



**MISSION
CENTRAL**

**YEARS ENDED
DECEMBER 31, 2021 AND 2020**



**BROWN SCHULTZ
SHERIDAN & FRITZ**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

MISSION CENTRAL, INC.

YEARS ENDED DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

Board of Directors
Mission Central, Inc.
Mechanicsburg, Pennsylvania

Opinion

We have audited the accompanying financial statements of Mission Central, Inc. (the Organization), which comprise the statements of assets, liabilities and net assets – modified cash basis as of December 31, 2021 and 2020 and the related statements of revenues, expenses and changes in net assets – modified cash basis, functional expenses – modified cash basis and cash flows – modified cash basis for the years 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 assets, liabilities and net assets of Mission Central, Inc. as of December 31, 2021 and 2020 and its revenues, expenses and changes in net assets and cash flows for the years then ended, in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinion

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

Emphasis of Matter — Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the 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 Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Brown Schultz Steindam's Fritz

Camp Hill, Pennsylvania
July 7, 2022

MISSION CENTRAL, INC.

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS – MODIFIED CASH BASIS
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 503,568	\$ 331,850
Buildings, vehicles and equipment, net	2,779,167	2,865,167
Charitable unitrust	551,519	
Investments in Stewardship Foundation	13,665	11,873
Total assets	<u>\$ 3,847,919</u>	<u>\$ 3,208,890</u>
LIABILITIES AND NET ASSETS		
Liabilities, commercial loan	\$ 411,647	\$ 462,314
Net assets:		
Without donor restrictions	2,884,753	2,746,576
With donor restrictions	551,519	
Total net assets	<u>3,436,272</u>	<u>2,746,576</u>
Total liabilities and net assets	<u>\$ 3,847,919</u>	<u>\$ 3,208,890</u>

See notes to financial statements.

MISSION CENTRAL, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021		2020	
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions
Support, revenues and gains:				
Contributions and gifts	\$ 450,642		\$ 450,642	\$ 389,314
In-kind contribution		\$ 543,212	543,212	2,641,858
Grants	124,729		124,729	85,000
Special events	75,127		75,127	12,247
Rental income	50,302		50,302	24,449
Investment and interest income	1,252		1,252	516
Realized gains on investments	1,331		1,331	207
Unrealized gains on investments	400		400	988
Miscellaneous	4,174		4,174	5,117
Total support, revenues and gains	707,957	543,212	1,251,169	3,159,696
Expenses:				
Program services	475,110		475,110	451,991
Supporting services:				
Management and general	83,259		83,259	11,446
Fundraising	11,411		11,411	6,291
Total supporting services	94,670		94,670	17,737
Total expenses	569,780		569,780	469,728
Change in value of charitable unitrust		(8,307)	(8,307)	
Total expenses and change in value of charitable unitrust	569,780	(8,307)	561,473	469,728
Changes in net assets	138,177	551,519	689,696	2,689,968
Net assets:				
Beginning of year	2,746,576		2,746,576	56,608
End of year	\$ 2,884,753	\$ 551,519	\$ 3,436,272	\$ 2,746,576

See notes to the financial statements.

MISSION CENTRAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2021

	Program services	Supporting services			Grand total
		Management and general	Fundraising	Total	
Salaries	\$ 221,991	\$ 40,379	\$ 4,158	\$ 44,537	\$ 266,528
Payroll taxes	16,374	2,978	307	3,285	19,659
Employee benefits	64,664	11,762	1,211	12,973	77,637
Public relations	5,414		2,307	2,307	7,721
Company vehicle	3,936				3,936
Depreciation	65,360	20,640		20,640	86,000
Dues and subscriptions	225				225
Interest	16,696	135		135	16,831
Insurance	7,379	472	44	516	7,895
Office supplies	1,437				1,437
Other	11,885	51		51	11,936
Professional fees	3,150	6,550		6,550	9,700
Printing and postage	4,142		1,656	1,656	5,798
Repairs and maintenance	12,294				12,294
Special events			1,728	1,728	1,728
Utilities	40,163	292		292	40,455
Total	\$ 475,110	\$ 83,259	\$ 11,411	\$ 94,670	\$ 569,780

(continued)

MISSION CENTRAL, INC.

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

	Program services	Supporting services			Grand total
		Management and general	Fundraising	Total	
Salaries	\$ 75,952	\$ 3,195	\$ 2,331	\$ 5,526	\$ 81,478
Payroll taxes	4,999	244	210	454	5,453
Employee benefits	54,168	842	802	1,644	55,812
Public relations	1,024				1,024
Company vehicle	1,045				1,045
Depreciation	35,611	222		222	35,833
Debt issuance costs		6,678		6,678	6,678
Interest	7,230	55		55	7,285
Insurance	4,020	66	32	98	4,118
Minor equipment and supplies	239,858				239,858
Office supplies	846				846
Other	5,792				5,792
Printing and postage	2,546		1,698	1,698	4,244
Repairs and maintenance	5,937	45		45	5,982
Special events			1,218	1,218	1,218
Utilities	12,963	99		99	13,062
Total	\$ 451,991	\$ 11,446	\$ 6,291	\$ 17,737	\$ 469,728

See notes to the financial statements.

MISSION CENTRAL, INC.

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Changes in net assets	<u>\$ 689,696</u>	<u>\$ 2,689,968</u>
Adjustments:		
Depreciation	86,000	35,833
Unrealized gains on investments	(400)	(988)
Realized gains on investments	(1,331)	(207)
Change in value of charitable unitrust	(8,307)	
In-kind charitable unitrust and building, vehicles and equipment contributions net of long-term debt	<u>(543,212)</u>	<u>(2,402,000)</u>
Total adjustments	<u>(467,250)</u>	<u>(2,367,362)</u>
Net cash provided by operating activities	<u>222,446</u>	<u>322,606</u>
Cash flows used in investing activities, purchases of investments	<u>(61)</u>	<u>(36,686)</u>
Cash flows used in financing activities, repayment of loan principal	<u>(50,667)</u>	
Net increase in cash	171,718	285,920
Cash:		
Beginning of year	<u>331,850</u>	<u>45,930</u>
End of year	<u>\$ 503,568</u>	<u>\$ 331,850</u>
Supplemental disclosure of cash flow information, cash paid during the year for interest	\$ 16,831	\$ 7,285

Supplemental disclosure of noncash activities:

During the years ended December 31, 2021 and 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 10 for summary of assets transferred.

See notes to the financial statements.

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Nature of the Organization:

Mission Central, Inc. (the Organization) is a nonprofit corporation registered with the IRS under section 501(c)(3) and with the Pennsylvania Bureau of Corporations and Charitable Organizations. The Organization 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 the Organization migrated from the Conference to Mission Central, Inc. Although the Organization 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 550 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 disasters (weather-related, economic or other) and emergencies that occur.

Over half of the aid the Organization provides stays in Pennsylvania. The remaining 32% is used domestically and 19% is used internationally. In 2021 alone, the aid value distributed to those in need was over \$17.3 million and aided over 5.4 million people.

The Organization's largest impact is through its medical ministry. In 2021, over \$2.4 million in medical equipment and supplies was provided to those in need. Additionally, the Organization provided over \$1.2 million in kits, \$762,000 in disaster relief and \$692,000 in animal food and supplies. Rounding out the Organization's focus was cleaning/hygiene items at over \$592,000, baby items at \$219,000 and supplies for students and their families at \$126,000.

The Organization does this all with a very small budget - \$560,000, a team of six employees and over 6,000 volunteers. 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.

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Basis of accounting:

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

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 and realized gains and losses are included in the statements of revenues, expenses and change in net assets.

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Charitable unitrust:

The Organization has the right to income generated by charitable unitrust assets. Valuation of the right is based on the net fair value of the charitable unitrust assets (Note 3). The intent of the charitable unitrust's donor is for the net assets to function as an endowment. The administrator of the charitable unitrust attempts to maximize long-term gains through capital appreciation and current yield with an acceptable level of risk to provide funding for the mission of the Organization. The assets in the charitable unitrust consist of highly liquid securities consisting of mutual funds and equities investments.

Buildings, vehicles and equipment:

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

Revenue recognition:

The Organization generates revenue from contributions (including in-kind), 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.

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Revenue recognition:

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.

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 7,000 and 7,400 volunteer hours in 2021 and 2020, respectively, 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 years ended December 31, 2021 and 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.

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Reclassifications:

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation.

Recently issued accounting standards:

Leases:

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases*, is effective for the Organization beginning January 1, 2022 and requires that all leases with terms of more than 12 months be recognized as assets and liabilities on the statements of assets, liabilities and net assets. Recognition of these lease assets and lease liabilities represents a change from previous United States Generally Accepted Accounting Principles (GAAP), which did not require lease assets and lease liabilities to be recognized for operating leases. Qualitative disclosures, along with specific quantitative disclosures, will be required to provide enough information to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an organization's leasing activities.

The Organization will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that the Organization may elect to apply. At adoption, the Organization will recognize a right-of-use asset and a lease liability initially measured at the present value of its operating lease payments. The Organization is currently evaluating the impacts of adopting this guidance on its statements of assets, liabilities and net assets, results of operations and cash flows.

Contributed nonfinancial assets:

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard will require contributed nonfinancial assets to be a separate line item in the statements of revenues, expenses and changes in net assets and enhanced disclosures.

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Recently issued accounting standards:

Contributed nonfinancial assets:

The required disclosures include a disaggregation of the amount of contributed nonfinancial assets recognized in the statements of revenues, expenses and changes in net assets by category that depicts the type of contributed nonfinancial assets and for each category of contributed nonfinancial assets: 1) qualitative information regarding utilization or monetization of the contributed nonfinancial assets, 2) the programs or activities the contributed nonfinancial assets were utilized for, 3) the Organization's policy for monetizing rather than utilizing contributed nonfinancial assets (if applicable), 4) a description of any donor-imposed restrictions on the nonfinancial assets, 5) a description of the valuation techniques and inputs used to arrive at the fair market value assigned to the contributed nonfinancial assets and 6) the principal market used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial asset. The standard is to be applied retrospectively and will be effective for the Organization beginning January 1, 2022. The Organization is currently evaluating the impacts of adopting this guidance on its financial statements and related disclosures.

2. Concentration:

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 \$233,677 and \$53,401 as of December 31, 2021 and 2020, respectively.

3. Fair value measurements, investments and charitable unitrust:

The Organization follows FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, which defines fair value, establishes a framework for measuring fair value in 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

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

3. Fair value measurements, investments and charitable unitrust (continued):

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. Level 3 represents financial assets whose fair value was determined based upon inputs that are unobservable and include the Organization's own determinations of the assumptions that a market participant would use in the pricing the asset. 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. The Organization considers the charitable unitrust investments to be Level 3 assets. The value of the Organization's charitable unitrust is based on the net fair value of the assets on January 1 annually.

Stewardship Foundation investments at December 31, 2021 and 2020 consisted of the following:

	2021		2020	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Level 2, United Methodist Stewardship Foundation:				
Equity fund	\$ 7,458	\$ 9,731	\$ 6,784	\$ 8,528
Fixed fund	<u>3,968</u>	<u>3,934</u>	<u>3,249</u>	<u>3,345</u>
Total	<u>\$ 11,426</u>	<u>\$ 13,665</u>	<u>\$ 10,033</u>	<u>\$ 11,873</u>

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

3. Fair value measurements, investments and charitable unitrust (continued):

The following is a summary of the changes in fair value, Level 3, of the Organization's share of the charitable unitrust investments for the year ended December 31, 2021 (see Note 10):

	<u>2021</u>
Beginning of the year fair value	\$ -
In-kind donation	543,212
Unrealized losses	(26,256)
Realized gains	31,535
Income	6,716
Bank and other investment fees	<u>(3,688)</u>
Beginning of the year fair value	<u>\$ 551,519</u>

The Organization is a beneficiary of a charitable unitrust. The charitable unitrust provides the annual payment of distributions at 5% of net fair value of unitrust assets beginning at the date of death of the donor. The donor of the Organization's charitable unitrust, passed away during 2015. The charitable unitrust is recorded at fair value at the date of donation in June 2021. Prior to June 2021, when the charitable unitrust was transferred (see Note 10), the Organization received \$26,124 in distributions from the charitable unitrust recorded on the statements of revenues, expenses and changes in net assets in contributions and gifts. The charitable unitrust net fair value was \$551,519 at December 31, 2021, and is included on the statements of assets, liabilities and net assets.

The Organization's charitable unitrust operates in the Commonwealth of Pennsylvania. The balance of the Organization's charitable unitrust that has not been distributed, is classified as net assets with restrictions on the statements of assets, liabilities and net assets. The administrator makes disbursements from the charitable unitrust, as directed by the donor's spending policy, at 5% of net fair value of charitable unitrust assets. All disbursements shall be in furtherance of the mission purposes of the Organization. The administrator of the charitable unitrust invests any part of the charitable unitrust in securities, investments or other property as deemed advisable and proper.

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 YEARS ENDED DECEMBER 31, 2021 AND 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, 2021 and 2020, financial assets and liquidity resources available within one year for general expenses, such as operating expenses, payments of liabilities and purchases of property and equipment were as follows:

	<u>2021</u>	<u>2020</u>
Financial assets and liquidity of resources:		
Cash	\$ 503,568	\$ 331,850
Charitable unitrust	551,519	
Investments in Stewardship Foundation	<u>13,665</u>	<u>11,873</u>
Total financial assets	1,068,752	343,723
Less net assets with donor restrictions	<u>551,519</u>	<u> </u>
Total financial assets available within on year	<u>\$ 517,233</u>	<u>\$ 343,723</u>

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, 2021 and 2020.

5. Buildings, vehicles and equipment:

Buildings, vehicles and equipment at December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Buildings	\$ 2,801,700	\$ 2,801,700
Vehicles	25,000	25,000
Equipment	<u>74,300</u>	<u>74,300</u>
	2,901,000	2,901,000
Less accumulated depreciation	<u>121,833</u>	<u>35,833</u>
Buildings, vehicles and equipment, net	<u>\$ 2,779,167</u>	<u>\$ 2,865,167</u>

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

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.

Commercial loan activity for the years ended December 31, 2021 and 2020 was as follows:

	2021				
	Beginning of year	Additions	Reductions	Ending Balance	Due within one year
Commercial loan	\$ 462,314		\$ 50,667	\$ 411,647	\$ 15,182
	2020				
	Beginning of year	Additions	Reductions	Ending Balance	Due within one year
Commercial loan		\$ 499,000	\$ 36,686	\$ 462,314	\$ 12,954

The following summarizes the principal and interest due based on the terms of the agreements and the current amount outstanding at December 31, 2021:

	Principal	Interest	Total
2022	\$ 15,182	\$ 17,316	\$ 32,498
2023	15,840	16,658	32,498
2024	16,526	15,972	32,498
2025	17,242	15,256	32,498
2026	17,990	14,508	32,498
2027-2030	80,101	49,892	129,993
2031-2035	248,766	39,791	288,557
	\$ 411,647	\$ 169,393	\$ 581,040

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

7. Line of credit:

The Organization had credit available of \$90,000 as of December 31, 2021 and 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, 2021 and 2020). The line of credit is secured by the property at 5 Pleasant View Drive, Mechanicsburg, PA 17050. As of December 31, 2021 and 2020, there were no amounts outstanding on the line of credit. There were no draws or repayments on the line of credit during 2021 and 2020.

8. Retirement plan:

The Organization contributes to a defined contribution retirement plan administered by Wespath Benefits and Investments (Wepath). 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 years ended December 31, 2021 and 2020 was \$17,102 and \$13,364 and is included in employee benefits, respectively.

9. Facility rental:

The Organization leases warehouse and office space to various organizations on long-term leases at the 5 Pleasant View Drive location. Rental income of \$50,302 and \$24,449 was for the years ended December 31, 2021 and 2020, respectively. The leases vary in terms and rates.

Minimum lease payments due to the Organization over the next five years are as follows:

2022	\$ 33,019
2023	<u>533</u>
	<u>\$ 33,552</u>

10. In-kind contributions:

During June 2021, Susquehanna Conference of the United Methodist Church transferred a charitable unitrust. The transfer was considered a non-cash transaction on the statements of revenues, expenses and changes in net asset. The charitable unitrust was transferred at the fair value at the time of transfer.

During August 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 on the statements of revenues, expenses and changes in net asset.

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

10. In-kind contributions (continued):

The assets were transferred at fair value at the time of transfer. The following summarizes the transfer of assets for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Charitable unitrust	\$ 543,212	
Buildings		\$ 2,801,700
Remaining mortgage		(499,000)
Vehicles		25,000
Equipment		74,300
Other minor equipment and materials		239,858
	<u>\$ 543,212</u>	<u>\$ 2,641,858</u>

The Organization received contributions from the Conference that represents 43% and 84% of total revenue, including in-kind donations, during 2021 and 2020, respectively.

11. Related party:

During the year ended December 31, 2021, the Organization received \$5,000 in contributions from a member of the Organization's Board.

12. Paycheck Protection Program:

The Paycheck Protection Program (PPP) was established under the CARES Act on March 27, 2020, and was designed to provide cash-flow assistance to small businesses including certain not-for-profit organizations. This program provides relief as a result of the COVID-19 pandemic with loan funds to pay up to 24 weeks of payroll costs, including fringe benefits, rent and utilities commencing on the date of loan origination. The PPP is a loan program that is guaranteed in its entirety through the Small Business Administration (SBA) and offers a maturity of two years and an interest rate of 1%. The principal amount of the loan may be partially or fully forgiven if the loan funds are utilized in a manner consistent with the allowable use of loan proceeds.

The Organization applied for and received loan proceeds totaling \$53,300 in April 2021. As of December 31, 2021, the full amount has been recognized as grant revenue since the conditions upon which the loan proceeds were provided have been substantially met, including all of the qualified expenses being incurred prior to December 31, 2021 and the SBA notifying the Organization of total forgiveness.

MISSION CENTRAL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

13. Risks and uncertainties:

Effects of the COVID-19 pandemic on the financial statements:

The Organization is currently subject to risks and uncertainties resulting from the novel COVID-19 pandemic. While the Organization expects the matter may negatively impact its results, the extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on future developments, including the duration and spread of the outbreak, related travel advisories and restrictions and the impact of COVID-19 on overall demand for the Organization's services, all of which are highly uncertain and cannot be predicted.

Grants:

The Organization receives revenues from various government and foundation grant programs, which are or may be subject to audit and adjustment by the respective grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although the Organization expects such amounts, if any, to be immaterial.

Litigation:

The Organization is exposed to various risks of loss related to the activity performed by the Organization. The Organization maintains commercial insurance covering these risks of loss. Management believes coverage is sufficient to preclude any significant uninsured losses. Previous claims have not exceeded this commercial coverage.

14. Subsequent events:

The Organization has evaluated subsequent events through July 7, 2022, the date which the financial statements were available to be issued.