

PROJECT MEND
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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FINANCIAL STATEMENTS
Year Ended September 30, 2018

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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, 2018 and 2017, the related statements of activities and functional expenses for the year ended September 30, 2018, the related statement of cash flows for the years ended September 30, 2018 and 2017, 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, 2018 and 2017, the changes in its net assets for the year ended September 30, 2018, and its cash flows for the years ended September 30, 2018 and 2017 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 1, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018 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
January 22, 2019

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PROJECT MEND
STATEMENT OF FINANCIAL POSITION
September 30, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 338,633	\$ 145,315
Grants receivable	199,781	139,051
Pledges receivable	785,335	18,500
Medical equipment inventory	71,009	32,574
Prepaid expenses	<u>6,979</u>	<u>9,475</u>
Total current assets	<u>1,401,737</u>	<u>344,915</u>
Property and equipment:		
Fixed assets	312,300	529,980
Less accumulated depreciation	<u>(279,164)</u>	<u>(388,814)</u>
Total property and equipment, net	<u>33,136</u>	<u>141,166</u>
Other assets:		
Property and equipment held for sale, net of accumulated depreciation of \$122,753	112,487	-
Security deposits	<u>1,500</u>	<u>1,500</u>
Total other assets	<u>113,987</u>	<u>1,500</u>
Total assets	<u>\$ 1,548,860</u>	<u>\$ 487,581</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 12,403	\$ 15,367
Accrued liabilities	<u>67</u>	<u>135</u>
Total current liabilities	<u>12,470</u>	<u>15,502</u>
Net assets:		
Unrestricted:		
Undesignated	278,632	205,913
Fixed assets	145,623	141,166
Board designated	<u>-</u>	<u>50,000</u>
Total unrestricted net assets	424,255	397,079
Temporarily restricted	<u>1,112,135</u>	<u>75,000</u>
Total net assets	<u>1,536,390</u>	<u>472,079</u>
Total liabilities and net assets	<u>\$ 1,548,860</u>	<u>\$ 487,581</u>

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

PROJECT MEND

STATEMENT OF ACTIVITIES

Year Ended September 30, 2018

(With Comparative Totals For Year Ended September 30, 2017)

	Unrestricted			Temporarily Restricted	Total	
	<u>Undesignated</u>	<u>Fixed Assets</u>	<u>Board Designated</u>		<u>2018</u>	<u>2017</u>
Public support and revenue:						
Special events:						
Gross revenue	\$ 182,414	\$ -	\$ -	\$ -	\$ 182,414	\$ 135,296
Less direct expenses	<u>(54,077)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,077)</u>	<u>(29,913)</u>
Net special events support	128,337	-	-	-	128,337	105,383
Local government grants	145,500	-	-	-	145,500	145,500
State government grants	365,893	-	-	-	365,893	145,800
Contributions and other grants	271,643	-	-	1,300,335	1,571,978	527,967
Program income	27,676	-	-	-	27,676	29,816
In-kind donations - medical equipment	363,232	-	-	-	363,232	357,277
In-kind donations - other	11,520	-	-	-	11,520	3,435
Other income	<u>10,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,215</u>	<u>10,158</u>
Total public support	1,324,016	-	-	1,300,335	2,624,351	1,325,336
Net assets released from restrictions:						
Restrictions satisfied by payments	<u>263,200</u>	<u>-</u>	<u>-</u>	<u>(263,200)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>1,587,216</u>	<u>-</u>	<u>-</u>	<u>1,037,135</u>	<u>2,624,351</u>	<u>1,325,336</u>
Expenses:						
Program services	1,318,319	4,855	-	-	1,323,174	1,195,200
Management and general	105,556	8,249	-	-	113,805	142,901
Fundraising	<u>123,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,061</u>	<u>33,810</u>
Total expenses	<u>1,546,936</u>	<u>13,104</u>	<u>-</u>	<u>-</u>	<u>1,560,040</u>	<u>1,371,911</u>
Change in net assets	40,280	(13,104)	-	1,037,135	1,064,311	(46,575)
Net assets at beginning of year	205,913	141,166	50,000	75,000	472,079	518,654
Net interfund transfers	<u>32,439</u>	<u>17,561</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets at end of year	<u>\$ 278,632</u>	<u>\$ 145,623</u>	<u>\$ -</u>	<u>\$ 1,112,135</u>	<u>\$ 1,536,390</u>	<u>\$ 472,079</u>

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

PROJECT MEND

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2018

(With Comparative Totals For Year Ended September 30, 2017)

	Program Services	Supporting Services		Totals	
		Management and General	Fundraising	2018	2017
Salaries and wages	\$ 467,118	\$ 26,746	\$ 29,627	\$ 523,491	\$ 432,233
Employee benefits	63,033	3,609	3,998	70,640	56,254
Payroll taxes	35,208	2,016	2,233	39,457	33,368
Total salaries and related expenses	565,359	32,371	35,858	633,588	521,855
Advertising	15,374	1,530	40	16,944	10,969
Assistive technology	166,298	-	-	166,298	87,791
Capital campaign	-	-	86,427	86,427	34,304
Computer services	17,499	832	-	18,331	22,922
Conferences and meetings	4,658	618	277	5,553	2,034
Dues and subscriptions	4,426	2,312	200	6,938	7,242
Fees and fines	455	2,686	-	3,141	2,658
In-kind medical equipment	331,176	-	-	331,176	402,453
In-kind services	-	11,520	-	11,520	3,435
Insurance	21,860	3,168	-	25,028	29,689
Miscellaneous	307	1,228	3	1,538	1,988
Office supplies	6,083	4,177	-	10,260	16,713
Other expenses	10,536	156	224	10,916	7,624
Postage and freight	1,495	571	-	2,066	6,237
Printing and reproductions	6,282	890	-	7,172	10,924
Professional fees	-	35,830	-	35,830	42,110
Purchased inventory	29,404	-	-	29,404	19,892
Repairs and maintenance	28,441	3,620	-	32,061	29,321
Rent	25,263	1,575	-	26,838	27,528
Staff training	554	-	32	586	1,482
Telephone and internet	27,286	1,343	-	28,629	16,736
Travel	12,131	288	-	12,419	8,169
Uniforms	6,146	-	-	6,146	5,395
Utilities	13,185	841	-	14,026	13,505
Vehicle expenses	12,845	-	-	12,845	12,598
Warehouse supplies	11,256	-	-	11,256	12,651
Total expenses before depreciation	1,318,319	105,556	123,061	1,546,936	1,358,225
Depreciation	4,855	8,249	-	13,104	13,686
Total expenses	<u>\$ 1,323,174</u>	<u>\$ 113,805</u>	<u>\$ 123,061</u>	<u>\$ 1,560,040</u>	<u>\$ 1,371,911</u>

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

PROJECT MEND

STATEMENT OF CASH FLOWS

Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flow from operating activities:		
Change in net assets	\$ 1,064,311	\$ (46,575)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	13,104	13,686
Contributions restricted for capital campaign	(1,155,000)	-
Change in:		
Grants receivable	(60,730)	(100,157)
Pledges receivable, other than capital campaign	(16,835)	(17,000)
Prepaid expenses	2,496	(8,373)
Medical equipment inventory	(38,435)	47,801
Accounts payable	(2,964)	6,881
Accrued liabilities	(68)	122
Net cash used by operating activities	<u>(194,121)</u>	<u>(103,615)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(17,561)</u>	<u>(4,100)</u>
Net cash used by investing activities	<u>(17,561)</u>	<u>(4,100)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for capital campaign	<u>405,000</u>	<u>-</u>
Net cash provided by financing activities	<u>405,000</u>	<u>-</u>
Net increase (decrease) in cash	193,318	(107,715)
Cash and cash equivalents at beginning of year	<u>145,315</u>	<u>253,030</u>
Cash and cash equivalents at end of year	<u>\$ 338,633</u>	<u>\$ 145,315</u>

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

PROJECT MEND

NOTES TO 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, 2017, 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, 2018.

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.

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PROJECT MEND

NOTES TO FINANCIAL STATEMENTS

(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 \$331,176 and \$402,453 to qualified individuals for the years ended September 30, 2018 and 2017, 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.

(Continued)

PROJECT MEND

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Organization's management has evaluated subsequent events through January 22, 2019, 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, 2018, amounts in excess of the FDIC insured limits were \$99,185.

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, 2018 and 2017. At September 30, 2018 and 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:

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 275,150	\$ 275,150
Furniture and equipment	160,275	142,715
Vehicles	<u>112,115</u>	<u>112,115</u>
	547,540	529,980
Less accumulated depreciation	<u>(401,917)</u>	<u>(388,814)</u>
Net property and equipment	<u>\$ 145,623</u>	<u>\$ 141,166</u>

Depreciation expense for the years ended 2018 and 2017 was \$13,104 and \$13,686, respectively.

6 TEMPORARILY RESTRICTED NET ASSETS

During 2018 and 2017, the Organization received contributions for various specific programs and activities. As of September 30, 2018 and 2017, temporarily restricted net assets were restricted for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Promises to give due in future years	\$ 35,335	\$ 75,000
Capital campaign	<u>1,076,800</u>	<u>-</u>
Temporarily restricted net assets	<u>\$ 1,112,135</u>	<u>\$ 75,000</u>

(Continued)

PROJECT MEND

NOTES TO FINANCIAL STATEMENTS

(Continued)

7 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:

<u>Type of Grant</u>	<u>Original Source</u>	<u>2018</u>		<u>2017</u>	
		<u>Amount</u>	<u>Percent of Total Support and Revenue</u>	<u>Amount</u>	<u>Percent of Total Support and Revenue</u>
University of Texas	State	\$ 100,000	3.8%	\$ 100,000	7.5%
Texas Veterans Commission	State	265,893	10.1%	45,800	3.5%
Total state government grants		<u>\$ 365,893</u>	<u>13.9%</u>	<u>\$ 145,800</u>	<u>11.0%</u>
Bexar County - General Fund	County	\$ 40,000	1.5%	\$ 40,000	3.0%
University Health System	County	50,000	1.9%	50,000	3.8%
City of San Antonio - General Fund	City	55,500	2.1%	55,500	4.2%
Total local government grants		<u>\$ 145,500</u>	<u>5.5%</u>	<u>\$ 145,500</u>	<u>11.0%</u>

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.

8 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, 2018 and 2017 were \$16,944 and \$10,969, respectively.

9 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, 2018 and 2017 were \$26,838 and \$27,528, respectively. The following are future minimum rental payments under these leases:

<u>Year Ending September 30</u>	
2019	\$ 28,650
2020	325
	<u>\$ 28,975</u>

10 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. In February 2018, the board agreed to release these funds for use.

11 PROPERTY AND EQUIPMENT HELD FOR SALE

During 2018, the Organization adopted a plan to relocate warehouse and office space to a new facility. In connection with this plan, the existing warehouse facility owned by the Organization is anticipated to be sold during fiscal year 2019. The Organization is currently negotiating the terms of an agreement on the sale of the existing warehouse and a concurrent purchase of land, which is expected to be utilized as a site for a new warehouse. The carrying value of the warehouse facility was tested for recoverability as of September 30, 2018 and the Organization concluded that the fair value of the warehouse exceeds its carrying value. Accordingly, no impairment loss has been recognized. In accordance with GAAP, the asset is no longer depreciated.