MEND – Meet Each Need with Dignity

Audited Financial Statements

As of and for the Year Ended June 30, 2020
(With Comparative Summarized Financial Information as of and for the Year Ended June 30, 2019)

MEND – Meet Each Need with Dignity

Financial Statements

For the Year Ended June 30, 2020

MEND – Meet Each Need with Dignity

Contents

Lewis Sharpstone & Co.
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Independent Auditor's Report

LS & Co.

To the Board of Directors
MEND – Meet Each Need with Dignity
Pacoima, 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, 2020, 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, 2020, 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

I have previously audited MEND – Meet Each Need with Dignity's 2019 financial statements, and I expressed and unmodified audit opinion on those financial statements in my report dated March 27, 2020. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lewis Sharpstone & Co.

Woodland Hills, California,
December 24, 2020

Financial Statements

MEND – Meet Each Need with Dignity

Statement of Financial Position
June 30, 2020
(With Comparative Totals as of June 30, 2019)

	2020	2019
Assets		
Cash and cash equivalents	$ **1,246,413**	$ 261,566
Investments	**1,863,285**	2,079,188
Contributions receivable	**42,919**	122,974
Inventories	**209,838**	369,835
Prepaid expenses	**19,370**	22,148
Assets held for sale (Note 7)	**45,000**	-
Property and Equipment, net	**6,916,102**	7,244,339
Total Assets	$ **10,342,927**	$ 10,100,050
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ **268,275**	$ 194,971
PPP Loan payable (Note 9)	**90,372**	-
Total Liabilities	**358,647**	194,971
Net Assets		
Without donor restrictions (Note 10)		
Undesignated	**8,438,422**	8,601,614
Board designated	**1,183,289**	1,139,644
Total net assets without donor restrictions	**9,621,711**	9,741,258
With donor restrictions (Note 10)	**362,569**	163,821
Total Net Assets	**9,984,280**	9,905,079
Total Liabilities and Net Assets	$ **10,342,927**	$ 10,100,050

See accompanying notes to financial statements.

MEND – Meet Each Need with Dignity

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Without donor restrictions			With Donor Restrictions	2020	2019
	Continuing Operations	Discontinued Operations	Total	Total	Total	Total
Revenue and Support:						
Contributions						
Foundations	$ 1,209,024	$ 500	$ 1,209,524	$ 507,500	$ 1,717,024	$ 767,325
Individuals	854,063	20,235	874,298	-	874,298	649,330
Businesses and other organizations	224,582	9,408	233,990	44,800	278,790	285,558
In-kind	5,737,093	540,574	6,277,667	-	6,277,667	7,478,138
Special events and other income	77,205	1,081	78,286	-	78,286	261,403
Program income	10,767	23,925	34,692	-	34,692	81,380
Rental income	-	-	-	-	-	8,675
Investment income	58,791	-	58,791	-	58,791	11,003
Gain on sale of building	-	-	-	-	-	2,041,437
Forgiveness of PPP loan recognized (Note 9)	195,228	-	195,228	-	195,228	-
Net assets released from restrictions	325,231	28,321	353,552	(353,552)	-	-
Total Support and Revenue	8,691,984	624,044	9,316,028	198,748	9,514,776	11,584,249
Expenses:						
Program services	7,185,058	1,220,471	8,405,529	-	8,405,529	9,495,535
Management and general	443,439	-	443,439	-	443,439	382,379
Fundraising	586,607	-	586,607	-	586,607	592,353
Total Expenses	8,215,104	1,220,471	9,435,575	-	9,435,575	10,470,267
Change in Net Assets	$ 476,880	$ (596,427)	(119,547)	198,748	79,201	1,113,982
Net Assets, beginning of year			9,741,258	163,821	9,905,079	8,791,097
Net Assets, end of year			$ 9,621,711	$ 362,569	$ 9,984,280	$ 9,905,079

See accompanying notes to financial statements.

MEND – Meet Each Need with Dignity

Statement of Functional Expenses
Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Continuing Program Expenses	Discontinued Operations - Clinics	Total Program Expenses	Management & General Expenses	Fundraising Expenses	2020 Total Expenses	2019 Total Expenses
Salaries and wages	$ 805,907	$ 239,366	$ 1,045,273	$ 244,038	$ 380,673	$ 1,669,984	$ 1,450,186
Payroll taxes	57,793	17,951	75,744	17,835	28,249	121,828	117,556
Employee benefits	70,361	21,738	92,099	21,593	31,949	145,641	112,668
Donated goods and services	5,700,286	590,908	6,291,194	-	-	6,291,194	7,549,260
Auto	33,461	-	33,461	1,376	-	34,837	39,302
Contract services	73,466	23,085	96,551	56,824	20,330	173,705	143,552
Equipment	19,550	2,542	22,092	6,363	1,222	29,677	6,622
Food	21,080	-	21,080	-	-	21,080	753
Fundraising consultants	-	-	-	-	67,019	67,019	113,099
Insurance	13,006	20,725	33,731	28,274	668	62,673	75,146
Interest	-	-	-	4,145	-	4,145	26,381
Licenses and permits	18,236	11,725	29,961	2,538	4,816	37,315	35,972
Office supplies	6,696	6,402	13,098	14,345	14,020	41,463	31,438
Postage and printing	29,974	619	30,593	3,346	1,878	35,817	10,402
Professional fees	-	-	-	19,265	-	19,265	43,119
Property taxes	2,647	1,020	3,667	395	144	4,206	21,614
Marketing and advertising	-	-	-	-	4,331	4,331	-
Medical and lab	-	50,028	50,028	-	-	50,028	71,929
Repairs and maintenance	21,068	10,843	31,911	2,559	3,707	38,177	36,975
Special events	-	-	-	-	7,655	7,655	63,169
Supplies	53,522	5,422	58,944	3,151	4,777	66,872	105,101
Telephone	4,969	1,799	6,768	1,055	1,839	9,662	23,142
Utilities	50,560	14,667	65,227	3,281	2,688	71,196	115,468
Loss on assets related to discontinued operations (Note 7)	-	155,300	155,300	-	-	155,300	-
Depreciation	202,476	46,331	248,807	13,056	10,642	272,505	277,413
	$ 7,185,058	$ 1,220,471	$ 8,405,529	$ 443,439	$ 586,607	$ 9,435,575	$ 10,470,267

See accompanying notes to financial statements.

MEND – Meet Each Need with Dignity

Statement of Cash Flows
Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

Years ended June 30	**2020**	2019
Cash flows from operating activities		
Change in net assets	$ **79,201**	$ 1,113,982
Adjustments to reconcile change in net assets to net assets provided by operating activities		
Depreciation	**272,505**	277,413
Gain on sale of property and equipment	-	(2,041,437)
Forgiveness of PPP loan recognized	**(195,228)**	-
Change in donated inventories	**15,429**	81,122
Loss on assets related to discontinued operations	**155,300**	-
Changes in operating assets and liabilities		
Contributions receivable	**80,055**	(100,600)
Prepaid expenses	**2,778**	8,411
Accounts payable and accrued expenses	**73,304**	(69,299)
Net cash provided by (used in) operating activities	**483,344**	(730,408)
Cash flows from investing activities		
Proceeds from sale of property and equipment	-	3,033,979
Purchase of property and equipment	-	(60,944)
Proceeds from sale of investments	**215,903**	-
Purchases of investments	-	(2,079,188)
Net cash provided by investing activities	**215,903**	893,847
Cash flows from financing activities		
Borrowings under line of credit	-	250,000
Repayments under line of credit	-	(749,599)
Received from PPP loan	**285,600**	-
Net cash from financing activities	**285,600**	(499,599)
Change in cash	**984,847**	(336,160)
Cash - beginning of year	**261,566**	597,726
Cash - end of year	$ **1,246,413**	$ 261,566

See accompanying notes to financial statements.

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 and case management services. 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.

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.

Programs discontinued in 2020
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 collaborated with several local community clinics and FQHCs to ensure a smooth transition and continued care for its patients. In addition, MEND assisted and supported staff affected by these closures in finding alternative employment. Donors and funders were informed. Clinic operations ceased on March 6, 2020.

The medical, dental and eye care clinics were primarily staffed by volunteer health professionals and had provided free health, dental and vision care, including laboratory services and pharmaceuticals to uninsured and low-income patients.

This decision was not taken lightly. The primary factor driving the decision was the large monthly 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.

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.

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 10 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 10 for more information on the composition of net assets with donor restrictions.

Discontinued operations
Management has determined that the closure of the clinics met the requirement for discontinued operations reporting under ASC 205-20. Accordingly, the financial statements report separately the results of continuing operations and of discontinued operations.

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, 2019, 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.

For the year end of June 30, 2020, the organization recorded total in-kind contributions of $6,145,402 which primarily consisted of $5,626,650 of food, clothing, and medical and dental supplies and $518,752 of donated professional medical and dental services. For the year end of June 30, 2019, the organization record total in-kind contributions of $7,478,138 which consisted of $6,545,033 of food, clothing, medical and dental supplies and $933,105 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 48,350 and 67,000 volunteer hours during the years ended June 30, 2020 and 2019, respectively. This is the equivalent of approximately 27 and 37 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 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, 2020 to be fully collectible.

Inventory
Inventory at June 30, 2020 consists of donated food and clothing. Inventory at June 30, 2019 also included 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

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, 2020 other than those resulting from the discontinued operations as noted elsewhere, or 2019.

PPP Loan Accounting
Management has carefully evaluated its accounting options for the loan it received under the Paycheck Protection Program ("PPP") loan program. This program was established on March 27, 2020 as part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act. The PPP loan program provides that all or a portion of the loan may be forgiven if a borrower incurs certain eligible expenses during an allowable period following receipt of the funds. Management has concluded that the PPP loan is an in-substance government grant to the Organization and is accounting for the loan as a conditional contribution in accordance with ASC 958-605. For accounting purposes management recognizes its estimate of the portion of forgiveness earned when the conditions for such forgiveness have been substantially met.

The CARES Act also established Economic Injury Disaster Loans ("EIDL"). Forgiveness of PPP loans can only be earned to the extent the PPP loan amount exceeds the EIDL amount. Management factors this into its accounting for estimated PPP loan forgiveness.

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.

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 2016 and subsequent years (for federal) and 2015 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.

As of March 2020, the US economy faces considerable uncertainty related to the impact of the COVID-19 virus. Management is currently evaluating the impact these uncertainties may have on its risk assessments.

Significant Concentrations

Contributions Receivable: As of June 30, 2019, there were three donors that accounted for approximately 81% of contributions receivable. No significant such concentrations existed at June 30, 2020.

Support and Revenue: For the years end of June 30, 2020 and 2019, there was one food donor that accounted for approximately 19% and 41% 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, 2021. 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 (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, 2023. 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 adopted this ASU in this financial statement and there were no material effects of this adoption on the Organization's financial statements.

NOTE 3 INVESTMENTS

The following tables sets forth by level within the fair value hierarchy MEND's investment assets at fair value as of June 30, 2020 and 2019:

2020 Asset Class	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 73,921	$ -	$ -	$ 73,921
Fixed income funds, T-bills and notes	1,478,123	78,266		1,556,389
Equities	232,975	-	-	232,975
Total	$ 1,785,019	$ 78,266	$ -	$ 1,863,285

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
Total	$ 2,079,188	$ -	$ -	$ 2,079,188

Investment balances as of June 30, 2020 and 2019 are held for the following purpose:

	2020	2019
Investments with board designations	$ 1,183,289	$ 1,139,644
Investments without board designations	679,996	939,544
Total	$ 1,863,285	$ 2,079,188

Total Investment income for the year ended June 30, 2020 and 2019 was $58,791 and $11,003 respectively.

NOTE 4 INVENTORIES

As of June 30, 2020 and 2019, inventories consisted of the following:

	2020	2019
Food	$ 153,841	$ 137,190
Clothing	55,997	37,744
Medical	-	147,556
Dental	-	47,345
Total	$ 209,838	$ 369,835

As of June 30, 2020 and 2019, food inventories consisted of 94,964 and 85,744 pounds valued at $1.62 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 5 PROPERTY AND EQUIPMENT

As of June 30, 2020 and 2019, property and equipment consisted of the following:

		2020		2019
Land	$	1,094,728	$	1,094,728
Building		8,423,880		8,423,880
Building improvements		123,626		123,626
Equipment		327,673		557,900
Vehicles		214,429		214,429
Total cost of property and equipment		10,184,336		10,414,563
Less accumulated depreciation		(3,268,234)		(3,170,224)
Property and equipment - net	$	6,916,102	$	7,244,339

NOTE 6 2019 ASSETS SOLD

On March 29, 2019, a property 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.

NOTE 7 2020 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

As described in Note 1, during the year ended June 30, 2020 the Organization closed its clinics. On the date of closure MEND owned certain clinic fixed assets and medical supplies and inventories. MEND is in the process of disposing of such assets to another organization and has accounted for such assets as follows:

		Net book value at date of closure		Fair value determined by management		Loss on assets
Clinic equipment	$	55,733	$	20,000	$	35,733
Clinic supplies and inventory		144,567		25,000		119,567
Total	$	200,300	$	45,000	$	155,300

For the year ended June 30, 2020, cash used in operations related to the discontinued operations were as follows:

Change in net assets from discontinued operations	$	(596,427)
Adjustments to reconcile change in net assets from discontinued operations to net cash used in discontinued operations		
Depreciation		46,331
Loss on assets related to discontinued operations		155,300
Net cash (used in) discontinued operations	$	(394.796)

NOTE 8 2019 LINE OF CREDIT

As of July 1, 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. Borrowings outstanding as of July 1, 2018 amounted to $499,599. As discussed in Note 6, this line of credit was repaid during the year ended June 30, 2019 from the proceeds related to the sale of a property and this note was canceled.

Also during the year ended June 30, 2019, 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 6.

NOTE 9 2020 PPP LOAN

As noted in Note 2, on March 27, 2020 the Coronavirus Aid, Relief and Economic Security (“CARES”) Act was established. This created the Paycheck Protection Program (“PPP”) loan program. The PPP loan program provides that all or a portion of the loan may be forgiven if a borrower incurs certain eligible expenses during an allowable period following receipt of the funds. PPP loans carry an interest rate of 1% until forgiven, due in 2 years if not forgiven and are unsecured. The CARES Act also established Economic Injury Disaster Loans (“EIDL”). For entities that received both PPP and EIDL, any forgiveness on PPP is to a maximum of the excess of PPP over EIDL.

On May 2, MEND received a PPP loan in the amount of $285,600. In addition, MEND received an EIDL loan of $10,000.

As of June 30, 2020 Management determined that MEND had earned $227,979 of forgiveness on the PPP loan after factoring in monies received under EIDL.

The balance due under the PPP loan at June 30, 2020 is as follows:

PPP loan funds received	$	285,600
Less, estimated forgiveness earned		(195,228)
Balance payable on PPP loan at June 30, 2020	$	90,372

NOTE 10 NET ASSETS

Net Assets without Donor Restrictions

Net assets without donor restrictions consisted of the following as of June 30, 2020 and 2019:

	2020	2019
Undesignated	$ 8,438,422	$ 8,601,614
Board designated		
Investment fund	669,847	639,644
Operating reserve fund	513,442	500,000
Total Board designated	1,183,289	1,139,644
Total net assets without donor restrictions	$ 9,621,711	$ 9,741,258

<u>Board designated funds</u>

With proceeds from the sale of the property discussed in Note 6, 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 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 11. 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, 2020 and 2019:

	2020	2019
Food distribution	$ 26,626	$ 80,000
Census	89,916	-
Family support program	12,500	-
COVID related support	74,191	-
Pathways to Wellness	7,036	-
50th Anniversary Gala	2,300	-
General operations – time restricted	150,000	10,000
Medical and vision clinics	-	73,821
Total net assets with donor restrictions	$ 362,569	$ 163,821

NOTE 11 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, 2020, the balance available is as follows:

Cash and cash equivalents	$ 1,246,413
Investments at fair value	1,863,285
Total financial assets available	3,109,698
Less those unavailable for expenditure within one year due to:	
Restricted by donor with time or purpose restrictions	(362,569)
Restricted by Board designation	(669,847)
Financial assets available to meet cash needs within one year	$ 2,077,282

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.

NOTE 12 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.

NOTE 13: SUBSEQUENT EVENTS

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 processing of the trusts and related distributions to the beneficiaries was not finalized prior to June 30, 2020. Subsequent to June 30, 2020 MEND was notified that each trust had been finalized, and MEND received distributions in the amounts of $146,288 and of $176,156 respectively. The trust distribution of $146,288 is restricted at the direction of the trust.

The Organization's management has evaluated subsequent events through December 24, 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.