

**MEND-MEET EACH NEED WITH DIGNITY**

**FINANCIAL REPORT**

For the year ended  
June 30, 2018  
with comparative totals for the  
year ended June 30, 2017

MEND - MEET EACH NEED WITH DIGNITY  
FINANCIAL REPORT  
For the year ended June 30, 2018  
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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, 2018, 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, 2018, 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 – Pro Forma Balance Sheet**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The pro forma balance sheet as of June 30, 2018 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## **Report on Summarized Comparative Information**

We have previously audited the Organization's financial statements for the year ended June 30, 2017, and our report dated November 17, 2017 contained an emphasis of matter paragraph regarding the Organization's liquidity. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gumbiner Savett Inc.*

April 19, 2019

MEND - MEET EACH NEED WITH DIGNITY  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2018 and 2017

	ASSETS		Pro Forma Balance Sheet June 30, 2018 (Unaudited)
	2018	2017	
<b>CURRENT ASSETS</b>			
Cash	\$ 597,726	\$ 155,168	\$ 3,132,104
Contributions receivable	22,374	415,285	22,374
Inventories	450,957	406,805	450,957
Prepaid expenses	30,559	23,836	30,559
Assets held for sale	980,274	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>2,081,890</b>	<b>1,001,094</b>	<b>3,635,994</b>
<b>PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation</b>	<b>7,473,076</b>	<b>8,785,977</b>	<b>7,473,076</b>
<b>TOTAL ASSETS</b>	<b>\$ 9,554,966</b>	<b>\$ 9,787,071</b>	<b>\$ 11,109,070</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 264,270	\$ 235,907	\$ 264,270
Line of credit	499,599	261,206	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>763,869</b>	<b>497,113</b>	<b>264,270</b>
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>NET ASSETS</b>			
Unrestricted			
Designated	169,301	104,014	169,301
Undesignated	8,177,816	8,443,897	10,231,519
Temporarily restricted	443,980	742,047	443,980
<b>TOTAL NET ASSETS</b>	<b>8,791,097</b>	<b>9,289,958</b>	<b>10,844,800</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,554,966</b>	<b>\$ 9,787,071</b>	<b>\$ 11,109,070</b>

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, 2018 with comparative  
 totals for the year ended June 30, 2017

SUPPORT AND REVENUE	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Contributions				
Foundations	\$ 545,780	\$ 425,355	\$ 971,135	\$ 1,102,297
Individuals	641,879	-	641,879	693,129
Businesses and other organizations	378,740	23,105	401,845	370,550
In-kind	8,559,722	-	8,559,722	9,914,123
Special events and other income	365,701	-	365,701	389,483
Program income	205,810	-	205,810	289,306
Rental income	5,231	-	5,231	6,975
Net assets released from program restrictions	<u>746,527</u>	<u>(746,527)</u>	<u>-</u>	<u>-</u>
 TOTAL SUPPORT AND REVENUE	 <u>11,449,390</u>	 <u>(298,067)</u>	 <u>11,151,323</u>	 <u>12,765,863</u>
 OPERATING EXPENSES				
Program services	10,765,298	-	10,765,298	12,448,134
Management and general	412,133	-	412,133	371,538
Fundraising	<u>472,753</u>	<u>-</u>	<u>472,753</u>	<u>491,585</u>
 TOTAL OPERATING EXPENSES	 <u>11,650,184</u>	 <u>-</u>	 <u>11,650,184</u>	 <u>13,311,257</u>
 CHANGES IN NET ASSETS	 (200,794)	 (298,067)	 (498,861)	 (545,394)
 NET ASSETS - BEGINNING OF YEAR	 <u>8,547,911</u>	 <u>742,047</u>	 <u>9,289,958</u>	 <u>9,835,352</u>
 NET ASSETS - END OF YEAR	 <u>\$ 8,347,117</u>	 <u>\$ 443,980</u>	 <u>\$ 8,791,097</u>	 <u>\$ 9,289,958</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, 2018 with comparative  
 totals for the year ended June 30, 2017

	Program Services					Total Program Services
	Emergency Food Bank	Clothing Center	Education and Training Center (closed during the year)	Medical, Dental and Eye Care Clinics	Other Program Expense	
Personnel expenses						
Salaries	\$ 186,589	\$ 97,971	\$ 95,006	\$ 279,547	\$ 356,996	\$ 1,016,109
Payroll taxes	16,291	7,506	8,029	22,901	27,596	82,323
Employee benefits	23,070	14,684	14,122	18,507	28,761	99,144
<b>Total personnel expenses</b>	<b>225,950</b>	<b>120,161</b>	<b>117,157</b>	<b>320,955</b>	<b>413,353</b>	<b>1,197,576</b>
Non-personnel expenses						
Donated goods and services	5,850,152	1,486,304	-	1,172,624	5,490	8,514,570
Auto	39,536	5,664	-	-	-	45,200
Contract services	23,851	9,287	14,593	24,096	30,223	102,050
Depreciation	102,617	42,331	34,084	104,294	32,515	315,841
Equipment	4,751	1,892	930	4,661	1,453	13,687
Food	742	-	-	-	-	742
Insurance	19,014	6,522	3,223	20,551	5,041	54,351
License and Permits	3,767	1,478	1,056	14,392	2,215	22,908
Office	6,435	408	801	1,828	2,459	11,931
Postage and printing	2,254	894	723	2,258	2,251	8,380
Property taxes	2,326	928	349	2,287	713	6,603
Medical and laboratory	-	-	-	136,249	-	136,249
Repairs and maintenance	10,892	3,198	6,059	11,587	2,457	34,193
Rent	2,379	943	665	2,323	724	7,034
Special events	-	3,019	-	-	-	3,019
Supplies	48,038	2,274	7,115	64,675	16,822	138,924
Telephone	2,590	2,301	7,163	4,691	4,116	20,861
Utilities	40,213	15,659	24,566	38,581	12,160	131,179
<b>Total non-personnel expenses</b>	<b>6,159,557</b>	<b>1,583,102</b>	<b>101,327</b>	<b>1,605,097</b>	<b>118,639</b>	<b>9,567,722</b>
<b>Total expenses</b>	<b>\$ 6,385,507</b>	<b>\$ 1,703,263</b>	<b>\$ 218,484</b>	<b>\$ 1,926,052</b>	<b>\$ 531,992</b>	<b>\$ 10,765,298</b>
Percentage of total operating expenses	<u>54.8%</u>	<u>14.6%</u>	<u>1.9%</u>	<u>16.5%</u>	<u>4.6%</u>	<u>92.4%</u>

MEND - MEET EACH NEED WITH DIGNITY  
 STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)  
 For the year ended June 30, 2018 with comparative  
 totals for the year ended June 30, 2017

	<u>Management and General</u>	<u>Fundraising</u>	<u>2018 Totals</u>	<u>2017 Totals</u>
Personnel expenses				
Salaries	\$ 258,100	\$ 244,767	\$ 1,518,976	\$ 1,587,897
Payroll taxes	22,071	19,195	123,589	123,588
Employee benefits	11,724	14,049	124,917	132,338
	<u>291,895</u>	<u>278,011</u>	<u>1,767,482</u>	<u>1,843,823</u>
Total personnel expenses				
Non-personnel expenses				
Donated goods and services	-	-	8,514,570	9,893,184
Auto	-	-	45,200	40,718
Contract services	44,895	2,647	149,592	115,382
Depreciation	10,736	11,656	338,233	345,780
Equipment	595	521	14,803	17,264
Food	-	-	742	847
Professional fundraising services	-	57,563	57,563	73,434
Insurance	13,966	2,306	70,623	75,112
Interest	19,861	-	19,861	11,938
License and Permits	-	7,166	30,074	37,984
Office	4,577	8,470	24,978	35,924
Postage and printing	1,368	14,758	24,506	40,852
Professional fees	16,736	5,756	22,492	57,084
Property taxes	235	256	7,094	4,235
Marketing and advertising	-	2,550	2,550	16,199
Medical and laboratory	-	-	136,249	185,925
Repairs and maintenance	811	881	35,885	37,239
Rent	239	260	7,533	24,832
Special events	-	72,199	75,218	111,596
Supplies	1,408	993	141,325	191,375
Telephone	1,128	2,160	24,149	23,019
Utilities	3,683	4,600	139,462	127,511
	<u>120,238</u>	<u>194,742</u>	<u>9,882,702</u>	<u>11,467,434</u>
Total non-personnel expenses				
Total expenses	<u>\$ 412,133</u>	<u>\$ 472,753</u>	<u>\$ 11,650,184</u>	<u>\$ 13,311,257</u>
Percentage of total operating expenses	<u>3.5%</u>	<u>4.1%</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (498,861)	\$ (545,394)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	338,233	345,779
Gain on sale of property and equipment	(6,334)	-
Changes in operating assets and liabilities:		
Contributions receivable	392,911	(235,625)
Inventories	(44,152)	(14,101)
Prepaid expenses	(6,723)	7,522
Accounts payable and accrued expenses	<u>28,363</u>	<u>39,600</u>
Net cash provided by (used in) operating activities	<u>203,437</u>	<u>(402,219)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	8,744	-
Acquisition of property and equipment	<u>(8,016)</u>	<u>(94,483)</u>
Net cash provided by (used in) investing activities	<u>728</u>	<u>(94,483)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowings under line of credit	<u>238,393</u>	<u>261,206</u>
<b>NET CHANGE IN CASH</b>	442,558	(235,496)
<b>CASH - BEGINNING OF YEAR</b>	<u>155,168</u>	<u>390,664</u>
<b>CASH - END OF YEAR</b>	<u>\$ 597,726</u>	<u>\$ 155,168</u>

**SUPPLEMENTAL CASH FLOW INFORMATION**

During 2018, the Organization classified assets amounting to \$980,274 as assets held for sale.

**MEND - MEET EACH NEED WITH DIGNITY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2018 and 2017

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 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 and faith-based organizations.

The Organization also operated a gardening program. This program supplied 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 within the Emergency Food Bank. In an effort to contain expenses, the Organization closed this program in February 2018.

#### 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.

#### Education and Training Center

Housed in a secondary building, which was subsequently sold as described in Notes 6 and 7, one mile from the main campus, the Education and Training Center offered volunteer-driven English as a Second language classes, out-of-school tutoring and enrichment programs for children, sewing classes, and a computer lab. In an effort to contain expenses, the Organization closed this center in February 2018.

#### 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, 2018 and 2017

**Other Programs:**

**Homeless Care Services**

The Homeless Care Services program, which in prior periods 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 services organizations.

**Christmas and Holiday Program**

The Christmas and Holiday Program provides donated gifts, toys, blankets, and food to families in need, as well as, those families that are in vulnerable situations.

**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, 2018 and 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, 2018 and 2017

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, 2017, 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:

Building	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 relevant research from leading not-for-profit organizations on 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, 2018 and 2017

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, 2018 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.

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, 2018 and 2017

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 it received approximately 119,000 and 190,000 volunteer hours during the years ended June 30, 2018 and 2017, respectively. This is the equivalent of approximately 65 and 100 full-time employees, respectively.

(Continued)

See accompanying independent auditor's report.

MEND - MEET EACH NEED WITH DIGNITY  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the years ended June 30, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated materials and services (Continued):

For the year ended June 30, 2018, the Organization recorded total in-kind contributions of \$8,559,722, which primarily consisted of \$7,450,242 of food, clothing, medical and dental supplies and \$1,109,480 of donated professional medical and dental services. 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.

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, 2018 or 2017.

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 been 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.

Reclassification:

Certain items in prior financial statements are reclassified to conform to the current presentation.

NOTE 2: LIQUIDITY

The Organization has recently experienced a decline in contribution revenues that resulted in net losses along with borrowings under the line of credit to continue to fund its operations. As further described in Note 7, the Organization sold a property on March 29, 2019 and received net cash proceeds amounting to approximately \$2,169,000, after the repayment of certain loans. Management believes that the net cash proceeds received from the sale of the property along with cash generated from operations will be adequate to fund the operating needs of the Organization.

See accompanying independent auditor's report.

MEND - MEET EACH NEED WITH DIGNITY  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the years ended June 30, 2018 and 2017

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, 2018 and 2017, there were three donors that accounted for approximately 87% and 96% of contributions receivable, respectively.

Support and revenue:

For the years ended June 30, 2018 and 2017, there was one food donor that accounted for approximately 22% and 20% of the Organization's total support and revenue, respectively.

NOTE 4: INVENTORIES

As of June 30, 2018 and 2017, inventories consisted of the following:

	2018	2017
Food	\$ 206,077	\$ 238,245
Clothing	30,457	34,977
Medical	161,809	78,316
Dental	52,614	55,267
	<u>\$ 450,957</u>	<u>\$ 406,805</u>

As of June 30, 2018 and 2017, food inventories consisted of 122,665 and 137,714 pounds valued at \$1.68 and \$1.73 per pound, respectively. The value is based on relevant research from a leading not-for-profit organization on national average prices for food.

See accompanying independent auditor's report.



MEND - MEET EACH NEED WITH DIGNITY  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the years ended June 30, 2018 and 2017

NOTE 5: PROPERTY AND EQUIPMENT

As of June 30, 2018 and 2017, property and equipment consisted of the following:

	2018	2017
Building	\$ 8,423,880	\$ 8,549,338
Land	1,094,728	1,440,834
Building improvements	105,511	1,698,916
Equipment	746,045	819,556
Vehicles	262,990	262,990
	<u>10,633,154</u>	<u>12,771,634</u>
Less accumulated depreciation	3,160,078	3,985,657
	<u>\$ 7,473,076</u>	<u>\$ 8,785,977</u>

NOTE 6: ASSETS HELD FOR SALE

In April 2018, the Organization made a decision to sell one of its properties; therefore, the property was classified as assets held for sale in the accompanying statements of financial position. As of June 30, 2018, the assets had a net book value of approximately \$980,000. See Note 7 regarding the subsequent sale of this property.

NOTE 7: SUBSEQUENT SALE OF ASSETS AND PRO FORMA BALANCE SHEET (UNAUDITED)

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 \$2,054,000. 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 subsequent to June 30, 2018, of approximately \$250,000 and accrued expenses of approximately \$15,000. The net cash proceeds from this transaction approximated \$2,169,000.

The Organization has presented a pro forma balance sheet within its statements of financial position as supplementary information for additional analysis as if this transaction had occurred as of June 30, 2018. This unaudited pro forma balance sheet includes the audited balance sheet amounts as of June 30, 2018 adjusted for approximate net cash proceeds of \$2,534,000, repayment of the line of credit of \$500,000, assets held for sale of \$980,000 and unrestricted assets, due to the gain on sale, of \$2,054,000. The difference between the actual cash received upon the sale and the net cash proceeds related to the amount within the pro forma balance sheet as of June 30, 2018, is related to changes in the line of credit balance of approximately \$100,000, the repayment of a short-term loan of \$250,000 along with accrued expenses of approximately \$15,000.

See accompanying independent auditor's report.

MEND - MEET EACH NEED WITH DIGNITY  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the years ended June 30, 2018 and 2017

NOTE 8: LINES OF CREDIT

The Organization had entered into a credit facility agreement with its bank under which it could borrow up to \$600,000. Interest was payable monthly at the higher of the prime rate or 2.00% 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 and 2017, amounted to \$499,599 and \$261,206, respectively. 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 cancelled.

Subsequent to June 30, 2018, the Organization entered into a short-term loan agreement with another lending institution, whereby it could borrow up to \$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 Organization received advances of approximately \$250,000 subsequent to June 30, 2018, which were paid in full upon the sale of the property as referenced in Note 7.

NOTE 9: TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2018 and 2017, temporarily restricted net assets consisted of the following:

	2018	2017
Dental clinic	\$ -	\$ 65,674
Food distribution	75,000	143,975
Youth services	-	21,569
General operations – time restricted	300,000	393,157
Medical and vision clinics	68,980	117,672
	<u>\$ 443,980</u>	<u>\$ 742,047</u>

NOTE 10: 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.

See accompanying independent auditor's report.

MEND - MEET EACH NEED WITH DIGNITY  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the years ended June 30, 2018 and 2017

NOTE 11: 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:

<u>Years Ending June 30:</u>	
2019	\$ 6,000
2020	6,000
2021	6,000
2022	6,000
2023	6,000
	<u>\$ 30,000</u>

NOTE 12: SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through April 19, 2019, the date which the financial statements were available to be issued. Except as disclosed in Notes 7 and 8, there were no other subsequent events noted that would require adjustments to or disclosures in these financial statements.

See accompanying independent auditor's report.