

**THE MUSTARD SEED PROJECT  
OF KEY PENINSULA**

Reviewed Financial Statements

June 30, 2020 and 2019

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## Independent Accountant's Review Report

Board of Directors  
The Mustard Seed Project of Key Peninsula  
Vaughn, Washington

We have reviewed the accompanying financial statements of The Mustard Seed Project of Key Peninsula (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### ***Management's Responsibilities for the Reviewed Financial Statements***

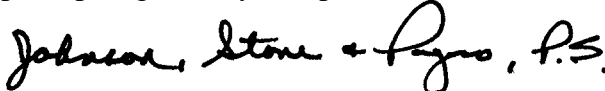
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair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

### ***Accountant's Responsibility***

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### ***Accountant's Conclusion***

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

  
JOHNSON, STONE & PAGANO, P.S.

September 15, 2020

REVIEWED FINANCIAL STATEMENTS

**THE MUSTARD SEED PROJECT OF KEY PENINSULA**

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 143,888	\$ 149,200
Pledges receivable	11,533	38,108
Prepaid expenses	<u>5,513</u>	<u>5,329</u>
<b>Total Current Assets</b>	160,934	192,637
<b>NON-CURRENT ASSETS</b>		
Cash, restricted for capital projects	116,693	92,955
<b>PROPERTY AND EQUIPMENT</b>		
Land	653,000	653,000
Building	388,678	306,174
Equipment and furniture	39,750	28,628
	<u>1,081,428</u>	<u>987,802</u>
Less accumulated depreciation	47,424	33,117
	<u>1,034,004</u>	<u>954,685</u>
Construction in progress	<u>1,034,291</u>	<u>936,391</u>
<b>Total Property and Equipment</b>	<u>2,068,295</u>	<u>1,891,076</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,345,922</u>	<u>\$ 2,176,668</u>

See independent accountant's review report and accompanying notes to financial statements.

**THE MUSTARD SEED PROJECT OF KEY PENINSULA**

STATEMENTS OF FINANCIAL POSITION (Continued)

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 91,452	\$ 206,110
Payroll tax liabilities	3,435	568
Tenant security deposits	858	400
Current portion of long-term debt, net of debt issuance costs	<u>696,829</u>	<u>720,895</u>
<b>Total Current Liabilities</b>	792,574	927,973
<b>LONG-TERM LIABILITIES</b>		
Long-term debt	<u>49,650</u>	<u>          </u>
<b>Total Liabilities</b>	842,224	927,973
<b>NET ASSETS</b>		
Without donor restrictions	1,289,257	1,117,632
With donor restrictions	<u>214,441</u>	<u>131,063</u>
<b>Total Net Assets</b>	<u>1,503,698</u>	<u>1,248,695</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,345,922</u>	<u>\$ 2,176,668</u>

See independent accountant's review report and accompanying notes to financial statements.

**THE MUSTARD SEED PROJECT OF KEY PENINSULA**

**STATEMENTS OF ACTIVITIES**

Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>			
Donations	\$ 212,194	\$ 355,716	\$ 567,910
Contract services	17,348		17,348
Grants	103,918		103,918
Rental income	26,810		26,810
Interest and dividend income	43		43
Net assets released from restriction	<u>272,338</u>	<u>(272,338)</u>	
<b>Total Revenues and Support</b>	632,651	83,378	716,029
<b>EXPENSES</b>			
Program services	239,719		239,719
General and administrative	83,917		83,917
Fundraising	<u>137,390</u>		<u>137,390</u>
<b>Total Expenses</b>	<u>461,026</u>		<u>461,026</u>
<b>INCREASE IN NET ASSETS</b>	171,625	83,378	255,003
<b>Net Assets at Beginning of Year</b>	<u>1,117,632</u>	<u>131,063</u>	<u>1,248,695</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,289,257</u>	<u>\$ 214,441</u>	<u>\$ 1,503,698</u>

See independent accountant's review report and accompanying notes to financial statements.

# THE MUSTARD SEED PROJECT OF KEY PENINSULA

## STATEMENTS OF ACTIVITIES (Continued)

Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>			
Donations	\$ 350,414		\$ 350,414
In-kind contributions	24,724		24,724
Special event income, less direct expenses of \$47,002	75,814		75,814
Contract services	17,348		17,348
Grants	222,482		222,482
Rental income	19,234		19,234
Interest and dividend income	37		37
Net assets released from restriction	44,940	\$ (44,940)	
<b>Total Revenues and Support</b>	754,993	(44,940)	710,053
<b>EXPENSES</b>			
Program services	190,040		190,040
General and administrative	65,241		65,241
Fundraising	127,848		127,848
<b>Total Expenses</b>	383,129		383,129
<b>INCREASE (DECREASE) IN NET ASSETS</b>	371,864	(44,940)	326,924
<b>Net Assets at Beginning of Year</b>	745,768	176,003	921,771
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,117,632</u>	<u>\$ 131,063</u>	<u>\$ 1,248,695</u>

See independent accountant's review report and accompanying notes to financial statements.



## THE MUSTARD SEED PROJECT OF KEY PENINSULA

### STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020 with Comparative Totals for 2019

	Program Services	General and Administrative	Fundraising	Total Expenses	
				2020	2019
<b>COMPENSATION EXPENSE</b>					
Wages	\$ 142,895	\$ 27,345	\$ 99,895	\$ 270,135	\$ 233,298
Payroll taxes	<u>10,727</u>	<u>2,051</u>	<u>7,499</u>	<u>20,277</u>	<u>11,251</u>
<b>Total Compensation Expense</b>	153,622	29,396	107,394	290,412	244,549
Advertising	3,583			3,583	3,301
Bank service fees	741	445	297	1,483	1,015
Property taxes	1,888	1,321	566	3,775	7,136
Computer internet and service	6,273	784	784	7,841	6,141
Dues and subscriptions	431	24	24	479	578
Insurance	4,697	1,174		5,871	5,453
Postage and shipping	482	483	6,770	7,735	6,590
Professional services	19,848	1,241	8,222	29,311	18,531
Repairs and maintenance	6,834	380	380	7,594	17,440
Supplies	2,875	616	4,120	7,611	3,735
Travel and parking	356		89	445	55
Utilities	13,522	751	751	15,024	11,833
Volunteer	2,513			2,513	712
Capital campaign			4,000	4,000	57
Other	9,177	192	3,278	12,647	13,072
Interest expense		<u>46,395</u>		<u>46,395</u>	<u>32,041</u>
<b>Total Expenses Before Depreciation</b>	226,842	83,202	136,675	446,719	372,239
Depreciation	<u>12,877</u>	<u>715</u>	<u>715</u>	<u>14,307</u>	<u>10,890</u>
<b>TOTAL EXPENSES</b>	<u>\$ 239,719</u>	<u>\$ 83,917</u>	<u>\$ 137,390</u>	<u>\$ 461,026</u>	<u>\$ 383,129</u>

See independent accountant's review report and accompanying notes to financial statements.

**THE MUSTARD SEED PROJECT OF KEY PENINSULA**

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

Year Ended June 30, 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
<b>COMPENSATION EXPENSE</b>				
Wages	\$ 99,657	\$ 22,188	\$ 111,453	\$ 233,298
Payroll taxes	<u>4,806</u>	<u>1,070</u>	<u>5,375</u>	<u>11,251</u>
<b>Total Compensation Expense</b>	104,463	23,258	116,828	244,549
Advertising	3,301			3,301
Bank service fees	507	305	203	1,015
Property taxes	3,568	2,498	1,070	7,136
Computer internet and service	4,913	614	614	6,141
Dues and subscriptions	520	29	29	578
Insurance	4,362	1,091		5,453
Postage and shipping	1,647	1,648	3,295	6,590
Professional services	14,824	927	2,780	18,531
Repairs and maintenance	15,696	872	872	17,440
Supplies	2,615	560	560	3,735
Travel and parking	44		11	55
Utilities	10,649	592	592	11,833
Volunteer	712			712
Capital campaign			57	57
Other	12,419	261	392	13,072
Interest expense	<u>          </u>	<u>32,041</u>	<u>          </u>	<u>32,041</u>
<b>Total Expenses Before Depreciation</b>	180,240	64,696	127,303	372,239
Depreciation	<u>9,800</u>	<u>545</u>	<u>545</u>	<u>10,890</u>
<b>TOTAL EXPENSES</b>	<u>\$ 190,040</u>	<u>\$ 65,241</u>	<u>\$ 127,848</u>	<u>\$ 383,129</u>

See independent accountant's review report and accompanying notes to financial statements.

# THE MUSTARD SEED PROJECT OF KEY PENINSULA

## STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 255,003	\$ 326,924
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	14,307	10,890
Debt issuance costs	(2,500)	
Amortization of debt issuance costs	3,434	2,392
Net change in operating assets and liabilities	<u>192,958</u>	<u>(40,693)</u>
<b>Net Cash Provided by Operating Activities</b>	463,202	299,513
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	<u>(469,426)</u>	<u>(310,338)</u>
<b>Net Cash Used by Investing Activities</b>	(469,426)	(310,338)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds of long-term debt	49,650	
Payment of long-term debt	<u>(25,000)</u>	
<b>Net Cash Provided by Financing Activities</b>	<u>24,650</u>	
<b>NET INCREASE (DECREASE) IN CASH</b>	18,426	(10,825)
<b>Cash at Beginning of Year</b>	<u>242,155</u>	<u>252,980</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 260,581</u>	<u>\$ 242,155</u>
<b>COMPONENTS OF CASH</b>		
Cash	\$ 143,888	\$ 149,200
Restricted cash	<u>116,693</u>	<u>92,955</u>
	<u>\$ 260,581</u>	<u>\$ 242,155</u>

See independent accountant's review report and accompanying notes to financial statements.

**THE MUSTARD SEED PROJECT OF KEY PENINSULA**

STATEMENTS OF CASH FLOWS (Continued)

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES</b>		
(Increase) decrease in assets		
Pledges receivable	\$ 26,575	\$ 44,951
Prepaid expense	(184)	(4,080)
Increase (decrease) in liabilities		
Accounts payable	163,242	(80,676)
Payroll tax liabilities	2,867	(1,288)
Tenant security deposits	<u>458</u>	<u>400</u>
<b>Net Change in Operating Assets and Liabilities</b>	<b><u>\$ 192,958</u></b>	<b><u>\$ (40,693)</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 46,395</u>	<u>\$ 32,041</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Purchase of fixed assets in accounts payable	<u>\$ 2,000</u>	<u>\$ 279,900</u>

See independent accountant's review report and accompanying notes to financial statements.

## **THE MUSTARD SEED PROJECT OF KEY PENINSULA**

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

#### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### ***Nature of Activities***

The Mustard Seed Project of Key Peninsula (the "Organization") was founded in 2006 and operated under the fiscal sponsorship of The Franciscan Foundation until February 25, 2011, when it received its own 501(c)(3) status from the Internal Revenue Service. The Mustard Seed Project of Key Peninsula is a nonprofit organization whose mission is to assure that a full continuum of high quality, affordable services and programs are available to meet the needs of aging Key Peninsula residents, so that they can "age in place." The Organization is supported primarily through grants and contributions from local foundations, individuals, businesses and government agencies.

##### ***Basis of Accounting***

The accompanying financial statements are prepared using the accrual basis of accounting and, accordingly, reflect significant receivables, payables and other liabilities.

##### ***Basis of Presentation***

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

##### ***Net Assets without Donor Restrictions***

Net assets that are not subject to donor-imposed stipulations.

##### ***Net Assets with Donor Restrictions***

Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations, or that expire by the passage of time, and net assets subject to donor-imposed stipulations that they be maintained permanently. The Organization did not have any net assets restricted to be maintained permanently at June 30, 2020 and 2019.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

##### ***Cash***

The Organization considers cash to be cash in checking accounts, savings accounts and money market accounts.

## **THE MUSTARD SEED PROJECT OF KEY PENINSULA**

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

#### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Pledges Receivable***

Pledges receivable are recorded when the underlying promises are received by the Organization. The Organization considers all pledges receivable to be fully collectible, therefore, no allowance for doubtful accounts has been established. Pledges to be received after one year are discounted at an appropriate discount rate using U.S. Treasury rates corresponding to the period in which the contribution is to be received if considered material.

##### ***Property and Equipment***

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000 and all expenditures for repairs and maintenance, renewals and betterments that prolong the useful lives of assets are capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of 3 to 39 years.

Depreciation expense was \$14,307 and \$10,890 for the years ended June 30, 2020 and 2019, respectively.

Construction in progress consists of development costs related to a low income senior housing facility.

##### ***Impairment of Long-lived Assets***

In accordance with authoritative guidance, the Organization makes a determination as circumstances indicate necessary as to whether the value of long-lived assets, including assets to be disposed of, have been impaired. The determination is based on several criteria, including, but not limited to, revenue trends, undiscounted operating cash flows and other operating factors. Management believes there were no impairment adjustments necessary for the years ending June 30, 2020 and 2019.

##### ***Debt Issuance Costs***

Debt issuance costs are capitalized and reported as a reduction from the carrying amount of the associated debt. Debt issuance costs are charged to interest expense on a straight line basis over the term of the related loan. Debt issuance costs charged to interest expense were \$3,434 and \$2,392 for the years ended June 30, 2020 and 2019, respectively.

##### ***Contributions***

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

## **THE MUSTARD SEED PROJECT OF KEY PENINSULA**

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

#### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Contributed Goods and Services***

Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in delivery of services. No amounts have been reflected in the financial statements for these donated services.

There were no in-kind contributions for the year ended June 30, 2020. For the year ended June 30, 2019, in-kind contributions totaled \$24,724.

##### ***Functional Expenses***

Functional expenses are allocated between programs, general and administrative and fundraising based on management's estimates and studies of the cost attributable to the programs or support services.

##### ***Advertising***

The Organization expenses advertising and marketing costs as they are incurred. Advertising costs totaled \$3,583 and \$3,301 for the years ended June 30, 2020 and 2019, respectively.

##### ***Concentration of Credit Risk***

The Organization may, at times, have balances that exceed federally insured deposit limits. Management has not experienced any losses and believes there is minimal risk associated with these cash balances.

##### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### ***Income Tax***

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

##### ***Reclassifications***

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

## THE MUSTARD SEED PROJECT OF KEY PENINSULA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

#### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### *Subsequent Events*

Management of the Organization has evaluated subsequent events for potential recognition and disclosure through September 15, 2020, the date the accountant's review procedures were completed.

#### NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30:

	<u>2020</u>	<u>2019</u>
Cash and restricted cash	\$ 260,581	\$ 242,155
Pledges receivable	<u>11,533</u>	<u>38,108</u>
Total Financial Assets	272,114	280,263
Less financial assets not available for general expenditures		
Restricted cash	(116,693)	(92,955)
Pledges receivable	<u>(11,533)</u>	<u>(38,108)</u>
Financial Assets Available to Meet General Expenditure	\$ <u>143,888</u>	\$ <u>149,200</u>

The Organization also has a \$20,000 line of credit available to draw upon for operating cash management purposes (see Note 3).

#### NOTE 3 - NOTE PAYABLE

The Organization has an unsecured \$20,000 line of credit arrangement with a bank that matures on November 5, 2024. The Organization uses the line of credit for short term working capital periodically throughout the year. There was no outstanding balance as of June 30, 2020. The interest rate in effect at June 30, 2020 was 8.5%.



## THE MUSTARD SEED PROJECT OF KEY PENINSULA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

#### NOTE 4 - LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Note payable to Capital Impact Partners. Due in full January 1, 2021, with interest accruing annually at 7.75%. Secured by a deed of trust and second blanket lien on all tangible and intangible business assets.	\$ 725,000	\$ 750,000
Note payable to Sound Credit Union. Due in full April 18, 2022, with interest accruing annually at 1.00%. Accrued interest payments starting November 2020, with the entire principal balance and unpaid interest due on the maturity date (see Note 9).	<u>49,650</u>	_____
Long-term Debt	774,650	750,000
Less unamortized debt issuance costs	<u>28,171</u>	<u>29,105</u>
Long-term Debt, Net of Unamortized Debt Issuance Costs	746,479	720,895
Less current portion due within one year classified as a current liability	<u>696,829</u>	<u>720,895</u>
Long-term Debt, Net of Current Portion	\$ <u>49,650</u>	\$ _____

Principal payments required subsequent to June 30, 2020 are as follows:

2021	\$ 696,829
2022	<u>49,650</u>
	\$ <u>774,650</u>

The Capital Impact loan is subject to certain covenants. The Organization met the covenants for the year ended June 30, 2020 and did not meet those covenants for the year ended June 30, 2019. The Organization obtained a waiver for the year ended June 30, 2019.

#### NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020 and 2019, the Organization had \$214,441 and \$131,063, respectively, in net assets with restrictions from a capital campaign to build senior housing.

## THE MUSTARD SEED PROJECT OF KEY PENINSULA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

#### NOTE 6 - RELATED PARTY TRANSACTIONS

The Organization has received several promises to give from board members. Contribution revenue from board members supporting programs and operations totaled \$72,724 and \$31,943 for the years ended June 30, 2020 and 2019, respectively. Pledges receivable from board members totaled \$430 and \$5,259 as of June 30, 2020 and 2019, respectively.

#### NOTE 7 - COMMITMENTS AND CONTINGENCIES

The Organization intends to build a senior housing project with anticipated total cost of approximately \$12,000,000, of which \$7,000,000 will be financed, and approximately \$5,000,000 raised through a capital campaign.

The Organization is currently in the process of applying for permanent financing for their senior housing project.

#### NOTE 8 - RENTAL INCOME

The Organization leases unused space to other not-for-profit organizations. Lease arrangements vary by tenant and monthly rental income varies from \$400 to \$600 a month. The Organization also leases unused space on an hourly basis.

Rental income was \$26,810 and \$19,234 for the years ended June 30, 2020 and 2019, respectively.

Projected rental income based on the non-cancellable portion of the leases subsequent to June 30, 2020 are as follows:

2020	\$ 6,724
2021	<u>408</u>
	\$ <u>7,132</u>

#### NOTE 9 - RISKS, UNCERTAINTIES AND COMMITMENTS

As of June 30, 2020, the world was in the midst of the COVID-19 pandemic. The Organization was negatively affected by the effects of the pandemic as of the date of the statement of financial position. Significant uncertainty remains regarding the wide ranging effects of the pandemic subsequent to year-end. The Organization is closely monitoring its operations, liquidity, capital and financial resources, and is actively working to minimize the current and future effects of this unprecedented situation. As of the date of issuance of these financial statements, the full impact of the pandemic to the Organization's financial position or operations is not known.

## **THE MUSTARD SEED PROJECT OF KEY PENINSULA**

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

#### **NOTE 9 - RISKS, UNCERTAINTIES AND COMMITMENTS (Continued)**

In April 2020, the Organization received loan proceeds in the amount of \$49,650, under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act, and later modified by the PPP Flexibility Act, provides for loans to qualifying organizations for amounts up to 2.5 times the average monthly payroll expenses of the qualifying organization. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities during the twenty-four weeks commencing from the date the Organization received loan proceeds or through December 31, 2020, whichever period is shorter (the "covered period"). The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

The Organization has ten months from the end of the covered period to apply for loan forgiveness. The unforgiven portion of the PPP loan, if any, is payable over two years at an interest rate of 1% beginning at the end of the ten months. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, the total amount of loan forgiveness is not known as of the date of these financial statements.

#### **NOTE 10 - FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include wages, payroll taxes, bank service fees, property taxes, computer internet and service, dues and subscriptions, insurance, postage and shipping, professional services, repairs and maintenance, supplies, travel and parking, utilities, other and depreciation, which are allocated on the basis of management's estimates of time and effort.