



MISSION CENTRAL

YEAR ENDED
DECEMBER 31, 2020



BROWN SCHULTZ
SHERIDAN & FRITZ

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

MISSION CENTRAL, INC.

YEAR ENDED DECEMBER 31, 2020

TABLE OF CONTENTS

	Page
Independent auditor's report	1-2
Financial statements:	
Statement of assets, liabilities and net assets – modified cash basis	3
Statement of revenues, expenses and change in net assets – modified cash basis	4
Statement of functional expenses – modified cash basis	5
Statement of cash flows – modified cash basis	6
Notes to financial statements	7-15

Independent Auditor's Report

Board of Directors
Mission Central, Inc.
Mechanicsburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Mission Central, Inc. (the Organization), which comprise the statement of assets, liabilities and net assets – modified cash basis as of December 31, 2020 and the related statement of revenues, expenses and change in net assets – modified cash basis, functional expenses – modified cash basis and cash flows – modified cash basis for the year 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Organization'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 Organization'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 assets, liabilities and net assets of Mission Central, Inc. as of December 31, 2020 and its revenues, expenses and changes in net assets and cash flows for the year then ended, in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Brown Schultz Steindler & Fritz

Camp Hill, Pennsylvania
July 23, 2021

MISSION CENTRAL, INC.

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS – MODIFIED CASH BASIS
DECEMBER 31, 2020

ASSETS

Cash	\$ 331,850
Buildings, vehicles and equipment, net	2,865,167
Investments in Stewardship Foundation	<u>11,873</u>
Total assets	<u><u>\$ 3,208,890</u></u>

LIABILITIES AND NET ASSETS

Total liabilities, commercial loan	\$ 462,314
Net assets without donor restrictions	<u>2,746,576</u>
Total liabilities and net assets	<u><u>\$ 3,208,890</u></u>

See notes to financial statements.

MISSION CENTRAL, INC.

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS -
MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2020

Support:

Contributions and gifts	\$ 389,314
In-kind contributions	2,641,858
Grants	85,000
Special events	12,247
Rental income	24,449
Investment income	723
Unrealized gain on investments	988
Miscellaneous	5,117

Total support

3,159,696

Expenses:

Program services	451,991
Management and general	11,446
Fundraising	6,291

Total expenses

469,728

Change in net assets

2,689,968

Net assets without donor restrictions:

Beginning of year	56,608
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End of year

\$ 2,746,576

See notes to financial statements.

MISSION CENTRAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2020

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 75,952	\$ 3,195	\$ 2,331	\$ 81,478
Payroll taxes	4,999	244	210	5,453
Employee benefits	54,168	842	802	55,812
Company vehicle	1,045			1,045
Depreciation	35,611	222		35,833
Debt issuance costs		6,678		6,678
Interest	7,230	55		7,285
Insurance	4,020	66	32	4,118
Minor equipment and supplies	239,858			239,858
Office supplies	846			846
Other	6,816			6,816
Printing and postage	2,546		1,698	4,244
Repairs and maintenance	5,937	45		5,982
Special events			1,218	1,218
Utilities	12,963	99		13,062
Total	\$ 451,991	\$ 11,446	\$ 6,291	\$ 469,728

See notes to financial statements.

MISSION CENTRAL, INC.

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities:

Increase in net assets	<u>\$ 2,689,968</u>
Adjustments:	
Depreciation	35,833
Unrealized gains on investments	(988)
Realized gain on investments	(207)
In-kind building, vehicles and equipment contributions net of long-term debt	<u>(2,402,000)</u>
Total adjustments	<u>(2,367,362)</u>

Net cash provided by operating activities **322,606**

Cash flows used in financing activities, repayment of loan principal **(36,686)**

Net increase in cash **285,920**

Cash:

Beginning of year	<u>45,930</u>
End of year	<u><u>\$ 331,850</u></u>

Supplemental disclosure of cash flow information,
cash paid during the year for interest \$ 7,285

Supplemental disclosure of noncash activities:

During 2020, Susquehanna Conference of the United Methodist Church transferred the assets related to Mission Central, Inc. to the Organization as a noncash in-kind donation. See note 9 for summary of assets transferred.

See notes to financial statements.

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

1. Nature of the Organization and summary of significant accounting policies:

Nature of the Organization:

Mission Central, Inc. (the Organization or Mission Central) is a nonprofit corporation registered with the IRS under section 501(c)(3) and with the Pennsylvania Bureau of Corporations and Charitable Organizations. Mission Central first opened in 2002 as a mission of the Central Pennsylvania Conference of the United Methodist Church, now known as the Susquehanna Conference (the Conference). In June 2017, a newly formed non-profit corporation, Mission Central, Inc. was established. In August 2020, the assets and operations of Mission Central migrated from the Conference to Mission Central, Inc. Although Mission Central, Inc. is now a separate entity, they retain a close affiliation and partnership with the Conference.

The Organization's mission is "Connecting God's Resources with Human Need." This is accomplished by following three areas of focus: Mission Outreach, Mission Education and Disaster Response. By partnering with over 500 different organizations, they provide resources to groups who are doing humanitarian work locally, across the country and around the world. Additionally, the Organization stands ready to respond to all weather-related disasters or emergencies that occur.

Mission Central is one of six warehouses that provide the United Methodist Committee on Relief (UMCOR), an organization that provides disaster relief and humanitarian aid to over 80 countries worldwide, with all of their needed resources used in disaster response efforts. In an average year, the Organization sends over 11,000 cleaning buckets and more than 45,000 hygiene and school kits to hurricane affected areas in the United States, a value of around \$1.5 million. The Organization's relief efforts are not limited to UMCOR. Over half of the aid they provide stays in Pennsylvania. In 2020 alone, the aid value distributed to those in need was over \$10.9 million and aided over 3.3 million people.

The Organization receives substantially all of its revenue from contributions, bequests and grants from individuals and other organizations.

Basis of accounting:

The financial statements have been prepared on the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Under this basis of accounting, support and revenues and the related assets are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Consequently, the Organization has not recognized any potential accounts receivable from third parties or accounts payable to vendors and their related effects on the net assets in the accompanying financial statements.

Modifications to the cash basis of accounting include capitalizing and depreciating major fixed asset purchases and donations over their estimated useful lives and recording long term debt.

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

1. Nature of the Organization and summary of significant accounting policies (continued):

Basis of presentation:

The Organization reports information regarding assets and net assets according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

A summary of the net asset categories included in the accompanying financial statements is as follows:

Net assets without donor restrictions – Those assets not restricted by donors or the donor-imposed restrictions have expired.

Net assets with donor restrictions – Resulting from donor-imposed restrictions that permit the Organization to use or expend assets as specified. The restrictions are satisfied by either the passage of time or by actions of the Organization. Also included in this category are net assets resulting from donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Organization to expend all of the income derived from the donated assets for a specified purpose. The Organization did not have any net assets with donor restrictions for the year ended December 31, 2020.

Cash and cash equivalents:

For purposes of reporting cash flows, the Organization considers all investments with a maturity of three months or less when acquired to be cash equivalents.

Investments:

Investments are carried at fair value. Unrealized gains and losses are included in the change in net assets.

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

1. Nature of the Organization and summary of significant accounting policies (continued):

Fixed assets:

Fixed assets are defined by the Organization as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of a year. Major fixed asset purchases and donations are capitalized and depreciated over their estimated useful lives ranging from 5 to 40 years. Fixed asset purchases are capitalized at cost and major fixed asset donations are capitalized at the fair value at the time of donation.

Revenue recognition:

The Organization generates revenue from contributions, grants, special events, rental income and investment income.

The Organization receives contributions and grants from individuals, foundations, non-profit organizations and businesses. In accordance with the modified cash basis of accounting, contribution and grant revenue is recognized as revenue when received. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of revenues, expenses and changes in net assets as net assets released from restriction. Contributions, grants and other revenue whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

The Organization holds several events throughout the year to raise funds to support its mission. Individuals and businesses pay a fee to attend the event. Sponsorship opportunities are also available for each event. In accordance with the modified cash basis of accounting, special event revenue is recognized as revenue when received.

The Organization rents warehouse space to other organizations. The Organization signs detailed memorandums of understanding with the other organizations and rent is charged monthly. Rental income is recognized when received in accordance with the modified cash basis of accounting.

Investment income includes interest and dividends, which are recorded as revenue when received. In accordance with the modification to the cash basis of accounting described previously, gains and losses on investments are recorded in order to record investments at their fair value at year-end.

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

1. Nature of the Organization and summary of significant accounting policies (continued):

Contributed services:

The Organization receives a substantial amount of services donated by volunteers in accomplishing its mission. No amounts have been reflected in the financial statements for those services since they are not ordinarily valued under the modified cash basis of accounting. However, a substantial number of volunteers have donated significant amounts of time (approximately 7,400 volunteer hours in 2020) on behalf of the Organization.

Use of estimates:

The preparation of financial statements in accordance with the modified basis of accounting requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.

Income tax status:

The Organization is recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for any income that is unrelated business income which is taxed at statutory corporate tax rates. There were no income taxes due for unrelated business income for the year ended December 31, 2020.

Functional Expenses:

Natural expenses attributable to more than one functional category are allocated based on management's estimate of staff time and square footage of the building used for program and management and general activities. Costs directly related to program, management and general or fundraising activities are charged directly to the appropriate category.

2. Concentrations:

Credit risk:

Financial instruments that subject the Organization to concentrations of credit risk include cash and money market accounts. The Organization maintains its cash deposits at two banks. These deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each bank. The Organization's uninsured balance totaled \$53,401 as of December 31, 2020.

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

3. Investments:

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP) and requires expanded disclosures about fair value measurements. ASC 820 establishes a hierarchy that ranks the quality and reliability of inputs, or assumptions, used in the determination of fair value and requires financial assets carried at fair value to be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices in active markets for identical assets
- Level 2 – Directly or indirectly observable inputs other than Level 1 quoted prices
- Level 3 – Unobservable inputs not corroborated by market data

For financial instruments that have quoted market prices in active markets, the Organization uses the quoted market prices as fair values and includes those financial instruments in Level 1 of the fair value hierarchy. When quoted market prices in active markets are not available, various pricing services are used to determine fair value and financial instruments are included in Level 2 of the fair value hierarchy. The United Methodist Stewardship Foundation investments held by a third party are measured using the fair value of the assets held in the fund as reported by the trustee and are considered Level 2 measurements since the Organization does not have the ability to direct the trustee to liquidate those assets.

Investments at December 31, 2020 consisted of the following:

	<u>Cost</u>	<u>Fair value</u>
Level 2, United Methodist Stewardship Foundation:		
Equity fund	\$ 6,784	\$ 8,528
Fixed fund	<u>3,249</u>	<u>3,345</u>
Total	<u>\$ 10,033</u>	<u>\$ 11,873</u>

4. Financial assets and liquidity resources:

The Organization's primary cash flows are received at various times throughout the year and are attributed to contributions received and special events held. These cash flows could contain donor-imposed restrictions. The Organization maintains a policy of structuring its financial assets to be available as its general expenditures and other obligations become due.

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

4. Financial assets and liquidity resources (continued):

To manage liquidity, the Organization maintains checking, savings and investment accounts with financial institutions that can be drawn upon as needed during the year. As of December 31, 2020, checking and savings accounts totaled \$331,850 and investment accounts totaled \$11,873. The Organization also maintains a \$90,000 line of credit with a bank that can be drawn upon as needed during the year to manage cash flows. There was no outstanding balance on the line of credit at December 31, 2020.

5. Buildings, vehicles and equipment:

Buildings, vehicles and equipment at December 31, 2020 consisted of the following:

	<u>2020</u>
Buildings	\$ 2,801,700
Vehicles	25,000
Equipment	<u>74,300</u>
	2,901,000
Less accumulated depreciation	<u>35,833</u>
Buildings, vehicles and equipment, net	<u><u>\$ 2,865,167</u></u>

6. Long-term debt:

On August 5, 2020, the Organization executed a commercial loan with a credit union to refinance the mortgage loan held by the Susquehanna Conference that was transferred to the Organization when the organization separated from the Susquehanna Conference. The loan principal amount was \$499,000. The loan's interest rate was 4.25%. Quarterly principal and interest payments of \$8,125 are due beginning on November 1, 2020 and on the same day each third month thereafter with a final payment of the entire unpaid principal and interest due on August 1, 2035. The loan is secured by the property at 5 Pleasant View Drive, Mechanicsburg, PA 17050. The loan contains a provision that in an event of default, outstanding amounts become immediately due.

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

6. Long-term debt (continued):

Commercial loan activity for the year ended December 31, 2020 was as follows:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Commercial Loan	<u>\$ -</u>	<u>\$ 499,000</u>	<u>\$ 36,686</u>	<u>\$ 462,314</u>	<u>\$ 12,954</u>

The following summarizes the principal and interest due based on the terms of the agreements and the current amount outstanding at December 31, 2020:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 12,954	\$ 19,544	\$ 32,498
2022	13,516	18,982	32,498
2023	14,103	18,395	32,498
2024	14,665	17,833	32,498
2025	15,352	17,146	32,498
2026-2030	87,306	75,184	162,490
2031-2035	<u>304,418</u>	<u>50,086</u>	<u>354,504</u>
	<u>\$ 462,314</u>	<u>\$ 217,170</u>	<u>\$ 679,484</u>

7. Line of credit:

The Organization had credit available of \$90,000 as of December 31, 2020 under a line of credit bearing an interest rate of *Wall Street Journal* U.S. Prime Rate with a maximum of 18% and never less than 5% (5% as of December 31, 2020). The line of credit is secured by the property at 5 Pleasant View Drive, Mechanicsburg, PA 17050. As of December 31, 2020, there were no amounts outstanding on the line of credit. There were no draws or repayments on the line of credit during 2020.

8. Retirement plan:

The Organization contributes to a defined contribution retirement plan administered by Wespath Benefits and Investments (Wespath). The Organization contributes 9% of employees' salaries to the plan for all full-time employees that have worked for the Organization for a year or more. The total retirement expense for the year ended December 31, 2020 was \$13,364 and is included in employee benefits.

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

9. Facility rental:

The Organization leases warehouse and office space to various organizations on long-term leases at the 5 Pleasant View Drive location. The leases vary in terms and rates. Minimum lease payments due to the Organization over the next five years are as follows:

2021	\$ 44,653
2022	10,899
2023	<u>533</u>
	<u>\$ 56,085</u>

10. In-kind contributions:

As of August 5, 2020, the Organization finalized the transfer of the Organizations' programs and assets from under the management of Susquehanna Conference of the United Methodist Church to being recognized as its own separate legal entity, Mission Central, Inc. The transfer was considered a non-cash transaction. The assets were transferred at their fair value at the time of transfer. The following summarizes the transfer of assets:

Buildings	\$ 2,801,700
Remaining mortgage	(499,000)
Vehicles	25,000
Equipment	74,300
Other minor equipment and materials	<u>239,858</u>
	<u>\$ 2,641,858</u>

The Organization received contributions from the Conference that represents 86% of total revenue, including in-kind donations, during 2020.

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

11. Impact of COVID-19 pandemic on financial statements:

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has caused business disruption to many industries, due to state government-imposed shutdowns of businesses and other results of the illness, such as cancellation of large group events. While the Organization expects this matter may negatively impact its results, the extent of the impact of COVID-19 on the Organization's operations is highly uncertain and cannot be predicted.

12. Subsequent events:

In April 2021, the Organization secured and received funding totaling \$53,300 from the Paycheck Protection Program, a government program authorizing loans to small businesses to cover payroll costs, rent and utilities costs. The loan may become due if the Organization uses funds for anything besides these costs or does not incur enough of qualified costs. The loan was fully forgiven in June 2021.

The Organization has evaluated subsequent events through July 23, 2021, the date which the financial statements were available to be issued.