

**THE MUSTARD SEED OF CENTRAL  
FLORIDA, INC.**

Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)



**THE MUSTARD SEED OF CENTRAL FLORIDA**

*Making a House a Home*

# THE MUSTARD SEED OF CENTRAL FLORIDA, INC.

## Table of Contents

	<b>Page</b>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9



Steven F. Davis, Shareholder  
Cheryl B. Morrison, Shareholder  
Christopher J. Grim, Retired

## **Independent Auditors' Report**

The Board of Directors  
The Mustard Seed of Central Florida, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Mustard Seed of Central Florida, Inc. (a Florida not-for-profit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Davis, Grim and Company, P.A.**  
**Certified Public Accountants & Advisors**

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Mustard Seed of Central Florida, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Davis, Grim and Company, P.A.*

Davis Grim and Company, P.A.  
October 25, 2016

**THE MUSTARD SEED OF CENTRAL FLORIDA, INC.**

Statements of Financial Position

June 30, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents	\$ 130,668	\$ 145,123
Contributions and grants receivable, net	8,241	4,236
Inventory of household goods and clothing	88,889	70,515
Total current assets	227,798	219,874
Land, building and equipment, net:		
Land	260,000	260,000
Building and improvements	1,079,601	1,079,601
Furniture and equipment	117,000	117,000
Vehicles	99,388	105,695
	1,555,989	1,562,296
Less: accumulated depreciation	(599,803)	(582,465)
Total land, building and equipment, net	956,186	979,831
	\$ 1,183,984	\$ 1,199,705
<b><u>Liabilities and Net Assets</u></b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 16,489	\$ 25,865
Loan payable - current	6,073	4,741
Total current liabilities	22,562	30,606
Loan payable	160,197	191,147
Total liabilities	182,759	221,753
Net assets-		
Unrestricted net assets	1,001,225	977,952
Total liabilities and net assets	\$ 1,183,984	\$ 1,199,705

See accompanying notes to financial statements.

**THE MUSTARD SEED OF CENTRAL FLORIDA, INC.**

Statement of Activities and Changes in Net Assets

Year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support:			
In-kind donations	\$ 396,381	\$ -	\$ 396,381
Clothing, furniture and pick-up fees	342,686	-	342,686
Contributions and grants	197,884	-	197,884
Recycling	108,497	-	108,497
Fundraisers and special events	69,045	-	69,045
Other	325	-	325
	<u>1,114,818</u>	<u>-</u>	<u>1,114,818</u>
Total support			
Expenses:			
Program services:			
Resource center	857,626	-	857,626
Supporting services:			
Management and general	189,810	-	189,810
Fundraising	44,109	-	44,109
	<u>1,091,545</u>	<u>-</u>	<u>1,091,545</u>
Total expenses			
Changes in net assets	23,273	-	23,273
Net assets, beginning of year	<u>977,952</u>	<u>-</u>	<u>977,952</u>
Net assets, end of year	\$ <u>1,001,225</u>	\$ <u>-</u>	\$ <u>1,001,225</u>

See accompanying notes to financial statements.

**THE MUSTARD SEED OF CENTRAL FLORIDA, INC.**

Statement of Activities and Changes in Net Assets

Year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support:			
In-kind donations	\$ 550,996	\$ -	\$ 550,996
Clothing, furniture and pick-up fees	287,915	-	287,915
Contributions and grants	224,422	-	224,422
Fundraisers and special events	112,845	-	112,845
Recycling	79,994	-	79,994
Other	1,761	-	1,761
Net assets released from restrictions	<u>5,277</u>	<u>(5,277)</u>	<u>-</u>
Total support	<u>1,263,210</u>	<u>(5,277)</u>	<u>1,257,933</u>
Expenses:			
Program services:			
Resource center	984,624	-	984,624
Supporting services:			
Management and general	187,884	-	187,884
Fundraising	<u>62,238</u>	<u>-</u>	<u>62,238</u>
Total expenses	<u>1,234,746</u>	<u>-</u>	<u>1,234,746</u>
Changes in net assets	28,464	(5,277)	23,187
Net assets, beginning of year	<u>949,488</u>	<u>5,277</u>	<u>954,765</u>
Net assets, end of year	<u>\$ 977,952</u>	<u>\$ -</u>	<u>\$ 977,952</u>

See accompanying notes to financial statements.

**THE MUSTARD SEED OF CENTRAL FLORIDA, INC.**

Statement of Functional Expenses

Year ended June 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and payroll taxes	\$ 329,506	\$ 112,974	\$ 28,243	\$ 470,723
Distributions to needy individuals and families	371,287	-	-	371,287
Depreciation	40,676	6,078	-	46,754
Facilities	23,077	5,769	-	28,846
Utilities	18,841	6,460	1,614	26,915
Insurance	18,488	6,339	1,584	26,411
Professional fees	-	22,740	-	22,740
Repairs and maintenance	15,332	3,833	-	19,165
Fuel	17,745	-	-	17,745
Other	2,091	7,841	523	10,455
Fundraising	-	-	10,280	10,280
Telephone	6,642	2,277	569	9,488
Interest	-	8,814	-	8,814
Postage and printing	5,432	1,862	466	7,760
Office	2,817	966	241	4,024
Recycling	3,999	-	-	3,999
Bank charges	-	3,077	-	3,077
Supplies	1,618	555	139	2,312
Contract labor	75	225	450	750
Total expenses	<u>\$ 857,626</u>	<u>\$ 189,810</u>	<u>\$ 44,109</u>	<u>\$ 1,091,545</u>

See accompanying notes to financial statements.



**THE MUSTARD SEED OF CENTRAL FLORIDA, INC.**

Statement of Functional Expenses

Year ended June 30, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Distributions to needy individuals and families	\$ 525,264	\$ -	\$ -	\$ 525,264
Payroll and payroll taxes	295,476	101,306	25,326	422,108
Depreciation	34,930	5,219	-	40,149
Utilities	22,627	7,758	1,939	32,324
Fundraising	-	-	30,511	30,511
Insurance	19,795	6,787	1,697	28,279
Facilities	20,025	5,006	-	25,031
Professional fees	-	23,906	-	23,906
Repairs and maintenance	14,794	3,698	-	18,492
Fuel	18,325	-	-	18,325
Telephone	9,399	3,222	806	13,427
Other	2,652	9,945	663	13,260
Interest	-	12,735	-	12,735
Postage and printing	7,720	2,647	661	11,028
Recycling	7,927	-	-	7,927
Supplies	4,016	1,377	344	5,737
Bank charges	-	3,638	-	3,638
Office	1,649	565	141	2,355
Contract labor	25	75	150	250
<b>Total expenses</b>	<b>\$ 984,624</b>	<b>\$ 187,884</b>	<b>\$ 62,238</b>	<b>\$ 1,234,746</b>

See accompanying notes to financial statements.

**THE MUSTARD SEED OF CENTRAL FLORIDA, INC.**

Statements of Cash Flows

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Changes in net assets	\$ 23,273	\$ 23,187
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	46,754	40,149
Increases (decreases) in cash due to changes in:		
Contributions and grants receivable	(4,005)	3,314
Inventory of household goods and clothing	(18,374)	(21,372)
Accounts payable and accrued expenses	(9,376)	(23,827)
Net cash provided by operating activities	<u>38,272</u>	<u>21,451</u>
Cash flows from investing activities -		
Purchases of property and equipment	<u>(23,109)</u>	<u>(29,300)</u>
Cash flows from financing activities:		
Payments on line of credit	-	(59,754)
Proceeds from operating loan	-	200,000
Payments on operating loan	<u>(29,618)</u>	<u>(4,112)</u>
Net cash (used in) provided by financing activities	<u>(29,618)</u>	<u>136,134</u>
(Decrease) increase in cash and cash equivalents	(14,455)	128,285
Cash and cash equivalents, beginning of year	<u>145,123</u>	<u>16,838</u>
Cash and cash equivalents, end of year	<u>\$ 130,668</u>	<u>\$ 145,123</u>
Supplemental disclosure of cash flow information-		
Cash paid for interest	<u>\$ 8,814</u>	<u>\$ 12,735</u>

See accompanying notes to financial statements.

# THE MUSTARD SEED OF CENTRAL FLORIDA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

### (1) **Organization**

The Mustard Seed of Central Florida, Inc. (the Organization) was incorporated in the State of Florida as a not-for-profit corporation on June 6, 1988, for the purpose of providing direct public assistance to needy families in the Central Florida area. The Organization collects donations of household furniture and fixtures, clothing, cooking items, and personal goods and redistributes them to needy individuals and families. The primary sources of support are from donor contributions, private foundation grants, application fees, furniture sales and recycling.

### (2) **Summary of Significant Accounting Policies**

#### (a) *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting.

#### (b) *Basis of Presentation*

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

Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designed for specific purposes by action of the Board of Directors.

Temporarily restricted – Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. There were no temporarily restricted net assets as of June 30, 2016 and 2015.

Permanently restricted – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. There were no permanently restricted assets as of June 30, 2016 and 2015.

Contributions received with donor-imposed restrictions that are met in the same year as they are received are reported as unrestricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

#### (c) *Cash and Cash Equivalents*

Cash and cash equivalents include all cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less when purchased.

# THE MUSTARD SEED OF CENTRAL FLORIDA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

### (2) Summary of Significant Accounting Policies, Continued

#### (d) *Geographic Concentration*

The Organization relies on donations from Central Florida residents and businesses. Changes in the local economy could significantly impact the Organization's operations.

#### (e) *Contributions and Grants Receivable*

Contributions and grants receivable are stated at net realizable value. Management closely monitors outstanding accounts receivable and charges off to expense any balances that are determined to be uncollectible. There was no allowance for doubtful accounts recorded at June 30, 2016 and 2015.

#### (f) *Donated Inventory*

The Organization receives numerous amounts and types of household and personal goods and clothing as donations to be redistributed to needy families. These donated inventory items are recorded as a component of in-kind donations and as inventory. They are valued at their fair market value at the time of the donation based on values reflected on internet websites listing tax deductible values. Such donations are reported as unrestricted unless the donor has restricted the donated materials for a specific purpose.

#### (g) *Donated Services*

The Organization recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no donated services of this type during the fiscal years ended June 30, 2016 and 2015.

A substantial number of unpaid volunteers have made significant contributions of their time to provide assistance to the Organization in its program and support activities. The value of these services is not reflected in the statement of activities since it is not susceptible to objective measurement or valuation.

#### (h) *Land, Building, and Equipment*

Property and equipment are stated at cost or fair market value, if donated. Improvements and betterments with useful lives of more than one year are capitalized; routine repair and maintenance costs are expensed as incurred.

Depreciation is provided in amounts sufficient to charge the cost of depreciable assets to operations over their estimated service lives using the straight-line method.

# THE MUSTARD SEED OF CENTRAL FLORIDA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

### (2) Summary of Significant Accounting Policies, Continued

#### (h) Land, Building, and Equipment, Continued

The estimated useful lives are as follows:

Buildings and improvements	39 years
Furniture and equipment	5-7 years
Vehicles	5 years

Depreciation expense totaled \$46,754 and \$40,149 for the years ended June 30, 2016, and 2015, respectively.

#### (i) Income Taxes

The Organization is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to a tax on income from any unrelated business.

The Organization adopted the recognition requirements for uncertain income tax positions as required by accounting principles generally accepted in the United States of America (US GAAP), with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2016 and 2015.

#### (j) Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenue and expenses during the reporting period. Actual results could differ from these estimates.

#### (k) Functional Expense Allocation

The costs incurred by the Organization have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain expenses attributable to program services and general and administrative expenses were allocated by management based upon an estimate of the time the employees were involved and/or the percentage of assets utilized.

# THE MUSTARD SEED OF CENTRAL FLORIDA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

### (2) Summary of Significant Accounting Policies, Continued

#### (1) Subsequent Events

The Organization has performed an evaluation of subsequent events through October 25, 2016, which is the date the financial statements were available to be issued.

### (3) Inventory

Inventory is valued at estimated fair market value at the time of donation. The inventory of donated furniture, household goods and clothing consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Furniture and household goods	\$ 48,663	\$ 52,026
Clothing	40,226	18,489
	<u>\$ 88,889</u>	<u>\$ 70,515</u>

### (4) Line of Credit

The Organization had a revolving operating line of credit with a bank subject to maximum borrowings of \$60,000. The line of credit bore interest at a rate of prime plus 1.5%, with a floor of 6%, and was payable upon demand. It was collateralized by an open-end mortgage on real property located in Orange County, Florida and an assignment of rents. The line of credit was converted to a loan payable and closed on July 24, 2014 (see Note 5).

### (5) Loan Payable

On July 24, 2014, the Organization converted the line of credit to a five year \$200,000 interest bearing loan payable. The loan payable to the bank, bears a fixed interest rate of 4.50%, with monthly installments of principal and interest of \$1,120 and a balloon payment at maturity, June, 24, 2019. The amount outstanding on this loan payable was \$166,270 and \$195,888 at June 30, 2016 and 2015, respectively.

Following are maturities of long-term debt for each of the next three years:

Year ending June 30,	
2017	\$ 6,073
2018	6,352
2019	<u>153,845</u>
	<u>\$ 166,270</u>