SAGEBIEL
RAVENBURG
& SCHUH, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Project MEND

In planning and performing our audit of the financial statements of Project MEND as of and for the year ended September 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Project MEND's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

During our audit, we also became aware of the following deficiencies in internal control, other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency:

OTHER CONTROL DEFICIENCIES

Segregation of Duties

As part of our review of internal controls during our audit work, and particularly with regards to compliance with accounting and auditing standards, we noted there is inadequate segregation of financial duties within the Organization. Although there are some controls in this area, the small size of the accounting staff makes it impossible to create totally separate like duties. Without enough people to fully segregate financial tasks, it is impossible to create a sound and reliable control structure that completely protects the Organization against misappropriation and fraud. Based on the number of staff involved, it appears that the Organization is aware of internal control issues and has developed a system to try and meet their needs at this time.

Inventory Valuation

Cost information for inventory items is not clearly tracked in the Organization's accounting system. This is due in part to the fact that the Organization's inventory records do not clearly distinguish between purchased and donated inventory items. In addition, we noted that inventory counts recorded in the accounting system at year-end did not exactly match the year-end physical count.

We understand that management is currently considering an overhaul of their process for recording and tracking inventory in the accounting system. We encourage management to continue working towards the implementation of a revised process for tracking and valuing inventory.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sagebiel, Ravenburg & Schuh, P.C.

Sagebiel, Ravenburg, & Schuh, P.C.
San Antonio, Texas
February 1, 2018

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PROJECT MEND

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

PROJECT MEND

FINANCIAL STATEMENTS

Year Ended September 30, 2017

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Independent Auditor's Report

Board of Directors
Project MEND
San Antonio, Texas

We have audited the accompanying financial statements of Project MEND (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017 and 2016, the related statements of activities and functional expenses for the year ended September 30, 2017, the related statement of cash flows for the years ended September 30, 2017 and 2016, 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 financial statements that are free from 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 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, 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 Project MEND as of September 30, 2017 and 2016, the changes in its net assets for the year ended September 30, 2017, and its cash flows for the years ended September 30, 2017 and 2016 in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Project MEND's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 12, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sagebiel, Ravenburg & Schuh, P.C.

San Antonio, Texas
February 1, 2018

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PROJECT MEND

STATEMENT OF FINANCIAL POSITION

September 30, 2017 and 2016

ASSETS	2017	2016
Current assets:		
Cash and cash equivalents	$ 145,315	$ 253,030
Grants receivable	139,051	38,894
Pledges receivable	18,500	1,500
Donated medical equipment inventory	32,574	80,375
Prepaid expenses	9,475	1,102
Total current assets	344,915	374,901
Property and equipment:		
Fixed assets	529,980	525,880
Less accumulated depreciation	(388,814)	(375,128)
	141,166	150,752
Other assets:		
Security deposits	1,500	1,500
Total assets	$ 487,581	$ 527,153
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 15,367	$ 8,486
Accrued liabilities	135	13
Total current liabilities	15,502	8,499
Net assets:		
Unrestricted:		
Undesignated	205,913	317,902
Fixed assets	141,166	150,752
Board designated	50,000	50,000
Total unrestricted net assets	397,079	518,654
Temporarily restricted	75,000	-
Total net assets	472,079	518,654
Total liabilities and net assets	$ 487,581	$ 527,153

The accompanying notes are an integral part
of the financial statements.

PROJECT MEND

STATEMENT OF ACTIVITIES

Year Ended September 30, 2017

(With Comparative Totals For Year Ended September 30, 2016)

	Unrestricted					
		Fixed	Board	Temporarily	Total	
	Undesignated	Assets	Designated	Restricted	2017	2016
Public support and revenue:						
Special events:						
Gross revenue	$ 135,296	$ -	$ -	$ -	$ 135,296	$ 93,613
Less direct expenses	(29,913)	-	-	-	(29,913)	(23,579)
Net special events support	105,383	-	-	-	105,383	70,034
Local government grants	145,500	-	-	-	145,500	150,500
State government grants	145,800	-	-	-	145,800	135,007
Contributions and other grants	346,967	-	-	181,000	527,967	442,448
Program income	29,816	-	-	-	29,816	61,668
In-kind donations - medical equipment	360,712	-	-	-	360,712	376,556
Other income	10,158	-	-	-	10,158	34,032
Total public support	1,144,336	-	-	181,000	1,325,336	1,270,245
Net assets released from restrictions:						
Restrictions satisfied by payments	106,000	-	-	(106,000)	-	-
Total public support and revenue	1,250,336	-	-	75,000	1,325,336	1,270,245
Expenses:						
Program services	1,182,883	12,317	-	-	1,195,200	1,095,210
Management and general	141,532	1,369	-	-	142,901	156,737
Fundraising	33,810	-	-	-	33,810	29,395
Total expenses	1,358,225	13,686	-	-	1,371,911	1,281,342
Change in net assets	(107,889)	(13,686)	-	75,000	(46,575)	(11,097)
Net assets at beginning of year	317,902	150,752	50,000	-	518,654	529,751
Net interfund transfers	(4,100)	4,100	-	-	-	-
Net assets at end of year	$ 205,913	$ 141,166	$ 50,000	$ 75,000	$ 472,079	$ 518,654

The accompanying notes are an integral part
of the financial statements.

PROJECT MEND

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2017

(With Comparative Totals For Year Ended September 30, 2016)

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Totals 2017	Totals 2016
Salaries and wages	$ 374,359	$ 31,665	$ 26,209	$ 432,233	$ 408,068
Employee benefits	48,722	4,121	3,411	56,254	47,058
Payroll taxes	29,060	2,376	1,932	33,368	33,076
Total salaries and related expenses	452,141	38,162	31,552	521,855	488,202
Advertising	3,027	7,700	242	10,969	3,447
Assistive technology	87,791	-	-	87,791	134,694
Capital campaign	34,304	-	-	34,304	-
Computer services	22,922	-	-	22,922	19,733
Conferences and meetings	316	1,718	-	2,034	2,548
Dues and subscriptions	1,055	6,187	-	7,242	5,273
Fees and fines	726	1,428	504	2,658	3,891
In-kind medical equipment	405,888	-	-	405,888	396,283
Insurance	1,067	28,622	-	29,689	27,262
Miscellaneous	768	1,220	-	1,988	2,791
Office supplies	5,478	11,235	-	16,713	18,636
Other expenses	6,348	1,183	93	7,624	6,540
Postage and freight	3,537	2,700	-	6,237	2,451
Printing and reproductions	9,473	32	1,419	10,924	5,554
Professional fees	7,685	34,425	-	42,110	21,095
Purchased inventory	19,892	-	-	19,892	28,718
Repairs and maintenance	29,181	140	-	29,321	9,713
Rent	26,422	1,106	-	27,528	27,528
Staff training	695	787	-	1,482	3,356
Telephone and internet	14,777	1,959	-	16,736	17,021
Travel	5,241	2,928	-	8,169	9,901
Uniforms	5,395	-	-	5,395	4,687
Utilities	13,505	-	-	13,505	11,916
Vehicle expenses	12,598	-	-	12,598	7,527
Warehouse supplies	12,651	-	-	12,651	7,296
Total expenses before depreciation	1,182,883	141,532	33,810	1,358,225	1,266,063
Depreciation	12,317	1,369	-	13,686	15,279
Total expenses	$ 1,195,200	$ 142,901	$ 33,810	$ 1,371,911	$ 1,281,342

The accompanying notes are an integral part
of the financial statements.

PROJECT MEND

STATEMENT OF CASH FLOWS

Years Ended September 30, 2017 and 2016

	2017	2016
Cash flow from operating activities:		
Change in net assets	$ (46,575)	$ (11,097)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	13,686	15,279
Change in:		
Grants receivable	(100,157)	36,569
Insurance receivable	-	79,524
Pledges receivable	(17,000)	(1,500)
Prepaid expenses	(8,373)	898
Donated medical equipment inventory	47,801	10,408
Accounts payable	6,881	(10,011)
Accrued liabilities	122	(8,519)
Net cash provided (used) by operating activities	(103,615)	111,551
Cash flows from investing activities:		
Purchase of property and equipment	(4,100)	(2,757)
Net cash used by investing activities	(4,100)	(2,757)
Net increase (decrease) in cash	(107,715)	108,794
Cash and cash equivalents at beginning of year	253,030	144,236
Cash and cash equivalents at end of year	$ 145,315	$ 253,030

The accompanying notes are an integral part
of the financial statements.

1 NATURE OF ORGANIZATION

Project MEND (the Organization) is a non-profit agency dedicated to helping low-income people with disabilities obtain medical equipment and financial support for the purchase of specialized, fitted devices, prosthetic and orthotic devices, and diabetic shoes. The Organization accepts previously owned medical equipment from individuals, nursing homes, medical equipment companies, etc., and refurbishes, repairs, and sanitizes these items. Once the equipment has been processed, it is distributed to qualified low-income persons with disabilities.

The Organization operates from two locations in San Antonio, Texas. The administrative building is located at 5727 IH-10 West, where recipients meet with case management staff and the support staff operates. The warehouse building, located at 1201 Austin Street, is where the warehouse staff refurbishes and distributes medical equipment to qualifying recipients.

The Organization's mission is: *Believing that mobility and independence are basic human rights, we enable people with disabilities to become active members of their communities through the reuse of medical equipment.*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. The financial statements accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board for the format of financial statements of not-for-profit organizations. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not have any permanently restricted net assets.

Comparative Financial Information

The financial information for the year ended September 30, 2016, presented for comparative purposes, is not intended to be a complete financial statement presentation. It is included to provide a basis for comparison with the year ended September 30, 2017.

Allocated Expenses

Expenses are charged to program services based on costs that can be directly identified as those costs associated with the program of the Organization. Any expenses not directly chargeable are allocated to programs and supporting service classifications on the basis of management estimates.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization other than a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors under Section 170(b)(1)(A).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash includes all monies on hand, in banks, and highly liquid investments with initial maturity periods of three months or less.

Inventory – Medical Equipment

Inventories are stated at the lower of cost or net realizable value. For purchased inventory items, cost is determined by the weighted-average cost method.

The Organization receives donated medical equipment, which is refurbished and then distributed back to qualified individuals. Upon receipt and refurbishment of donated medical equipment, the Organization recognizes inventory and in-kind revenue. When the refurbished equipment is distributed to a qualified individual, the Organization recognizes in-kind expense. Donated medical equipment has been valued at 50% of retail value, which is an approximation of net realizable value.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of $500. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of the donation. Depreciation is computed using the straight-line method.

Compensated Absences

The Organization provides regular, full-time employees with paid time off (PTO) to be used for absences due to illness, injury, disability, or personal activities, including vacation time. Employees' PTO balances are not paid out or carried forward to subsequent years, and are forfeited upon termination for any reason. As such, the Organization is not liable for PTO expenses until PTO is actually taken by the employee, and no accrual for PTO expenses has been made.

Contributions and Grants

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor-restricted support is reported as an increase in temporarily restricted net assets or permanently restricted net assets, depending on the nature of the restriction. Temporarily restricted net assets are reclassified to unrestricted net assets upon expiration of the time restriction and are reported in the Statement of Activities as "net assets released from restrictions". Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

Donated Goods and Services

The Organization receives donated medical equipment, services, and materials. The Organization distributed donated medical equipment (see note "Inventory – Medical Equipment") with an estimated fair market value of $405,888 and $396,283 to qualified individuals for the years ended September 30, 2017 and 2016, respectively. The Organization also receives contributed services from a variety of unpaid volunteers assisting with answering phones, cleaning and repairing donated medical equipment and various other program related services. No amounts have been recognized in the accompanying statements of activities and changes in net assets because the criteria for recognition of such volunteer effort under GAAP have not been satisfied.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

(Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Organization's management has evaluated subsequent events through February 1, 2018, the date which the financial statements were available for issue.

3 CONCENTRATION OF CREDIT RISK

The Organization maintains cash in accounts with two banking institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC). At September 30, 2017, there were no amounts in excess of the FDIC insured limits.

4 GRANTS RECEIVABLE

Grants receivable is revenue earned by reimbursable expenses incurred and is deemed fully collectible; therefore, no allowance for doubtful accounts is deemed necessary as of September 30, 2017 and 2016. At September 30, 2017, grants receivable are scheduled to be collected within one year.

5 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	2017	2016
Buildings and improvements	$ 275,150	$ 275,150
Furniture and equipment	142,715	138,615
Vehicles	112,115	112,115
	529,980	525,880
Less accumulated depreciation	(388,814)	(375,128)
Net property and equipment	$ 141,166	$ 150,752

Depreciation expense for the years ended 2017 and 2016 was $13,686 and $15,279, respectively.

6 CONCENTRATION OF GRANT REVENUE

The Organization's support and revenues from state and local government grants was as follows for the years ended September 30:

		2017		2016	
Type of Grant	Original Source	Amount	Percent of Total Support and Revenue	Amount	Percent of Total Support and Revenue
University of Texas	State	$ 100,000	7.5%	$ 100,000	7.9%
Texas Veterans Commission	State	46,239	3.5%	35,007	2.8%
Total state government grants		$ 146,239	11.0%	$ 135,007	10.6%
Bexar County - General Fund	County	$ 40,000	3.0%	$ 40,000	3.1%
University Health System	County	50,000	3.8%	25,000	2.0%
City of San Antonio - General Fund	City	55,500	4.2%	85,500	6.7%
Total local government grants		$ 145,500	11.0%	$ 150,500	11.8%

(Continued)

6 CONCENTRATION OF GRANT REVENUE (Continued)

These grants operate as cost reimbursement grants, where the Organization submits qualified expenses to the grantor and is reimbursed when expenses are approved. A reduction in revenue by either grantor would coincide with a similar reduction of expenses for the Organization.

7 ADVERTISING COSTS

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expenses for the years ended September 30, 2017 and 2016 were $10,969 and $3,447, respectively.

8 OPERATING LEASES

The Organization leases office space and equipment under various operating leases expiring through October 2019. Total rent payments on these leases for the years ended September 30, 2017 and 2016 were $27,528 in both years. The following are future minimum rental payments under these leases:

Year Ending September 30	
2018	$ 30,150
2019	28,650
2020	325
	$ 59,125

9 BOARD DESIGNATED FUNDS

In August 2015, the board agreed to transfer $50,000 to a separate bank account and designate the funds as board designated.

10 INSURANCE CLAIMS

During the year ended September 30, 2016, the Organization incurred rooftop damage due to a hailstorm. The Organization received proceeds from the resulting insurance claim in the amount of $29,781. This amount has been included in “Other Income” on the Statement of Activities for the year ended September 30, 2016.