

## **MEND – Meet Each Need with Dignity**

Audited Financial Statements

As of and for the Year Ended June 30, 2019

(With Comparative Summarized Financial Information as  
of and for the Year Ended June 30, 2018)



**MEND – Meet Each Need with Dignity**

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Financial Statements  
For the Year Ended June 30, 2019

# MEND – Meet Each Need with Dignity

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## Independent Auditor's Report

To the Board of Directors  
MEND – Meet Each Need with Dignity  
Pasadena, California

I have audited the accompanying financial statements of MEND – Meet Each Need with Dignity, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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.

### ***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MEND – Meet Each Need with Dignity as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

***Other matter***

*Report on Summarized Comparative Information*

The 2018 financial statements of MEND – Meet Each Need with Dignity were audited by other auditors who, in their report dated April 19, 2019, expressed an unmodified opinion on those audited financial statements. The summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, MEND – Meet Each Need with Dignity adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, during the year ended June 30, 2019. My opinion is not modified with respect to this matter.

*Lewis Sharpstone & Co.*

Woodland Hills, California,  
March 27, 2020

## **Financial Statements**

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**MEND - Meet Each Need with Dignity**  
**Statement of Financial Position**  
**(With Comparative Totals as of June 30, 2018)**

June 30	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 261,566	\$ 597,726
Investments	2,079,188	-
Contributions receivable	122,974	22,374
Inventories	369,835	450,957
Prepaid expenses	22,148	30,559
Assets held for sale	-	980,274
Property and Equipment, net	7,244,339	7,473,076
<b>Total Assets</b>	<b>\$ 10,100,050</b>	<b>\$ 9,554,966</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 194,971	\$ 264,270
Line of credit	-	499,599
<b>Total Liabilities</b>	<b>194,971</b>	<b>763,869</b>
<b>Net Assets</b>		
Without donor restrictions (Note 9)		
Undesignated	8,601,614	8,177,816
Board designated	1,139,644	169,301
With donor restrictions (Note 9)	163,821	443,980
<b>Total Net Assets</b>	<b>9,905,079</b>	<b>8,791,097</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 10,100,050</b>	<b>\$ 9,554,966</b>

*See accompanying notes to financial statements.*

## MEND - Meet Each Need with Dignity

### Statement of Activities and Changes in Net Assets (With Comparative Totals for the Year Ended June 30, 2018)

Year ended June 30	2019			2018
	Without donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenue and Support:</b>				
Contributions				
Foundations	\$ 619,325	\$ 148,000	\$ 767,325	\$ 971,135
Individuals	649,330	-	649,330	641,879
Businesses and other organizations	268,058	17,500	285,558	401,845
In-kind	7,478,138	-	7,478,138	8,559,722
Special events and other income	261,403	-	261,403	365,701
Program income	81,380	-	81,380	205,810
Rental income	8,675	-	8,675	5,231
Investment income	11,003	-	11,003	-
Gain on sale of building	2,041,437	-	2,041,437	-
Net assets released from restrictions	445,659	(445,659)	-	-
<b>Total Support and Revenue</b>	11,864,408	(280,159)	11,584,249	11,151,323
<b>Expenses:</b>				
Program services	9,495,535	-	9,495,535	10,765,298
Management and general	382,379	-	382,379	412,133
Fundraising	592,353	-	592,353	472,753
<b>Total Expenses</b>	10,470,267	-	10,470,267	11,650,184
<b>Change in Net Assets</b>	1,394,141	(280,159)	1,113,982	(498,861)
<b>Net Assets, beginning of year</b>	8,347,117	443,980	8,791,097	9,289,958
<b>Net Assets, end of year</b>	\$ 9,741,258	\$ 163,821	\$ 9,905,079	\$ 8,791,097

*See accompanying notes to financial statements.*

# MEND – Meet Each Need with Dignity

## Statement of Functional Expenses (With Comparative Totals for the Year Ended June 30, 2018)

Year ended June 30	2019						2018	
	Emergency Food Bank	Clothing Center	Medical, Dental and Eye Care Clinics	Total Program Services	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 358,150	\$ 176,886	\$ 393,400	\$ 928,436	\$ 209,974	\$ 311,776	\$ 1,450,186	\$ 1,518,976
Payroll taxes	29,551	14,534	33,062	77,147	16,987	23,422	117,556	82,323
Employee benefits	34,302	20,558	30,382	85,242	10,996	16,430	112,668	99,144
Donated goods and services	5,997,238	518,757	1,032,501	7,548,496	-	764	7,549,260	8,514,570
Auto	34,046	5,256	-	39,302	-	-	39,302	45,200
Contract services	45,367	18,160	37,561	101,088	16,848	25,616	143,552	149,592
Equipment	2,207	883	3,150	6,240	266	116	6,622	14,803
Food	753	-	-	753	-	-	753	742
Professional fundraising services	-	-	-	-	-	113,099	113,099	57,563
Insurance	18,358	6,225	36,008	60,591	12,845	1,710	75,146	70,623
Interest	-	-	-	-	26,381	-	26,381	19,861
Licenses and permits	9,291	3,670	13,689	26,650	1,057	8,265	35,972	30,074
Office supplies	1,621	314	6,999	8,934	14,422	8,082	31,438	24,978
Postage and printing	235	94	205	535	2,117	7,751	10,402	24,506
Professional fees	-	-	-	-	43,119	-	43,119	22,492
Property taxes	6,645	2,659	5,383	14,687	6,629	298	21,614	7,094
Marketing and advertising	-	-	-	-	-	-	-	2,550
Medical and lab	-	-	71,929	71,929	-	-	71,929	136,249
Repairs and maintenance	19,182	6,581	9,068	34,831	1,613	531	36,975	35,885
Rent	-	-	-	-	-	-	-	7,533
Special events	-	3,588	-	3,588	-	59,581	63,169	75,218
Supplies	45,596	3,483	52,929	102,008	2,767	326	105,101	141,325
Telephone	8,737	3,967	8,014	20,718	1,252	1,172	23,142	24,149
Utilities	48,276	19,317	39,465	107,059	5,397	3,012	115,468	139,462
Depreciation	116,414	46,566	94,322	257,302	9,709	10,402	277,413	338,233
	<u>\$ 6,775,969</u>	<u>\$ 851,500</u>	<u>\$ 1,868,066</u>	<u>\$ 9,495,535</u>	<u>\$ 382,379</u>	<u>\$ 592,353</u>	<u>\$ 10,470,267</u>	<u>\$ 11,650,184</u>

**MEND - Meet Each Need with Dignity**  
**Statement of Cash Flows**  
**(With Comparative Totals for the Year Ended June 30, 2018)**

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Years ended June 30	2019	2018
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,113,982	\$ (498,861)
Adjustments to reconcile change in net assets to net assets provided by operating activities		
Depreciation	277,413	338,233
Gain on sale of property and equipment	(2,041,437)	(6,334)
Changes in operating assets and liabilities		
Contributions receivable	(100,600)	392,911
Inventories	81,122	(44,152)
Prepaid expenses	8,411	(6,723)
Accounts payable and accrued expenses	<u>(69,299)</u>	<u>28,363</u>
<b>Net cash provided by (used in) operating activities</b>	<u>(730,408)</u>	<u>203,437</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property and equipment	3,033,979	728
Purchase of property and equipment	(60,944)	-
Purchase of investments	<u>(2,079,188)</u>	<u>-</u>
<b>Net cash provided by investing activities</b>	<u>893,847</u>	<u>728</u>
<b>Cash flows from financing activities</b>		
Borrowings under line of credit	250,000	-
Repayments under line of credit	<u>(749,599)</u>	<u>238,393</u>
<b>Net cash from financing activities</b>	<u>(499,599)</u>	<u>238,393</u>
<b>Change in cash</b>	<b>(336,160)</b>	<b>442,558</b>
<b>Cash - beginning of year</b>	<u><b>597,726</b></u>	<u><b>155,168</b></u>
<b>Cash - end of year</b>	<b>\$ <u>261,566</u></b>	<b>\$ <u>597,726</u></b>

*See accompanying notes to financial statements.*

# MEND - Meet Each Need with Dignity

## Notes to Financial Statements

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### NOTE 1 - ORGANIZATION PROFILE

MEND- Meet Each Need with Dignity (“MEND” or the “Organization”) is a community based, California nonprofit public benefit corporation which provides families and individuals who are low-income and homeless with basic needs and case management services. The organization is supported primarily through donor contributions from individuals, foundations and businesses, as well as through in-kind contributions. The organization is dependent upon such support in order to fund its operations.

MEND offers food, clothing, case management, medical, eye care, and dental services (see Note 13). MEND sponsors the following programs:

#### **Emergency Food Bank**

The emergency food bank prepares and directly distributes to individuals and families donated food collected from various organizations and retailers. MEND also distributes food through satellite locations and outreach partners, which include other community agencies and faith-based organizations.

#### **Clothing Center**

The clothing center receives donations of new and gently used clothing, shoes, and accessories, as well as diapers and wipes, which are distributed at no cost to individuals and families in need.

#### **Medical, Dental, and Eye Care Clinics**

The medical, dental and eye care clinics are primarily staffed by volunteer health professionals and provide free health, dental and vision care, including laboratory services and pharmaceuticals to uninsured and low-income patients. Specialty clinics include vision, diabetes and hypertension education and treatment, a woman’s clinic, healthy aging, chiropractic treatment and acupuncture.

#### **Homeless Care Services**

The homeless care services program, which in prior years was known as the shower program, offers fresh clothing, hygiene kits, hot meals, and to-go bags of ready to eat food. MEND also makes referrals to other housing and mental health service organizations.

#### **Christmas and Holiday Programs**

The Christmas and holiday programs provide donated gifts, toys, blankets and food to families in need as well as those families that are in vulnerable situations.

### NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements of the organization have been prepared on the accrual basis which recognizes income when earned and expenses when incurred, in accordance with accounting principles generally accepted in the United States of America (“GAAP”)

#### **Financial Statement 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.

# MEND - Meet Each Need with Dignity

## Notes to Financial Statements

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Net Assets without Donor Restrictions: - Net assets without donor restrictions are available for use at the discretion of the Board of Directors and management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. See Note 9 for more information on the composition of net assets without donor restrictions.

Net Assets with Donor Restrictions: - Net assets with donor restrictions consists of assets whose use is limited by donor imposed, time and/or purpose restrictions. The Organization reports cash or other assets received as revenues with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restriction. See Note 9 for more information on the composition of net assets with donor restrictions.

### **Comparative Financial Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally excepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived

### **Use of Estimates**

The preparation of financial statements in conformity with generally excepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, and expenses as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

### **Contributions and Promises to Give**

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions that increases that net asset class. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions is reclassified to net assets without donor restrictions and is reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as revenue and support without donor restrictions.

Unconditional promises to give are recognized as revenues or gains in the period the unconditional promise is received and as assets, decrease of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise has become unconditional.

### **Donated Materials and Services**

Donations of materials are recorded as contributions at their estimated fair value at the date of the donation. Donated services that create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased if not provided by the donation are recorded at fair value in the period received.

# MEND - Meet Each Need with Dignity

## Notes to Financial Statements

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For the year end of June 30, 2019, the organization recorded total in-kind contributions of \$7,478,138 which primarily consisted of \$6,545,033 of food, clothing, and medical and dental supplies and \$933,105 of donated professional medical and dental services. For the year end of June 30, 2018, the organization record total in-kind contributions of \$8,559,722 which consisted of \$7,450,242 of food, clothing, medical and dental supplies and \$1,109,480 of donated professional medical and dental services.

Donated services from volunteers who provide services such as drivers, cooks, clothing or food distribution helpers, teachers, administrative assistance and other voluntary positions are not recognized as contributions for financial statement purposes as the recognition criteria have not been satisfied. The organization estimates that it received approximately 67,000 and 119,000 volunteer hours during the years ended June 30, 2019 and 2018, respectively. This is the equivalent of approximately 37 and 65 full-time employees, respectively.

### **Investments**

Investments are stated at fair value. Interest, dividends, and realized and unrealized gains and losses are reported as increases or decreases in net assets without donor restriction unless a donor or law restricts their use and are reflected in the Statement of Activities as investment returns.

### **Fair Value Measurements**

Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access

*Level 2* – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs or other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

*Level 3* - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used

# MEND - Meet Each Need with Dignity

## Notes to Financial Statements

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need to maximize the use of observable inputs and minimize the use of unobservable inputs.

### Contributions Receivable

Contributions receivable consist primarily of unpaid foundation, corporate and individual contributions and are all due within one year from the balance sheet date. Management regularly reviews receivables and considers the receivable recorded at June 30, 2019 to be fully collectible.

### Inventory

Inventory consists of donated food, clothing, household items, pharmaceuticals, and clinic supplies. Donated items are valued at their estimated fair value using relevant research from leading not-for-profit organizations on national average prices for food and clothing

### Property and Equipment

The property and equipment are stated at cost if purchased or at fair value at the date of donation, if donated, and are depreciated using the straight-line method over the estimated useful lives of the assets generally as follows.

Building	40 years
Building improvements	5 – 40 years
Equipment	5 - 7 years
Trucks	10 years

### Assets held for Sale

Long lived assets or asset groups that have met the initial criteria to be classified as held for sale and have not yet sold are measured at the lower of their carrying amount or fair value less costs to sell. Depreciation of assets ceases upon the designation as held for sale.

### Long Lived Assets

The Organization reviews for the impairment of long-lived assets and certain identifiable intangible assets whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. An impairment loss is recognized when the estimate on discounted future cash flows expected to result from the use of the asset and its eventual disposition is less than the carrying amount. If impairment is indicated, the amount of the loss to be recorded is based on an estimate of the difference between the carrying amount and the fair value of the asset. Fair value is based upon discounted estimated cash flows expected to result from the use of the asset and its eventual disposition and other valuation methods.

There were no impairment charges during the years ended June 30, 2019 or 2018.

### Functional Expense Allocations

Expenses that can be identified with a program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management, based on time expensed by staff or other reasonable methods.

# MEND - Meet Each Need with Dignity

## Notes to Financial Statements

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### **Income Taxes**

The Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and section 23701(d) of the California Revenue and Taxation Code. Since the Organization is exempt from federal and state income tax, no provision has been made for current or deferred income tax expense. Under ASC 740, "Income Taxes", an organization must evaluate its tax positions and provide for a liability for any positions that would not be considered "more likely than not" to be upheld under a tax authority examination.

The Organization files its Form 990 in the US federal jurisdiction and its Form 199 with the State of California and a separate filing with the office of the attorney general for the State of California. There are currently no audits for any tax periods in progress. The Organization remains subject to income tax examination for 2015 and subsequent years (for federal) and 2014 and subsequent years (for State).

### **Custodial Credit Risk**

Custodial credit risk is the risk that the Organization will not be able to (a) recover deposits if the depository financial institution fails, b) recover the value of investments or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails or c) recover receivables from third parties.

Financial instruments that potentially subject the Organization to credit risk are cash deposits with banks and other financial institutions that are in excess of the federally insured limit of \$250,000. The Organization's cash balances exceed this limit at times during the year. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Credit risk associated with receivables is considered to be limited due to high historic collection rates and because of the strong long-term relationships the Organization has with donors.

### **Significant Concentrations**

*Contributions Receivable:* As of June 30, 2019 and 2018, there were three donors that accounted for approximately 81% and 87% of contributions receivable, respectively.

*Support and Revenue:* For the years end of June 30, 2019 and 2018, there was one food donor that accounted for approximately 41% and 22% of the Organization's total support and revenue, respectively.

### **Recent Accounting Pronouncements**

In May 2014, The FASB issued ASU NO. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). The standard provides companies with a single model for accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The core principle of the model is to recognize revenue when control of the goods or services transfers to the customer, as opposed to recognizing revenue when the risks and rewards transfer to the customer under the existing revenue guidance. ASU 2014-09 will be effective for the Organization in its year ended June 30, 2020. Early adoption is permitted. The Organization is in the process of evaluating the impact of adoption on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases. The new standard establishes a right-of-use

# MEND - Meet Each Need with Dignity

## Notes to Financial Statements

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(ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for the Organization in its year ended June 30, 2021. The Organization is in the process of evaluating the impact of adoption on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Topic 958, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The new guidance clarifies what is an exchange transaction, of which revenues would be reported under Topic 606, and what is a contribution reported under Topic 958. The new guidance presents three key considerations for the not-for-profit to consider in order to determine what type of transaction transpired and how to account for the transaction. The effective date of this ASU for the Organization is for its year ended June 30, 2020. The Organization is in the process of evaluating the impact of adoption on its financial statements.

### NOTE 3 CHANGE IN ACCOUNTING PRINCIPLE

In August 2016, the FASB issued Accounting Standards Update 2016-14, Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The guidance simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements about its liquidity, financial performance and cash flows. The guidance is effective for the Organization in its year ended June 30, 2019 and the Organization adopted this guidance.

### NOTE 4 INVESTMENTS

The following table sets forth by level within the fair value hierarchy MEND's investment assets at fair value as of June 30, 2019:

Asset Class	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 567,806	\$ -	\$ -	\$ 567,806
Treasury bills and notes	1,511,382	-	-	1,511,382
<b>Total</b>	<b>\$ 2,079,188</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,079,188</b>

Investment balances as of June 30, 2019 are held for the following purpose:

	Total
Investments with board designations	\$ 1,139,644
Investments without board designations	939,544
<b>Total</b>	<b>\$ 2,079,188</b>

Total Investment income for the year ended June 30, 2019 was \$11,003.

# MEND - Meet Each Need with Dignity

## Notes to Financial Statements

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### NOTE 5 INVENTORIES

As of June 30, 2019 and 2018, inventories consisted of the following:

	2019	2018
Food	\$ 137,190	\$ 206,077
Clothing	37,744	30,457
Medical	147,556	161,809
Dental	47,345	52,614
Total	\$ 369,835	\$ 450,957

As of June 30, 2019 and 2018, food inventories consisted of 85,744 and 122,665 pounds valued at \$1.68 and \$1.68 per pound, respectively. The value is based on relevant research from a leading non-for-profit organization on national average prices for food.

### NOTE 6 PROPERTY AND EQUIPMENT

As of June 30, 2019 and 2018, property and equipment consisted of the following:

	2019	2018
Land	\$ 1,094,728	\$ 1,094,728
Building	8,423,880	8,423,880
Building improvements	123,626	105,511
Equipment	557,900	746,045
Vehicles	214,429	262,990
Total cost of property and equipment	10,414,563	10,633,154
Less accumulated depreciation	(3,170,224)	(3,160,078)
Property and equipment - net	\$ 7,244,339	\$ 7,473,076

### NOTE 7 ASSETS SOLD

In April 2018 the Organization made a decision to sell one of its properties.

On March 29, 2019, the property held for sale was sold, net of closing fees, for approximately \$3,034,000 to an unrelated party for an approximate gain on the sale of \$2,041,000. In connection with the sale the Organization repaid its line of credit balance, which at the time of the sale of the property amounted to \$600,000 along with a short-term loan obtained in July, 2018, of approximately \$250,000 and accrued expenses of approximately \$15,000. The net cash proceeds from this transaction approximated \$2,169,000.

# MEND - Meet Each Need with Dignity

## Notes to Financial Statements

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### NOTE 8 LINE OF CREDIT

At June 30, 2018 the Organization had entered into a credit facility agreement under which it could borrow up to \$600,000. Interest was payable monthly at the higher of the prime rate or 2% plus the London Interbank Market Rate. The borrowings were due on demand and collateralized by certain assets of the Organization as defined in the credit facility agreement. The Organization was required to make monthly principal payments of the greater of 2% of the outstanding monthly balance or \$100. Borrowings outstanding as of June 30, 2018 amounted to \$499,599. As discussed in Note 7, this line of credit was repaid subsequent to June 30, 2018 from the proceeds related to the sale of a property and this note was canceled.

Also, in November 2018, the Organization entered into a short-term loan agreement with another lending institution, whereby it borrowed \$250,000 through an original maturity date in October 2019, when all outstanding advances were payable in full. This loan was secured by real property of the Organization and interest was payable monthly at 4.80% per annum. The loan was paid in full upon the sale of the property as referenced in Note 7.

### NOTE 9 NET ASSETS

#### Net Assets without Donor Restrictions

Net assets without donor restrictions consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 8,601,614	\$ 8,177,816
Board designated		
Investment fund	639,644	-
Operating reserve fund	500,000	-
General designated fund	<u>-</u>	<u>169,300</u>
Total Board designated	<u>1,139,644</u>	<u>169,300</u>
Total net assets without donor restrictions	\$ <u>9,741,258</u>	\$ <u>8,347,117</u>

#### Board designated funds

With proceeds from the sale of the property discussed in Note 7, the Organization created two separate board designated funds. One fund is an investment fund. The goal of the investment fund (also referred to as the Board Designated Reserve) is to support the Organization into the future or to respond to catastrophic or unforeseen major events.

The second board designated fund is an operating reserve fund to be used for short-term cash shortages, to finance any delays in expected funding or to fund the inception of a new program. These funds are

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to be replenished within 180 days of use or, if longer, the board will be given written justification for any delay in replenishment. The operating reserve is available for use in the next 12 months if necessary and therefore not included in the unavailable funds within one year referred to below in Note 10. Use of both funds require board approval.

### Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Food distribution	\$ 80,000	\$ 75,000
General operations – time restricted	10,000	300,000
Medical and vision clinics	<u>73,821</u>	<u>68,980</u>
Total net assets with donor restrictions	<u>\$ 163,821</u>	<u>\$ 443,980</u>

### NOTE 10 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization monitors its financial assets available within one year of the balance sheet date for expenditures on a quarterly basis. As of June 30, 2019, the balance available is as follows:

Cash and cash equivalents	\$ 261,656
Investments at fair value	<u>2,079,188</u>
Total financial assets available	2,340,754
Less those unavailable for expenditure within one year due to:	
Restricted by donor with time or purpose restrictions	-
Restricted by Board designation	<u>(639,644 )</u>
Financial assets available to meet cash needs within one year	<u>\$ 1,701,110</u>

The income generated by donor restricted funds during the year is generally available for all expenditures. As part of the Organization's liquidity management the Organization prepares on a monthly basis, 12-month rolling cash requirement projections which are used to ensure that needed balances are liquid and available for payment of general expenses in the near term. In addition, the Organization employs an extensive annual budgeting process and strategic planning process to ensure the Organization will continue to be poised to have funds available to pay general expenses in the long term.

As noted in the Statement of Cash Flows, during the year ended June 30, 2019 the Organization used approximately \$730,000 of cash in operations. Management and the Board are well aware of this and are engaged in high priority strategic decision making so as to reconfigure the operations of MEND to be able to provide the services the community needs in a sustainable manner on a break-even basis.

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### NOTE 11 CONTINGENCIES

Grants require the fulfillment of certain conditions set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to the grantors. Although, that is a possibility, management deems the contingency remote, since by accepting the grants and their terms, management is acknowledging the requirements of the grantor at the time of receipt of the grant.

MEND has, over the years, been informally advised it has been named a beneficiary in several revocable wills and trusts. During the year ended June 30, 2019, MEND was notified by the trustees of two separate unrelated trusts that the primary beneficiary of each trust had passed. For separate reasons the distributions to the beneficiaries of the trusts are on hold and MEND is unable to ascertain the amounts likely or potentially due. MEND will account for the income received from these trusts, if any, upon receipt. For one of the trusts, any receipts are required to be placed into a donor restricted endowment.

### NOTE 12 COMMITMENTS

The Organization has entered into an operating lease agreement for a color copier. The lease expires in June 2023. Future minimum lease payments on this copier are as follows:

Years ending June 30,		
2020	\$	6,324
2021		6,324
2022		6,324
2023		<u>6,324</u>
	\$	<u>25,296</u>

### NOTE 13: SUBSEQUENT EVENTS

After 18 months of pursuing alternatives, on January 30, 2020, MEND's Board of Directors voted to close MEND's Medical, Dental, and Eye Care programs. MEND is collaborating with several local community clinics and FQHCs to ensure a smooth transition and continued care for its patients. In addition, MEND is assisting and supporting staff affected by these closures in finding alternative employment. Donors and funders have also been informed.

This decision was not taken lightly. The primary factor driving the decision was the approximately \$30,000 per month deficit that these programs were together incurring. Closing these programs will enable MEND to sustain itself and its mission for the foreseeable future and implement its current strategic plan which calls for deeper engagement with MEND's clients to help break cycles of generational poverty, increase their independence, and improve their overall wellbeing.

MEND will continue to expand its critical core services that address immediate needs as well as provide intensive services such as individualized Family Support Program and Pathways to Wellness. MEND will continue to explore opportunities to maximize its role as a community anchor, and connector/convener of resources.

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As of March 2020, the US economy faces considerable uncertainty related to the impact of the COVID-19 virus. The Organization has already taken positive steps to adapt its operations to the changing environment but may be adversely affected in the future through restrictions on the ability of the Organization to deploy staff to serve clients and decreases in future revenue and contributions. Management is currently evaluating the impact these uncertainties may have on future operations.

There were no other subsequent events noted.

The Organization's management has evaluated subsequent events through March 27, 2020, the date which the financial statements were available to be issued. There were no subsequent events noted that would require adjustments to or disclosures in these financial statements.