

MEND-MEET EACH NEED WITH DIGNITY

FINANCIAL REPORT

For the year ended
June 30, 2017
with comparative totals for the
year ended June 30, 2016

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Independent Auditor's Report

To the Board of Directors
MEND - Meet Each Need with Dignity
Pacoima, California

We have audited the accompanying financial statements of MEND - Meet Each Need with Dignity, a California not-for-profit corporation (the "Organization"), which comprise the statement of financial position as of June 30, 2017, 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2017, 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 of America.

Other matter - Liquidity

As more fully discussed in Note 2 to the financial statements, the Organization has recently experienced a decline in contribution revenues that resulted in a net loss and borrowings under the line of credit during the year to continue to fund its operations. The Organization's continued operations are dependent upon it obtaining additional contributions, and if required, additional borrowings under its line of credit. Management's plans regarding these matters are described in Note 2. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's financial statements for the year ended June 30, 2016, and our report dated December 9, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gumbiner Savett Inc.

November 17, 2017

MEND - MEET EACH NEED WITH DIGNITY
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

ASSETS		
	2017	2016
CURRENT ASSETS		
Cash	\$ 155,168	\$ 390,664
Contributions receivable	415,285	179,660
Inventories	406,805	392,704
Prepaid expenses	21,702	29,224
Total Current Assets	998,960	992,252
 PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation		
	8,785,977	9,037,273
 OTHER ASSETS		
Security deposit	2,134	2,134
TOTAL ASSETS	\$ 9,787,071	\$ 10,031,659
 LIABILITIES AND NET ASSETS		
 CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 235,907	\$ 196,307
Line of credit	261,206	-
Total Current Liabilities	497,113	196,307
 NET ASSETS		
Unrestricted		
Designated	104,014	111,692
Undesignated	8,443,897	9,129,307
Temporarily restricted	742,047	594,353
Total Net Assets	9,289,958	9,835,352
TOTAL LIABILITIES AND NET ASSETS	\$ 9,787,071	\$ 10,031,659

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

MEND - MEET EACH NEED WITH DIGNITY
 STATEMENTS OF ACTIVITIES
 For the year ended June 30, 2017 with comparative
 totals for the year ended June 30, 2016

SUPPORT AND REVENUE	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Contributions				
Foundations	\$ 477,297	\$ 625,000	\$ 1,102,297	\$ 1,295,294
Individuals	693,129	-	693,129	710,737
Businesses and other organizations	220,550	150,000	370,550	545,528
In-kind	9,914,123	-	9,914,123	10,381,027
Special events and other income	389,483	-	389,483	388,410
Program income	289,306	-	289,306	168,618
Rental income	6,975	-	6,975	5,722
Net assets released from program restrictions	<u>627,306</u>	<u>(627,306)</u>	<u>-</u>	<u>-</u>
 TOTAL SUPPORT AND REVENUE	 <u>12,618,169</u>	 <u>147,694</u>	 <u>12,765,863</u>	 <u>13,495,336</u>
 OPERATING EXPENSES				
Program services	12,448,134	-	12,448,134	12,989,596
Management and general	371,538	-	371,538	316,441
Fundraising	<u>491,585</u>	<u>-</u>	<u>491,585</u>	<u>572,279</u>
 TOTAL OPERATING EXPENSES	 <u>13,311,257</u>	 <u>-</u>	 <u>13,311,257</u>	 <u>13,878,316</u>
 CHANGES IN NET ASSETS	 (693,088)	 147,694	 (545,394)	 (382,980)
 NET ASSETS - BEGINNING OF YEAR	 <u>9,240,999</u>	 <u>594,353</u>	 <u>9,835,352</u>	 <u>10,218,332</u>
 NET ASSETS - END OF YEAR	 <u>\$ 8,547,911</u>	 <u>\$ 742,047</u>	 <u>\$ 9,289,958</u>	 <u>\$ 9,835,352</u>

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

MEND - MEET EACH NEED WITH DIGNITY
STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended June 30, 2017 with comparative
totals for the year ended June 30, 2016

	Program Services					Total Program Services
	Emergency Food Bank	Clothing Center	Education and Training Center	Medical, Dental and Eye Care Clinics	Other Program Expense	
Personnel expenses						
Salaries	\$ 255,336	\$ 91,462	\$ 215,304	\$ 267,891	\$ 302,424	\$ 1,132,417
Payroll taxes	20,718	6,894	17,434	22,466	24,840	92,352
Employee benefits	32,404	12,704	28,118	20,388	24,292	117,906
Total personnel expenses	308,458	111,060	260,856	310,745	351,556	1,342,675
Non-personnel expenses						
Donated goods and services	6,444,927	1,746,381	-	1,701,876	-	9,893,184
Auto	17,815	3,791	-	-	-	21,606
Client database development	-	-	-	-	16,683	16,683
Clinics	-	-	-	79,696	-	79,696
Computer	674	271	2,018	668	208	3,839
Depreciation	106,237	42,812	34,470	106,730	32,884	323,133
Equipment	4,511	1,815	1,461	10,479	1,404	19,670
Food	498	-	-	-	-	498
General program	30,858	3,291	9,450	15,299	20,498	79,396
Home gardening program	6,703	-	-	-	-	6,703
Insurance	34,894	9,051	6,626	23,112	6,299	79,982
Interest	3,685	1,483	1,194	3,653	1,139	11,154
Janitorial	11,284	4,540	25,180	11,185	3,487	55,676
Office	8,894	3,259	3,406	9,098	2,806	27,463
Postage and printing	2,818	1,071	862	2,655	862	8,268
Professional fees	8,731	3,513	2,794	8,548	3,929	27,515
Property taxes	1,217	489	394	1,206	376	3,682
Medical and laboratory	-	-	-	133,796	-	133,796
Repairs and maintenance	17,240	3,379	11,238	15,236	2,595	49,688
Rent	7,666	3,084	2,483	7,599	2,369	23,201
Security	148	60	132	147	17,239	17,726
Supplies	10,628	1,971	2,120	61,605	1,514	77,838
Telephone	2,064	1,997	8,143	4,016	2,871	19,091
Volunteer development	-	-	-	-	6,875	6,875
Utilities	30,629	12,323	36,317	30,361	9,466	119,096
Total non-personnel expenses	6,752,121	1,844,581	148,288	2,226,965	133,504	11,105,459
Total expenses	\$ 7,060,579	\$ 1,955,641	\$ 409,144	\$ 2,537,710	\$ 485,060	\$ 12,448,134
Percentage of total operating expenses	<u>53.0%</u>	<u>14.7%</u>	<u>3.1%</u>	<u>19.1%</u>	<u>3.6%</u>	<u>93.5%</u>

(Continued)

MEND - MEET EACH NEED WITH DIGNITY
 STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
 For the year ended June 30, 2017 with comparative
 totals for the year ended June 30, 2016

	<u>Management and General</u>	<u>Fundraising</u>	<u>2017 Totals</u>	<u>2016 Totals</u>
Personnel expenses				
Salaries	\$ 291,556	\$ 163,924	\$ 1,587,897	\$ 1,541,217
Payroll taxes	18,776	12,460	123,588	122,109
Employee benefits	5,465	8,967	132,338	121,884
	<u>315,797</u>	<u>185,351</u>	<u>1,843,823</u>	<u>1,785,210</u>
Total personnel expenses				
Non-personnel expenses				
Donated goods and services	-	-	9,893,184	10,564,218
Auto	-	-	21,606	19,420
Client database development	-	-	16,683	16,510
Clinics	-	-	79,696	63,416
Computer	69	75	3,983	
Depreciation	10,858	11,789	345,780	339,767
Equipment	460	500	20,630	36,810
Food	-	-	498	584
Professional fundraising services	-	95,409	95,409	88,338
General program	1,762	27,738	108,896	112,545
Home gardening program	-	-	6,703	17,590
Insurance	3,755	2,297	86,034	82,214
Interest	376	408	11,938	8,322
Janitorial	1,151	1,250	58,077	52,400
Office	756	909	29,128	30,384
Postage and printing	278	27,808	36,354	64,027
Professional fees	28,615	955	57,085	35,755
Property taxes	418	135	4,235	5,554
Marketing and advertising	-	16,199	16,199	24,767
Medical and laboratory	-	-	133,796	54,034
Repairs and maintenance	857	930	51,475	98,584
Rent	782	849	24,832	28,694
Security	15	16	17,757	10,009
Special events	-	113,066	113,066	114,245
Supplies	500	543	78,881	69,096
Telephone	1,964	1,965	23,020	19,894
Volunteer development	-	-	6,875	17,738
Utilities	3,125	3,393	125,614	118,191
	<u>55,741</u>	<u>306,234</u>	<u>11,467,434</u>	<u>12,093,106</u>
Total non-personnel expenses				
Total expenses	\$ <u>371,538</u>	\$ <u>491,585</u>	\$ <u>13,311,257</u>	\$ <u>13,878,316</u>
Percentage of total operating expenses	<u>2.8%</u>	<u>3.7%</u>	<u>100.0%</u>	

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

MEND - MEET EACH NEED WITH DIGNITY
STATEMENTS OF CASH FLOWS
For years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (545,394)	\$ (382,980)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	345,779	339,767
Changes in assets and liabilities:		
Contributions receivable	(235,625)	309,745
Inventories	(14,101)	200,140
Prepaid expenses	7,522	(8,003)
Security deposits	-	581
Accounts payable and accrued expenses	<u>39,600</u>	<u>(29,454)</u>
Net cash provided by (used in) operating activities	<u>(402,219)</u>	<u>429,796</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(94,483)</u>	<u>(110,964)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (repayment) borrowings under line of credit	<u>261,206</u>	<u>(100,000)</u>
NET CHANGE IN CASH	(235,496)	218,832
CASH - BEGINNING OF YEAR	<u>390,664</u>	<u>171,832</u>
CASH - END OF YEAR	<u>\$ 155,168</u>	<u>\$ 390,664</u>

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

MEND - MEET EACH NEED WITH DIGNITY
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2017 and 2016

MEND – Meet Each Need with Dignity (“MEND” or the “Organization”) is a community-based, California non-profit public benefit corporation which provides individuals in need, who reside within the Northeast San Fernando Valley, with basic human needs and empowerment 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, medical, eye care, and dental services, as well as education and job training services for those in need. MEND sponsors the following programs:

Emergency Food Bank

The Emergency Food Bank prepares and directly distributes to individual’s food baskets several times a week using donated food collected from various organizations. MEND distributes excess food to smaller pantries and non-profit organizations each month. The Organization operates food distribution sites in the San Fernando Valley.

The Organization also operates a gardening program. This program supplies local families with the education and tools needed to start and maintain a garden in their homes. The expenses related to this program are included under the Emergency Food Bank.

Clothing Center

The Clothing Center receives donations of usable clothing and small household items which are distributed to needy families. Clothing Center personnel also coordinate baby showers, dress-up events for teens, and other events to support families in need.

Education and Training Center

The Education and Training Center offers a comprehensive job training program that includes work experience in 13 different career opportunities, as well as soft skills training in obtaining and keeping employment. In addition, MEND provides instruction in English as a second language, a computer lab, sewing training, after-school and Saturday programs for children, as well as other activities.

Medical, Dental and Eye Care Clinics

The Medical, Dental and Eye Care Clinics are 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 women’s clinic, healthy aging, chiropractic treatment and acupuncture.

(Continued)

See accompanying independent auditor’s report.

MEND - MEET EACH NEED WITH DIGNITY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the years ended June 30, 2017 and 2016

Other Programs:

Home Visiting Program

The Home Visiting Program volunteers meet with families and refer them to appropriate MEND programs and community agencies.

Shower Program

The Shower Program offers showers, a change of clothing and other services to those who are homeless.

Christmas Basket Program

The Christmas Basket Program distributes baskets of donated food, blankets and toys for up to 1,200 needy families during the holidays.

NOTE 1: 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.

Basis of presentation:

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Designated unrestricted net assets represent contributions which have been designated by the Board of Directors to be used for a specific purpose. It is the policy of the Organization to record donor restricted support as unrestricted support when the donor-restrictions have been satisfied within the reporting period. Temporarily restricted net assets consist of contributions received from businesses and foundations that are subject to donor-imposed restrictions either for a specific purpose or subject to the passage of time. The Organization had no permanently restricted net assets as of June 30, 2017.

Use of estimates:

The preparation of financial statements in conformity with generally accepted 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.

(Continued)

See accompanying independent auditor's report.

MEND - MEET EACH NEED WITH DIGNITY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the years ended June 30, 2017 and 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Property and equipment:

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:

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

Inventory:

Inventory consists of donated food, clothing, household items, pharmaceuticals and clinic supplies. Donated items are valued at their estimated fair value using national average prices for food and clothing.

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 temporarily restricted support that increases that net asset class. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and 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 unrestricted support.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases 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 promises become unconditional.

(Continued)

See accompanying independent auditor's report.

MEND - MEET EACH NEED WITH DIGNITY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the years ended June 30, 2017 and 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Contributions receivable:

Contributions receivable consist primarily of unpaid foundation, corporate and individual contributions. Management considers the receivables recorded at June 30, 2017 to be fully collectible.

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 Accounting Standards Codification (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.

Management has evaluated its tax positions using the guidance of ASC Topic 450, "Contingencies", and has concluded that a provision for a tax liability is not necessary at June 30, 2017. The Organization files its form 990 in the U.S. 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.

Recent accounting pronouncements:

In February 2016, the FASB issued ASU 2016-02, Leases. ASU 2016-02 requires that lease arrangements longer than 12 months result in an entity recognizing an asset and liability. The updated guidance is effective for interim and annual periods beginning after December 15, 2019, and early adoption is permitted. The Organization has not evaluated the impact of the updated guidance on its financial statements.

(Continued)

See accompanying independent auditor's report.

MEND - MEET EACH NEED WITH DIGNITY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the years ended June 30, 2017 and 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements (Continued):

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The guidance supersedes the current revenue recognition guidance, including industry-specific guidance. The guidance introduces a five-step model to achieve its core principle of the entity recognizing revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled to exchange for those goods or services. Additionally, on May 9, 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers Narrow-Scope Improvements and Practical Expedients*. The guidance amends ASU 2014-09 to clarify the guidance on assessing collectability, presentation of sales taxes, noncash consideration, completed contracts, and contract modifications at transition. This guidance is effective for private entities with fiscal years beginning after December 15, 2018, and early adoption is permitted. The Organization is currently evaluating the impact of the updated guidance, but does not believe the adoption of ASU 2014-09 or ASU 2016-12 will have a significant impact on the Organization's financial statements.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which changes how a not-for-profit organization classifies its net assets, as well as the information it presents in the financial statements and notes about liquidity, financial performance and cash flows. The ASU requires an amended presentation and disclosures to help not-for-profit organizations provide more relevant information and their resources and changes in those resources. The amendments are effective for the Organization's fiscal year ending June 30, 2019 with early adoption permitted. This ASU will impact the presentation of the financial statements and related disclosures when it is adopted.

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 nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased if not provided by donation, are recorded at fair value in the period received. Other donated services from volunteers who provide services such as drivers, cooks, clothing and food distribution helpers, teachers, administrative assistants 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 they received approximately 190,000 volunteer hours during each of the years ended June 30, 2017 and 2016. This is the equivalent of approximately 100 full-time employees.

(Continued)

See accompanying independent auditor's report.

MEND - MEET EACH NEED WITH DIGNITY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the years ended June 30, 2017 and 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated materials and services (Continued):

For the year ended June 30, 2017, the Organization recorded total in-kind contributions of \$9,914,123, which primarily consisted of \$8,254,912 of food, clothing, medical and dental supplies and \$1,659,211 of donated professional medical and dental services. For the year ended June 30, 2016, the Organization recorded total in-kind contributions of \$10,381,027, which primarily consisted of \$8,886,149 of food, clothing, medical and dental supplies and \$1,494,878 of donated professional medical and dental services.

Long-lived assets:

The Organization reviews for the impairment of long-lived assets and certain identifiable intangibles 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 estimated undiscounted 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, 2017 or 2016.

NOTE 2: LIQUIDITY

The Organization has recently experienced a decline in contribution revenues that resulted in a net loss along with borrowings under the line of credit during the year to continue to fund its operations. The Organization's continued operations are dependent upon it obtaining additional grants, as well as, expanding individual and corporate giving and if required, additional borrowings under its line of credit. The Organization has hired a new Chief Executive Officer, along with a new Chief Development Officer, to raise more awareness of the Organization and secure additional grant revenue funding streams. The Organization is also reviewing its budget to reduce costs and has secured an increase in its line of credit facility to \$600,000 (see Note 6). Management has made estimates of future results of operations and is working to execute these plans. The Organization's liquidity requirements are dependent on the successful achievement of these long-term plans.

See accompanying independent auditor's report.

MEND - MEET EACH NEED WITH DIGNITY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the years ended June 30, 2017 and 2016

NOTE 3: CONCENTRATIONS

Cash:

The Organization maintains cash balances at several banks where amounts on deposit may exceed \$250,000 throughout the year. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization has not experienced losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Contributions receivable:

As of June 30, 2017, there were three donors that accounted for approximately 96% of contributions receivable. As of June 30, 2016, there were three donors that accounted for approximately 68% of contributions receivable.

Support and revenue:

For the year ended June 30, 2017, there was one food donor that accounted for approximately 20% of the Organization's total support and revenue. For the year ended June 30, 2016, there was one food donor that accounted for approximately 18% of the Organization's total support and revenue.

NOTE 4: INVENTORIES

As of June 30, 2017 and 2016, inventories consisted of the following:

	<u>2017</u>	<u>2016</u>
Food	\$ 238,245	\$ 249,416
Clothing	34,977	24,216
Medical	78,316	50,378
Dental	55,267	68,694
	<u>\$ 406,805</u>	<u>\$ 392,704</u>

As of June 30, 2017 and 2016, food inventories consisted of 137,714 and 149,351 pounds valued at \$1.73 and \$1.67 per pound, respectively.

See accompanying independent auditor's report.

MEND - MEET EACH NEED WITH DIGNITY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the years ended June 30, 2017 and 2016

NOTE 5: PROPERTY AND EQUIPMENT

As of June 30, 2017 and 2016, property and equipment consisted of the following:

	2017	2016
Building	\$ 8,549,338	\$ 8,549,337
Land	1,440,834	1,440,834
Building improvements	1,698,916	1,696,081
Equipment	819,556	727,909
Vehicles	262,990	262,990
	<u>12,771,634</u>	<u>12,677,151</u>
Less accumulated depreciation	3,985,657	3,639,878
	<u>\$ 8,785,977</u>	<u>\$ 9,037,273</u>

NOTE 6: LINE OF CREDIT

The Organization has entered into a credit facility agreement with its bank that renews annually in November of each year, under which it may borrow up to \$600,000. Interest is payable monthly at the higher of the prime rate or 2.00% plus the London Interbank Market Rate. The borrowings are collateralized by certain assets of the Organization as defined in the credit facility agreement. The Organization is required to make monthly principal payments of the greater of 2% of the outstanding monthly balance or \$100. Borrowings outstanding as of June 30, 2017 amounted to \$261,210. There were no borrowings outstanding as of June 30, 2016.

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2017 and 2016, temporarily restricted net assets consisted of the following:

	2017	2016
Dental clinic	\$ 65,674	\$ 147,758
Food distribution	143,975	115,000
Youth services	21,569	-
General operations – time restricted	393,157	-
Medical and vision clinics	117,672	224,229
Other programs	-	57,057
Capital campaign and facility improvements	-	50,309
	<u>\$ 742,047</u>	<u>\$ 594,353</u>

See accompanying independent auditor's report.

MEND - MEET EACH NEED WITH DIGNITY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the years ended June 30, 2017 and 2016

NOTE 8: 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 gifts and their terms, management is acknowledging the requirements of the grantor at the time of receipt of the grant.

NOTE 9: COMMITMENTS

The Organization has entered into an operating lease agreement for a color copier. The lease is payable \$1,061 per month and expires on June 30, 2018. Future minimum lease payments on this copier which will be payable through the fiscal year ending June 30, 2018, are approximately \$13,000. Total rent expense on leased equipment for each of the years ended June 30, 2017 and 2016, amounted to approximately \$15,000.

The Organization has also entered into a commercial lease agreement, for a parking lot to be used for administrative employee parking on a month-to-month basis. During the years ended June 30, 2017 and 2016, rent payments were due at the rate of approximately \$2,000 per month. As of July 1, 2017, lease payments are due at the rate of \$1,000 per month. Total rent expense for the years ended June 30, 2017 and 2016, amounted to approximately \$25,000 and \$29,000, respectively.

The Organization is leasing one of its owned facilities to an unrelated entity under a month-to-month lease agreement commencing October 2015. Rental income received amounted to approximately \$7,000 and \$6,000 for the years ended June 30, 2017 and 2016, respectively.

NOTE 10: SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through November 17, 2017, the date which the financial statements were available to be issued. There were no subsequent events noted that would require adjustment to or disclosure in these financial statements.

See accompanying independent auditor's report.