

**MEND-MEET EACH NEED WITH DIGNITY**

**FINANCIAL REPORT**

For the year ended  
June 30, 2016  
with comparative totals for the  
year ended June 30, 2015

MEND - MEET EACH NEED WITH DIGNITY  
FINANCIAL REPORT  
For the year ended June 30, 2016  
with comparative totals for the year ended June 30, 2015

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## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

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, 2016, 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, 2016, 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.

## **Report on Summarized Comparative Information**

We have previously audited the Organization's financial statements for the year ended June 30, 2015, and our report dated October 27, 2015 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Geometric Savett Inc.*

December 9, 2016

MEND - MEET EACH NEED WITH DIGNITY  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2016 and 2015

ASSETS		
	2016	2015
<b>CURRENT ASSETS</b>		
Cash	\$ 390,664	\$ 171,832
Contributions receivable	179,660	489,405
Inventories	392,704	592,844
Prepaid expenses	29,224	21,221
Total Current Assets	992,252	1,275,302
 <b>PROPERTY AND EQUIPMENT, at cost,</b>		
net of accumulated depreciation	9,037,273	9,266,076
 <b>OTHER ASSETS</b>		
Security deposit	2,134	2,715
<b>TOTAL ASSETS</b>	<b>\$ 10,031,659</b>	<b>\$ 10,544,093</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 196,307	\$ 225,761
Line of credit	-	100,000
Total Current Liabilities	196,307	325,761
 <b>NET ASSETS</b>		
Unrestricted		
Designated	111,692	63,012
Undesignated	9,129,307	9,686,849
Temporarily restricted	594,353	468,471
Total Net Assets	9,835,352	10,218,332
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,031,659</b>	<b>\$ 10,544,093</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, 2016 with comparative  
totals for the year ended June 30, 2015

SUPPORT AND REVENUE	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Contributions				
Foundations	\$ 719,500	\$ 575,794	\$ 1,295,294	\$ 1,391,119
Individuals	710,737	-	710,737	741,539
Businesses and other organizations	405,167	140,361	545,528	485,196
In-kind	10,381,027	-	10,381,027	11,165,368
Special events and other income	388,410	-	388,410	355,501
Program income	168,618	-	168,618	211,771
Rental income	5,722	-	5,722	41,923
Net assets released from program restrictions	<u>590,273</u>	<u>(590,273)</u>	<u>-</u>	<u>-</u>
 TOTAL SUPPORT AND REVENUE	 <u>13,369,454</u>	 <u>125,882</u>	 <u>13,495,336</u>	 <u>14,392,417</u>
 OPERATING EXPENSES				
Program services	12,989,596	-	12,989,596	13,475,825
Management and general	316,441	-	316,441	206,665
Fundraising	<u>572,279</u>	<u>-</u>	<u>572,279</u>	<u>494,822</u>
 TOTAL OPERATING EXPENSES	 <u>13,878,316</u>	 <u>-</u>	 <u>13,878,316</u>	 <u>14,177,312</u>
 CHANGES IN NET ASSETS	 (508,862)	 125,882	 (382,980)	 215,105
 NET ASSETS - BEGINNING OF YEAR	 <u>9,749,861</u>	 <u>468,471</u>	 <u>10,218,332</u>	 <u>10,003,227</u>
 NET ASSETS - END OF YEAR	 <u>\$ 9,240,999</u>	 <u>\$ 594,353</u>	 <u>\$ 9,835,352</u>	 <u>\$ 10,218,332</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, 2016 with comparative  
totals for the year ended June 30, 2015

	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	\$ 252,611	\$ 72,244	\$ 219,281	\$ 248,220	\$ 268,859	\$ 1,061,215
Payroll taxes	21,729	5,923	17,857	19,750	17,118	82,377
Employee benefits	31,012	6,666	27,444	16,463	23,148	104,733
<b>Total personnel expenses</b>	<b>305,352</b>	<b>84,833</b>	<b>264,581</b>	<b>284,433</b>	<b>309,125</b>	<b>1,248,324</b>
Non-personnel expenses						
Donated goods and services	6,838,953	2,168,595	-	1,556,670	-	10,564,218
Auto	16,039	3,381	-	-	-	19,420
Client database development	-	-	-	-	16,510	16,510
Clinics	-	-	-	63,416	-	63,416
Depreciation	104,457	42,026	33,838	104,933	32,281	317,536
Equipment	4,918	1,863	2,018	8,916	17,900	35,615
Food	584	-	-	-	-	584
General program	48,682	3,039	9,816	10,212	19,742	91,491
Home gardening program	17,590	-	-	-	-	17,590
Insurance	33,127	8,874	6,743	22,680	5,948	77,372
Interest	2,569	1,034	832	2,547	794	7,776
Janitorial	10,183	4,097	22,712	10,094	3,147	50,233
Office	8,185	2,657	2,825	9,597	2,484	25,749
Postage and printing	3,810	1,775	1,234	3,761	1,177	11,757
Professional fees	10,365	4,170	3,358	10,274	5,383	33,549
Property taxes	1,715	690	555	1,700	530	5,189
Medical and laboratory	-	-	-	54,034	-	54,034
Repairs and maintenance	22,534	3,685	53,962	11,873	4,416	96,469
Rent	8,858	3,564	2,869	8,780	2,737	26,809
Security	125	50	-	124	9,684	9,982
Supplies	9,266	2,020	3,455	51,735	1,552	68,028
Telephone	2,171	1,790	8,834	3,699	1,731	18,224
Volunteer development	-	-	-	-	17,738	17,738
Utilities	29,160	11,732	33,178	28,904	9,011	111,985
<b>Total non-personnel expenses</b>	<b>7,173,288</b>	<b>2,265,044</b>	<b>186,229</b>	<b>1,963,948</b>	<b>152,765</b>	<b>11,741,272</b>
<b>Total expenses</b>	<b>\$ 7,478,639</b>	<b>\$ 2,349,877</b>	<b>\$ 450,810</b>	<b>\$ 2,248,381</b>	<b>\$ 461,890</b>	<b>\$ 12,989,596</b>
Percentage of total operating expenses	<u>53.9%</u>	<u>16.8%</u>	<u>3.2%</u>	<u>16.2%</u>	<u>3.3%</u>	<u>93.5%</u>

(Continued)

MEND - MEET EACH NEED WITH DIGNITY  
 STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)  
 For the year ended June 30, 2016 with comparative  
 totals for the year ended June 30, 2015

	Management and General	Fundraising	2016 Totals	2015 Totals
Personnel expenses				
Salaries	\$ 258,128	\$ 221,874	\$ 1,541,217	\$ 1,460,149
Payroll taxes	22,249	17,482	122,109	123,833
Employee benefits	9,856	7,296	121,884	112,509
Total personnel expenses	<u>290,233</u>	<u>246,652</u>	<u>1,785,210</u>	<u>1,696,491</u>
Non-personnel expenses				
Donated goods and services	-	-	10,564,218	10,952,424
Auto	-	-	19,420	25,865
Client database development	-	-	16,510	22,680
Clinics	-	-	63,416	145,296
Depreciation	10,659	11,572	339,767	331,585
Equipment	682	513	36,810	23,567
Food	-	-	584	195
Professional fundraising services	-	88,338	88,338	55,988
General program	-	21,055	112,545	107,982
Home gardening program	-	-	17,590	18,114
Insurance	2,189	2,653	82,214	71,843
Interest	262	285	8,322	10,025
Janitorial	1,039	1,128	52,400	40,790
Office	3,549	1,087	30,384	48,330
Postage and printing	389	51,881	64,027	88,957
Professional fees	1,058	1,148	35,755	41,962
Property taxes	175	190	5,554	5,992
Marketing and advertising	-	24,767	24,767	-
Medical and laboratory	-	-	54,034	71,659
Repairs and maintenance	970	1,145	98,584	54,871
Rent	904	981	28,694	24,001
Security	13	14	10,009	6,277
Special events	-	114,245	114,245	106,500
Supplies	512	556	69,096	77,755
Telephone	832	837	19,894	5,517
Volunteer development	-	-	17,738	14,280
Utilities	2,975	3,231	118,191	128,366
Total non-personnel expenses	<u>26,207</u>	<u>325,626</u>	<u>12,093,106</u>	<u>12,480,821</u>
Total expenses	<u>\$ 316,441</u>	<u>\$ 572,279</u>	<u>\$ 13,878,316</u>	<u>\$ 14,177,312</u>
Percentage of total operating expenses	<u>2.3%</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (382,980)	\$ 215,105
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	339,767	331,585
Changes in assets and liabilities:		
Contributions receivable	309,745	(379,714)
Inventories	200,140	(212,962)
Prepaid expenses	(8,003)	(4,748)
Security deposits	581	(12,565)
Accounts payable and accrued expenses	<u>(29,454)</u>	<u>44,672</u>
Net cash provided by (used in) operating activities	<u>429,796</u>	<u>(18,627)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(110,964)</u>	<u>(163,403)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (repayment) borrowings under line of credit	<u>(100,000)</u>	<u>100,000</u>
NET CHANGE IN CASH	218,832	(82,030)
CASH - BEGINNING OF YEAR	<u>171,832</u>	<u>253,862</u>
CASH - END OF YEAR	<u>\$ 390,664</u>	<u>\$ 171,832</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, 2016 and 2015

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 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, 2016 and 2015

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. It is the policy of the Organization to record 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, 2016.

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, 2016 and 2015

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, 2015, 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 to be 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, 2016 and 2015

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, 2016 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, 2016. 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.

(Continued)

See accompanying independent auditor's report.

MEND - MEET EACH NEED WITH DIGNITY  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the years ended June 30, 2016 and 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 187,000 and 209,000 volunteer hours during the years ended June 30, 2016 and 2015, respectively. This is the equivalent of 100 and 115 full-time employees, respectively. 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, 2016 or 2015.

Reclassifications:

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

See accompanying independent auditor's report.

MEND - MEET EACH NEED WITH DIGNITY  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the years ended June 30, 2016 and 2015

NOTE 2: 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.

Contributions receivable:

As of June 30, 2016, there were three donors that accounted for approximately 68% of contributions receivable. As of June 30, 2015, there were four donors that accounted for approximately 68% of contributions receivable.

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. For the year ended June 30, 2015, there were two food donors that accounted for approximately 25% of the Organization's total support and revenue.

NOTE 3: INVENTORIES

As of June 30, 2016 and 2015, inventories consisted of the following:

	2016	2015
Food	\$ 249,416	\$ 427,668
Clothing	24,216	30,315
Medical	50,378	69,255
Dental	68,694	65,606
	<u>\$ 392,704</u>	<u>\$ 592,844</u>

See accompanying independent auditor's report.

MEND - MEET EACH NEED WITH DIGNITY  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the years ended June 30, 2016 and 2015

NOTE 4: PROPERTY AND EQUIPMENT

As of June 30, 2016 and 2015, property and equipment consisted of the following:

	2016	2015
Building	\$ 8,549,337	\$ 8,549,337
Land	1,440,834	1,440,834
Building improvements	1,696,081	1,661,339
Equipment	727,909	651,687
Vehicles	262,990	262,990
	<u>12,677,151</u>	<u>12,566,187</u>
Less accumulated depreciation	3,639,878	3,300,111
	<u>\$ 9,037,273</u>	<u>\$ 9,266,076</u>

NOTE 5: LINE OF CREDIT

As of June 30, 2016, the Organization had entered into an unsecured credit agreement with a bank through July 25, 2017 under which it could borrow up to \$250,000. Interest was payable monthly at the prime rate plus 3.75%. There were no borrowings outstanding as of June 30, 2016. Borrowings outstanding as of June 30, 2015 amounted to \$100,000.

In November 2016, the Organization replaced the above agreement with a new credit facility with the same bank 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.

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2016 and 2015, temporarily restricted net assets consisted of the following:

	2016	2015
Dental clinic	\$ 147,758	\$ 85,479
Home gardening program and food distribution	115,000	109,884
Youth services	-	15,000
Jobs program	-	6,923
Medical and vision clinics	224,229	182,696
Other programs	57,057	-
Capital campaign and facility improvements	50,309	68,489
	<u>\$ 594,353</u>	<u>\$ 468,471</u>

See accompanying independent auditor's report.



MEND - MEET EACH NEED WITH DIGNITY  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the years ended June 30, 2016 and 2015

NOTE 7: 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 8: COMMITMENTS

The Organization has entered into a commercial lease agreement, for a parking lot to be used for administrative employee parking, expiring August 30, 2017. Lease payments are due at the rate of \$2,069 per month.

The Organization also entered into an operating lease agreement for a new color copier. The lease is payable \$1,061 per month and expires on June 30, 2018.

Future minimum lease payments at June 30, 2016 are as follows:

<u>Years Ending June 30,</u>			
2017		\$	38,000
2018			<u>17,000</u>
		\$	<u>55,000</u>

Total rent expense for the years ended June 30, 2016 and 2015, amounted to approximately \$44,000 and \$43,000, 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 \$6,000 for the year ended June 30, 2016. The Organization leased this facility to a different unrelated entity during the year ended June 30, 2015 and received rental income of approximately \$42,000.

NOTE 9: SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through December 9, 2016, the date which the financial statements were available to be issued. Except as disclosed in Note 5, there were no additional subsequent events noted that would require adjustment to or disclosure in these financial statements.

See accompanying independent auditor's report.