

Mission Waco, Mission World, Inc.
Financial Statements
December 31, 2022 and 2021
(With Independent Auditor's Report Thereon)



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Mission Waco, Mission World, Inc.:

Opinion

We have audited the accompanying financial statements of Mission Waco, Mission World, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows 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 financial position of the Organization as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 for one year after the date that the financial statements are issued.

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.

Jaynes, Reitmeier, Boyd, and Thewell, P.C.

September 19, 2023

Mission Waco, Mission World, Inc.

Statements of Financial Position

December 31, 2022 and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 950,686	1,547,604
Marketable securities	1,480,395	1,686,377
Accounts receivable	14,726	59,376
Contribution receivable	30,400	30,400
Employee retention credit receivable	455,039	-
Inventory	109,761	70,651
Prepaid expenses and other assets	36,430	39,896
Total current assets	<u>3,077,437</u>	<u>3,434,304</u>
Property and equipment:		
Land	322,354	322,354
Buildings and improvements	4,499,468	4,466,408
Furniture, fixtures, and equipment	711,120	734,790
Vehicles	153,308	170,446
Construction in progress	147,453	-
	<u>5,833,703</u>	<u>5,693,998</u>
Less accumulated depreciation	1,881,943	1,739,108
Total property and equipment	<u>3,951,760</u>	<u>3,954,890</u>
Beneficial interest in assets held by the Waco Foundation	<u>5,923</u>	<u>6,889</u>
	<u>\$ 7,035,120</u>	<u>7,396,083</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 55,850	74,964
Accrued expenses	116,134	146,500
Refundable advance	-	327,684
Total current liabilities	<u>171,984</u>	<u>549,148</u>
Net assets:		
Without donor restrictions:		
Undesignated	1,826,612	1,567,953
Designated for endowment	5,923	6,889
Invested in property and equipment	3,951,760	3,954,890
	<u>5,784,295</u>	<u>5,529,732</u>
With donor restrictions	<u>1,078,841</u>	<u>1,317,203</u>
Total net assets	<u>6,863,136</u>	<u>6,846,935</u>
Total liabilities and net assets	<u>\$ 7,035,120</u>	<u>7,396,083</u>

See accompanying notes to financial statements.

Mission Waco, Mission World, Inc.

Statements of Activities

Years Ended December 31, 2022 and 2021

	2022	2021
Changes in net assets without donor restrictions:		
Revenues and other support:		
Contributions of cash and nonfinancial assets:		
Individuals and others	\$ 1,780,279	1,925,022
Federal and other grants	505,825	467,007
Contributions of nonfinancial assets	276,333	419,062
Program revenue	375,061	380,168
Special events	286,357	183,138
Retail sales	1,085,595	1,088,105
Net investment gain (loss)	(198,935)	162,439
Employee retention credit	455,039	-
Other income	8,620	17,202
Net assets released from restriction	667,636	618,724
Total revenues and other support	5,241,810	5,260,867
Expenses:		
Program expenses:		
Mobilizing programs	640,044	573,776
Empowering programs	1,841,478	1,897,889
Economic development and retail programs	1,940,671	1,900,656
Supporting expenses:		
Management and general	346,614	309,682
Fund-raising	218,440	149,388
Total expenses	4,987,247	4,831,391
Change in net assets without donor restrictions	254,563	429,476
Changes in net assets with donor restrictions:		
Revenues and other support:		
Contributions	457,876	938,697
Net investment gain (loss)	(28,602)	21,516
Net assets released from restriction	(667,636)	(618,724)
Change in net assets with donor restrictions	(238,362)	341,489
Increase in net assets	16,201	770,965
Net assets at beginning of year	6,846,935	6,075,970
Net assets at end of year	\$ 6,863,136	6,846,935

See accompanying notes to financial statements.

Mission Waco, Mission World, Inc.

Statement of Functional Expenses

Year Ended December 31, 2022

	Program			Supporting		Total
	Mobilizing Programs	Empowering Programs	Economic Development and Retail Programs	Management and General	Fund- raising	
Salaries	\$ 221,782	774,202	637,443	216,268	70,211	1,919,906
Payroll taxes	16,090	66,893	54,663	17,371	5,669	160,686
Employee benefits	21,547	60,596	51,490	25,897	10,873	170,403
Cost of sales	-	-	701,396	-	-	701,396
Client expenses	248,896	208,167	48,541	15,452	84,013	605,069
Donated services and materials	-	218,779	57,554	-	68	276,401
Insurance	2,511	13,579	5,263	4,233	378	25,964
Travel	15,421	18,952	390	2,457	1,325	38,545
Depreciation	4,316	81,778	97,288	3,089	1,329	187,800
Vehicle expenses	5,514	16,238	16,718	3,110	1,882	43,462
Accounting and professional fees	5,454	15,692	22,252	43,516	1,861	88,775
Telephone	7,040	20,737	21,608	3,785	3,902	57,072
Postage and shipping	2,825	946	1,412	170	7,591	12,944
Occupancy	33,706	228,750	100,485	(326)	(1,150)	361,465
Equipment maintenance	3,503	23,053	22,238	2,142	783	51,719
Printing and publications	13,675	5,353	30,755	2,805	22,472	75,060
Staff development	863	2,052	2,162	386	243	5,706
Medical expenses	36	2,753	-	-	-	2,789
Supplies	7,848	41,249	39,471	6,482	7,061	102,111
Miscellaneous	29,017	41,709	29,542	(223)	(71)	99,974
	<u>\$ 640,044</u>	<u>1,841,478</u>	<u>1,940,671</u>	<u>346,614</u>	<u>218,440</u>	<u>4,987,247</u>

See accompanying notes to financial statements.

Mission Waco, Mission World, Inc.

Statement of Functional Expenses

Year Ended December 31, 2021

	Program			Supporting		Total
	Mobilizing Programs	Empowering Programs	Economic Development and Retail Programs	Management and General	Fund-raising	
Salaries	\$ 155,020	725,670	578,642	204,194	66,458	1,729,984
Payroll taxes	12,856	59,309	49,064	16,190	5,300	142,719
Employee benefits	19,154	60,394	34,949	20,991	9,246	144,734
Cost of sales	-	-	783,697	-	-	783,697
Client expenses	220,359	211,641	36,675	19,798	35,729	524,202
Donated services and materials	-	361,131	53,606	-	-	414,737
Insurance	2,938	16,237	8,346	4,654	579	32,754
Travel	1,726	7,669	2,972	423	175	12,965
Depreciation	4,907	82,010	95,226	4,117	1,172	187,432
Vehicle expenses	4,690	15,169	15,191	2,477	1,194	38,721
Accounting and professional fees	629	2,089	7,698	26,529	167	37,112
Telephone	6,815	22,464	22,867	3,920	2,486	58,552
Postage and shipping	3,471	1,330	1,779	183	5,392	12,155
Occupancy	29,432	219,772	98,864	359	(226)	348,201
Equipment maintenance	4,884	27,099	25,988	1,694	421	60,086
Printing and publications	10,546	6,236	22,866	1,106	12,282	53,036
Staff development	254	838	840	137	66	2,135
Medical expenses	30	3,869	2,500	-	-	6,399
Supplies	7,867	29,685	31,521	2,988	9,049	81,110
Miscellaneous	88,198	45,277	27,365	(78)	(102)	160,660
	<u>\$ 573,776</u>	<u>1,897,889</u>	<u>1,900,656</u>	<u>309,682</u>	<u>149,388</u>	<u>4,831,391</u>

See accompanying notes to financial statements.

Mission Waco, Mission World, Inc.

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 16,201	770,965
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	187,800	187,432
(Gains) losses on sale of fixed assets	3,977	(2,850)
Net unrealized (gains) losses	244,016	(38,828)
Net realized (gains) losses	33,374	(132,070)
(Gain) loss on beneficial interest in assets held by the Waco Foundation	966	(843)
Forgiveness of loan under Paycheck Protection Program	(327,684)	(327,684)
Employee retention credit	(455,039)	-
Contribution of non-cash gifts	-	(75,177)
Decrease (increase) in operating assets:		
Accounts and contribution receivables	44,650	(18,785)
Inventory	(39,110)	37,428
Prepaid expenses and other assets	3,466	(5,120)
Increase (decrease) in operating liabilities:		
Accounts payable	(19,114)	(4,461)
Accrued expenses	(30,366)	26,590
Net cash provided by (used in) operating activities	(336,863)	416,597
Cash flows from investing activities:		
Proceeds from sale of marketable securities	1,330,274	300,106
Purchase of marketable securities	(1,401,682)	(401,834)
Purchases of property and equipment	(192,947)	(191,534)
Proceeds from sale of property and equipment	4,300	2,850
Net cash used in investing activities	(260,055)	(290,412)
Cash flows from financing activities:		
Proceeds from refundable advance	-	327,684
Net cash provided by financing activities	-	327,684
Net increase (decrease) in cash and cash equivalents	(596,918)	453,869
Cash and cash equivalents at beginning of year	1,547,604	1,093,735
Cash and cash equivalents at end of year	\$ 950,686	1,547,604

See accompanying notes to financial statements.

Mission Waco, Mission World, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies(a) Nature of Activities

Mission Waco, Mission World, Inc. (the "Organization") is a nonprofit organization that is dedicated to ministering to individuals outside the dominant culture of the United States of America with opportunities for wholeness, improvement, and self-sufficiency. The Organization also provides opportunities for people in the dominant culture to understand the plight and needs of those persons outside their cultural background through informal education, shared experiences, simulations, trips to foreign countries, and other programs. Revenues are derived primarily from contributions, program revenue, special events, and retail sales.

(b) Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

(c) Revenues, Support, and Expenses

Contributions received and unconditional promises to give are measured at their fair values as an increase in net assets. The Organization reports gifts of cash and other assets as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor 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 activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Mission Waco, Mission World, Inc.Notes to Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (continued)(c) Revenues, Support, and Expenses (continued)

The Organization reports gifts of goods and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Program revenues, consisting primarily of fees for participation in work groups, simulations, housing, and other programs are recorded at the time of sale or service rendered.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

(d) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash equivalents consisted of \$37,936 in money market mutual funds at December 31, 2022 and \$85,901 in certificates of deposit and money market mutual funds at December 31, 2021, respectively.

(e) Marketable Securities

Marketable securities are measured at fair value in the statements of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for further discussion of fair value measurements. Net investment gain (loss) (including gains and losses on investments, and interest and dividends) is included in the statements of activities as a change in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Mission Waco, Mission World, Inc.Notes to Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (continued)(f) Inventory

Inventory consists of food, supplies, and resale items for use in providing retail sales programs through the Jubilee Food Market, World Cup Café and Fair Trade Market, and Urban REAP. Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first out method.

(g) Property and Equipment

Property and equipment are stated at cost. Donated assets are stated at estimated fair value in the year donated. The Organization capitalizes all acquisitions with a value greater than \$5,000. Depreciation is calculated on the straight-line method over the estimated useful lives of the related assets.

(h) Income Taxes

The Organization is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal or state income taxes.

The Organization recognizes the effect of income tax positions (including whether exempt income might be determined to be unrelated business income and whether it has properly maintained its exempt status) if such positions are probable of being sustained (i.e. probable that adjustments would not be detected and made by taxing authorities). Recognized income tax provisions are measured at the largest amount that is greater than 50% of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The Organization records interest and penalties related to unrecognized tax benefits in management and general expenses.

(i) Advertising

Advertising costs are expensed as incurred. For the years ended December 31, 2022 and 2021, advertising costs were \$75,060 and \$53,036, respectively.

(j) Designation of Net Assets Without Donor Restrictions

It is the policy of the Board of Directors of the Organization to review its plans for future projects and to designate appropriate sums of net assets without donor restrictions by the set aside of certain of its cash, cash equivalents, and marketable securities balances to assure adequate financing of such projects.

Mission Waco, Mission World, Inc.Notes to Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (continued)(k) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying value of marketable securities and the estimated useful lives of property and equipment. Actual results could differ from those estimates.

(l) Leases

Effective January 1, 2022, the Organization adopted ASU No. 2016-02, Leases (Topic 842), and subsequent amendments thereto, which requires the Organization to recognize most leases on the balance sheet. The standard was adopted using the modified retrospective approach as of the date of the adoption which includes a number of optional practical expedients.

The Organization has elected the following practical expedients:

- An entity need not reassess whether any expired or existing contracts are or contain leases.
- An entity need not reassess the lease classification for any expired or existing leases.
- An entity need not reassess initial direct costs for any existing leases.
- Lease and nonlease components in contracts in which the Organization is a lessee will be accounted for as a single lease component.

There was no material impact on the timing of expense or income recognition in the Organization's accompanying statement of activities. Prior periods were not restated and continue to be presented under the guidance of previous standards.

Leases are classified as operating or financing leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represents the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

Mission Waco, Mission World, Inc.Notes to Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (continued)(l) Leases (continued)

The Organization uses a risk-free rate at lease commencement to calculate the present value of these lease payments when the rate implicit in the lease is not known.

Additional information and disclosures required by the lease standard are contained in Note 8.

(m) Contributed Nonfinancial Assets

On January 1, 2022, the Organization adopted Accounting Standards update (“ASU”) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The objective of this update is to increase transparency and comparability among organizations for contributed nonfinancial assets, including a requirement for organizations to separately recognize contributed nonfinancial and contributed financial assets on their statement of activities. The guidance also provides for enhanced disclosures for the contributed nonfinancial assets.

There was no material impact on the timing of expense or income recognition in the Organization’s accompanying statement of activities. Additional information and disclosures required by the standard are contained in Note 11.

(2) Marketable Securities and Fair Value Measurements

At December 31, 2022 and 2021, the Organization’s assets and liabilities measured at fair value have been classified, for disclosure purposes, based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Mission Waco, Mission World, Inc.

Notes to Financial Statements
(Continued)

(2) Marketable Securities and Fair Value Measurements (continued)

Fair value for the Organization's investment in equities and mutual funds is determined by reference to quoted market prices. Fair value of the Organization's beneficial interest in the assets held by the Waco Foundation are estimated based on the underlying fair value of the net assets held.

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2022 and 2021:

	Totals	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>At December 31, 2022:</u>				
Equities and mutual funds	\$ 1,480,395	1,480,395	-	-
Beneficial interest in assets held by the Waco Foundation	5,923	-	5,923	-
	<u>\$ 1,486,318</u>	<u>1,480,395</u>	<u>5,923</u>	<u>-</u>
<u>At December 31, 2021:</u>				
Mutual funds	\$ 1,686,377	1,686,377	-	-
Beneficial interest in assets held by the Waco Foundation	6,889	-	6,889	-
	<u>\$ 1,693,266</u>	<u>1,686,377</u>	<u>6,889</u>	<u>-</u>

(3) Accounts Receivable and Conditional Promises to Give

Accounts receivable consist of amounts due to the Organization under reimbursement-type grants and other amounts due for services provided. Unconditional promises to give are expected to be collected within one year. An allowance for doubtful accounts is not considered necessary based upon management's review of the collectability of accounts receivable at year-end.

The Organization has received reimbursement-type grants for its programs that are considered to be contributions. However, the reimbursement grants are conditional based upon the Organization incurring qualifying costs. Additionally, at December 31, 2022, approximately \$27,026 of total grant awards of \$36,394, for the period from October 1, 2022

Mission Waco, Mission World, Inc.

Notes to Financial Statements
(Continued)

(3) Accounts Receivable and Conditional Promises to Give

to September 30, 2023, for housing services have not been recognized as revenue because the qualifying conditions have not been met. At December 31, 2021, approximately \$86,091 of total grant awards of \$152,219, for the period from October 1, 2021 to September 30, 2022, for housing services have not been recognized as revenue because the qualifying conditions have not been met.

(4) Contribution Receivable

The Organization's contribution receivable at both December 31, 2022 and 2021 consists of \$30,400 of an unconditional promise to give from the estate of an individual. The amount remaining at December 31, 2022 and 2021 includes donor imposed restrictions on the use of assets through 2037 in the amount of \$30,400 for both years. The amounts due from the estate will not be collected until 2037.

(5) Beneficial Interest in Assets Held at Waco Foundation and the Board Designated Endowment

The Organization has transferred assets to the Waco Foundation, a community foundation, designating itself as the beneficiary. The income earned (including net realized and unrealized appreciation under Waco Foundation's current spending policy of distributable income) on the transferred assets will be paid at least annually to the Organization. The income may, if both the Organization and the Waco Foundation agree, remain and accumulate with the principal. Distributions of principal may be made at the sole discretion of the Waco Foundation. It is intended that assets be held for the benefit of the Organization as long as the need for the fund exists. However, the assets are subject to the governing documents of the Waco Foundation and the policies and procedures of its governing body. Consequently, the Waco Foundation has the right to substitute another beneficiary in the place of the Organization without the approval of the Organization.

Changes in the board designated endowment net assets, all of which are without donor restrictions, for the years ended December 31, 2022 and 2021 consisted of:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 6,889	6,046
Net investment gain (loss)	<u>(966)</u>	<u>843</u>
Endowment net assets, end of year	<u>\$ 5,923</u>	<u>6,889</u>

Mission Waco, Mission World, Inc.

Notes to Financial Statements
(Continued)

(6) Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2022 and 2021, are available for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Purpose restrictions, available for:		
Haiti projects	\$ 149,673	194,720
Other projects	296,918	390,547
Capacity campaign	428,880	478,454
Scholarships	115,909	167,282
Time restrictions, available for:		
2023 programs	57,061	-
2022 programs	-	55,800
Time restrictions, not allowed to be sold until 2037	<u>30,400</u>	<u>30,400</u>
	<u>\$ 1,078,841</u>	<u>1,317,203</u>

(7) Refundable Advance

In April 2020 and March 2021, the Organization received loans in the amounts of \$327,684 and \$327,684, respectively, pursuant to the Paycheck Protection Program (the “PPP”) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The loans, which were in the form of unsecured notes, matured in April 2022 and March 2023, respectively, and bear interest at a rate of 1.0% per annum. Under the terms of the PPP, certain amounts of the loans may be forgiven if they are used for qualifying expenses as described in the CARES Act. Qualifying expenses include payroll costs and related benefits, rent and utilities up to the 24-week period following the loan funding. The loans are considered to be a conditional contributions as the forgiveness is conditional upon forgiveness by the Small Business Administration (“SBA”).

The April 2020 loan was forgiven in July 2021 and the \$327,684 of funding was recorded as a contribution in the statement of activities for the year ended December 31, 2021. The March 2021 loan was forgiven in February 2022 and the \$327,684 of funding was recorded as a contribution in the statement of activities for the year ended December 31, 2022.

Mission Waco, Mission World, Inc.

Notes to Financial Statements
(Continued)

(8) Lease Income from Retail Space

The Organization receives lease income for three units of retail space within its building on Colcord Avenue. The units are leased to a single tenant with terms beginning October 2020 and continuing through September 2025. The building is recorded at a cost of \$729,544 and accumulated depreciation totaling \$60,445 as of December 31, 2022. Future minimum lease income under the operating leases for each of the next three years are as follows:

<u>Year Ending December 31:</u>	<u>Operating Lease</u>
2023	\$ 38,130
2024	40,920
2025	<u>30,690</u>
Total rental payments to be received:	<u>\$ 109,740</u>

(9) Net Investment Gain (Loss)

Net investment gain (loss) is comprised of the following for 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 72,214	14,293
Net unrealized gains (losses)	(244,016)	38,828
Net realized gains (losses)	(33,374)	132,070
Investment expenses	<u>(22,361)</u>	<u>(1,236)</u>
	<u>\$ (227,537)</u>	<u>183,955</u>

(10) Employee Retention Credits

The CARES Act provides an employee retention credit (“Employee Retention Credit”), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States

Mission Waco, Mission World, Inc.

Notes to Financial Statements
(Continued)

(10) Employee Retention Credits (continued)

government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter.

The Organization qualifies for the tax credit under the CARES Act. During 2022, the Organization recognized a \$455,039 receivable related to the Employee Retention Credit that was recorded to other income on the Organization's accompanying statements of activities.

(11) Contributed Nonfinancial Assets

The Organization recognizes contribution revenue for specialized and professional services, and materials received in the accompanying statements of activities at estimated fair value. Those services and materials for the years ended December 31, 2022 and 2021 include the following items:

	<u>2022</u>	<u>2021</u>
Empowering programs:		
Professional services	\$ 34,610	35,346
Medical supplies	184,169	326,009
Retail sales programs:		
Materials	<u>57,554</u>	<u>57,707</u>
	<u>\$ 276,333</u>	<u>419,062</u>

Contributed services recognized comprise professional services from attorneys advising clients at the Organization's legal clinic and professional services from physicians and nurses treating clients at the Organization's medical clinic. Contributed professional services are measured at their estimated fair value based on current rates for similar legal and medical services.

Contributed medical supplies were utilized to service clients at the Organization's medical clinic. Contributed materials were used for the Organization's retail sales programs. In valuing medical supplies and materials, the Organization estimated the fair value based on wholesale values for purchasing similar products in the region.

Mission Waco, Mission World, Inc.Notes to Financial Statements
(Continued)(11) Contributed Nonfinancial Assets (continued)

Additionally, a number of volunteers have donated significant amounts of their time in the Organization's program services and fund-raising events, which do not qualify for recognition as contributions under generally accepted accounting principles since the services do not require specialized skills and have not been recorded in the accompanying financial statements.

(12) Functional Allocation of Expenses

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefited. Salaries and salary related expenses have been allocated based on estimates of time and effort. Cost of sales, client expenses, donated services and materials, travel, medical expenses, and supplies are charged directly to the functional areas. All other expenses are allocated based upon estimates of time and effort.

(13) Contingencies

Amounts received or receivable under grant awards are subject to adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability to the Organization. The amount, if any, of expenses which may be disallowed by grantors cannot be determined at this time although the Organization expects such amounts, if any to be immaterial.

(14) Significant Risks, Including Business and Credit Concentrations

At December 31, 2022 and 2021, the Organization maintained deposits in various accounts at financial institutions in excess of federally insured limits.

Five donors accounted for approximately 17% and 21% of contributions with and without donor restrictions during the years ended December 31, 2022 and 2021, respectively.

The Organization's investments are exposed to various risks such as interest rate, market and credit risks. Further, because of the significance of investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.

Mission Waco, Mission World, Inc.

Notes to Financial Statements
(Continued)

(15) Availability and Liquidity

The following reflects the Organization's financial assets as of December 31, 2022 and 2021 reduced by amounts not available within one year of the statement of financial position date.

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 950,686	1,547,604
Marketable securities	1,480,395	1,686,377
Accounts receivable	14,726	59,376
Contribution receivable	30,400	30,400
Employee retention credit receivable	455,039	-
	<u>2,931,246</u>	<u>3,323,757</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(1,078,841)</u>	<u>(1,317,203)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,852,405</u>	<u>2,006,554</u>

Although management does not intend to spend from board designated funds, these amounts could be made available if necessary. The Organization's goal is to generally maintain financial assets to meet 120 days of operating expense. As part of its liquidity plan, excess cash is invested in money market accounts or certificates of deposit at local financial institutions.

(16) Non-Cash Operating Activities

There were no non-cash gifts for the year ended December 31, 2022. The Organization received non-cash operating gifts during the year ended December 31, 2021 of \$75,177 in the form of investments.

(17) Employee Benefit Plan

During 2022, the Organization began sponsoring a defined contribution 401(k) plan covering substantially all of its employees who are 21 years of age or older and have one year or 1,000 hours of service. Participants may elect to contribute to the plan through payroll deductions. The Organization makes an annual discretionary contribution as determined by the Board of Directors. Total contributions to the plan during 2022 were \$24,059.

Mission Waco, Mission World, Inc.Notes to Financial Statements
(Continued)(18) Authoritative Pronouncements Not Yet Effective

The following pronouncement was issued by the Financial Accounting Standards Board (“FASB”) which may impact the Organization but is not yet effective. The Organization has not yet determined the effects of the adoption on its financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. The new guidance requires the Organization to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts.

The new guidance applies to loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, and any other financial assets not excluded from the scope that have a contractual right to receive cash. The requirements of this guidance are effective for the Organization’s financial statements beginning January 1, 2023.

(19) Subsequent Events

In June 2023, the Organization purchased approximately 68 acres of land from an unrelated party for approximately \$1.5 million. The land purchased is to be used for the construction of tiny homes for the Organization’s Creekside Community Village project to provide living spaces for the impoverished. The purchase was funded with a restricted donation from an individual donor and \$1.0 million in federal pass-through revenues from the City of Waco under the American Rescue Plan Act.

The Organization has evaluated subsequent events from the date of the statements of financial position through September 19, 2023, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.