information:	
Construction in progress accrued as construction and retainage payable	<u>\$ 73,433</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").

Adoption of New Accounting Standard - In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a right-of-use asset and a lease liability for most leases on the statement of financial position as well as other qualitative and quantitative disclosures. ASU 2016-02 is to be applied using a modified retrospective method and became effective for MMC on January 1, 2022. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing organizations to recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption, with no restatement of comparative prior periods required. MMC adopted the standard using this optional transition method.

The FASB has provided certain practical expedients in applying the standard. Of the allowed practical expedients within the standard, MMC elected the package of practical expedients which, among other things, allowed for historical lease classification to be carried forward upon adoption of the standard. MMC did not elect the hindsight practical expedient when determining the lease term for existing leases. In addition, MMC did not separate non-lease components from lease components by class of underlying assets where appropriate and MMC did not apply the recognition requirements of the standard to short-term leases with an initial term of 12 months or less, as allowed by the standard. The adoption of the standard had no impact on MMC's financial statements as of January 1, 2022.

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.

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.

MANSFIELD MISSION CENTER, INC.
Notes to Financial Statements

2 - Significant Accounting Policies (continued)

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 and special events 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.

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.

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.

Investment in Joint Venture - MMC 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.

Leases - MMC recognizes a right-of-use asset and a lease liability on the effective date of a lease agreement. Right-of-use assets represent the right to use an underlying asset over the lease term and lease liabilities represent the obligation to make lease payments resulting from the lease agreement. MMC initially records these assets and liabilities based on the present value of lease payments over the lease term calculated using its incremental borrowing rate applicable to the leased asset or the implicit rate within the lease agreement if it is readily determinable. Lease agreements with lease and non-lease components are combined as a single lease component. Right-of-use assets additionally include net prepaid lease expenses. Options to extend or terminate an agreement are included in the lease term when it becomes reasonably certain the option will be exercised. Leases with an initial term of 12 months or less, short-term leases, are not recorded on the statement of financial position for all underlying asset classes. Lease expense for short-term and long-term operating leases is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred.

MANSFIELD MISSION CENTER, INC.
Notes to Financial Statements

2 - Significant Accounting Policies (continued)

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.

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, 2022, the Linda Nix Clinic benefited from 517 hours of such services valued at hourly rates ranging from \$17 to \$98 per hour.

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.

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.

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, 2022, 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 2019 through 2022 tax years remain subject to examination by the Internal Revenue Service.

Subsequent Events - Subsequent events have been evaluated through October 25, 2023, which is the date the financial statements were available to be issued.

MANSFIELD MISSION CENTER, INC.
Notes to Financial Statements

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	\$	420,253
Donor-restricted net assets		<u>(64,333)</u>
Financial assets available to meet general expenditure needs within one year		<u>\$ 355,920</u>

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.

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.

During 2022, MMC advanced \$63,000 to the LLC for the routine operation of the property, while total expenses allocated as occupancy in the statement of functional expenses was \$100,487.

5 - Physical Properties

Physical properties were comprised of the following at December 31, 2022:

Land	\$	475,786
Buildings and improvements		626,276
Equipment		69,684
Vehicles		9,261
Construction in progress		<u>320,436</u>
		1,501,443
Less: accumulated depreciation		<u>(106,438)</u>
Physical properties, net		<u>\$ 1,395,005</u>

MANSFIELD MISSION CENTER, INC.
Notes to Financial Statements

6 - Notes Payable

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

7 - Net Assets With Donor Restrictions

The \$64,333 balance of net assets with donor restrictions as of December 31, 2022 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 or for future periods as outlined in the grants. During the year ended December 31, 2022, net assets with donor restrictions in the amount of \$178,441 had been expended in accordance with donor restrictions and have been reclassified to net assets without donor restrictions.

8 - Noncash Contributions

Donations of services, goods, and facility space for the year ended December 31, 2022 had no donor-imposed restrictions and consisted of the following:

Thrift Store goods	\$ 901,574
Food Pantry items	200,704
Linda Nix Clinic specialized services	28,511
Facilities	<u>8,000</u>
	<u>\$ 1,138,789</u>

The Thrift Store goods were used in program services and were valued at their sales prices, as the fair value of resale items is not easily measurable or verifiable with sufficient reliability.

The Food Pantry items were used in program services and were valued at their estimated fair value based on \$1 per pound, which is an industry standard for such donations.

The Linda Nix Clinic specialized services were used in program services and were valued at their estimated fair values based on the market rates for similar services.

The facilities were used in supporting services and were valued at their estimated fair value based on the market rate for similar facility rentals.

9 - Commitments and Contingencies

The Thrift Store is obligated on a 6-year lease for its premises that commenced on April 1, 2020, but MMC has the right to cancel the lease subject to a 30-day notice period. 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 increased to 75% of the market value. Rent for the final three years will be based upon 100% of market value. MMC paid \$59,285 in rents during the year ended December 31, 2022 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.

As of December 31, 2022, MMC was party to construction contracts for improvements to its joint venture property with approximately \$123,000 in remaining commitments. Subsequent to year-end, an additional construction contract with an approximate commitment of \$44,000 was executed.