

PROJECT MEND
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

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FINANCIAL STATEMENTS
Year Ended September 30, 2019

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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, 2019 and 2018, the related statements of activities and functional expenses for the year ended September 30, 2019, the related statement of cash flows for the years ended September 30, 2019 and 2018, 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, 2019 and 2018, the changes in its net assets for the year ended September 30, 2019, and its cash flows for the years ended September 30, 2019 and 2018 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019 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 20, 2020

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PROJECT MEND
STATEMENT OF FINANCIAL POSITION
September 30, 2019 and 2018

ASSETS	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 1,620,270	\$ 338,633
Grants receivable	103,614	199,781
Pledges receivable	284,067	785,335
Medical equipment inventory	32,565	71,009
Prepaid expenses	<u>12,209</u>	<u>6,979</u>
Total current assets	<u>2,052,725</u>	<u>1,401,737</u>
Property and equipment:		
Fixed assets	941,364	312,300
Less accumulated depreciation	<u>(242,016)</u>	<u>(279,164)</u>
Total property and equipment, net	<u>699,348</u>	<u>33,136</u>
Other assets:		
Property and equipment held for sale, net of accumulated depreciation of \$122,753	-	112,487
Right-of-use asset	107,163	-
Security deposits	<u>1,500</u>	<u>1,500</u>
Total other assets	<u>108,663</u>	<u>113,987</u>
Total assets	<u>\$ 2,860,736</u>	<u>\$ 1,548,860</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 8,147	\$ 12,309
Accrued liabilities	<u>44</u>	<u>161</u>
Total current liabilities	<u>8,191</u>	<u>12,470</u>
Net assets:		
Without donor restrictions:		
Undesignated	702,396	278,632
Fixed assets	<u>699,348</u>	<u>145,623</u>
Total net assets without donor restrictions	1,401,744	424,255
With donor restrictions	<u>1,450,801</u>	<u>1,112,135</u>
Total net assets	<u>2,852,545</u>	<u>1,536,390</u>
Total liabilities and net assets	<u>\$ 2,860,736</u>	<u>\$ 1,548,860</u>

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

PROJECT MEND

STATEMENT OF ACTIVITIES

Year Ended September 30, 2019

(With Comparative Totals For Year Ended September 30, 2018)

	Without Donor Restrictions			Total	
	Undesignated	Fixed Assets	With Donor Restrictions	2019	2018
Public support and revenue:					
Special events:					
Gross revenue	\$ 108,125	\$ -	\$ -	\$ 108,125	\$ 182,414
Less direct expenses	<u>(46,154)</u>	<u>-</u>	<u>-</u>	<u>(46,154)</u>	<u>(54,077)</u>
Net special events support	61,971	-	-	61,971	128,337
Local government grants	104,040	-	-	104,040	145,500
State government grants	408,057	-	-	408,057	365,893
Contributions and other grants	230,628	-	848,567	1,079,195	1,571,978
Program income	29,262	-	-	29,262	27,676
Gains on sale of property and equipment	937,796	-	-	937,796	-
In-kind donations - medical equipment	302,406	-	-	302,406	363,232
In-kind donations - other	50,186	-	-	50,186	11,520
Other income	<u>8,264</u>	<u>-</u>	<u>-</u>	<u>8,264</u>	<u>10,215</u>
Total public support	2,132,610	-	848,567	2,981,177	2,624,351
Net assets released from restrictions:					
Restrictions satisfied by payments	<u>509,901</u>	<u>-</u>	<u>(509,901)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>2,642,511</u>	<u>-</u>	<u>338,666</u>	<u>2,981,177</u>	<u>2,624,351</u>
Expenses:					
Program services	1,381,222	9,317	-	1,390,539	1,323,174
Management and general	138,302	15,830	-	154,132	113,805
Fundraising	<u>120,351</u>	<u>-</u>	<u>-</u>	<u>120,351</u>	<u>123,061</u>
Total expenses	<u>1,639,875</u>	<u>25,147</u>	<u>-</u>	<u>1,665,022</u>	<u>1,560,040</u>
Change in net assets	1,002,636	(25,147)	338,666	1,316,155	1,064,311
Net assets at beginning of year	278,632	145,623	1,112,135	1,536,390	472,079
Net interfund transfers	<u>(578,872)</u>	<u>578,872</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets at end of year	<u>\$ 702,396</u>	<u>\$ 699,348</u>	<u>\$ 1,450,801</u>	<u>\$ 2,852,545</u>	<u>\$ 1,536,390</u>

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

PROJECT MEND

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2019

(With Comparative Totals For Year Ended September 30, 2018)

	Program Services	Supporting Services		Totals	
		Management and General	Fundraising	2019	2018
Salaries and wages	\$ 495,467	\$ 49,209	\$ 17,327	\$ 562,003	\$ 523,491
Employee benefits	63,600	2,187	1,094	66,881	70,640
Payroll taxes	37,524	3,727	1,312	42,563	39,457
Total salaries and related expenses	596,591	55,123	19,733	671,447	633,588
Advertising	7,693	-	-	7,693	16,944
Assistive technology	132,233	-	-	132,233	166,298
Bad debt expense	285	350	4,750	5,385	-
Capital campaign	-	-	87,786	87,786	86,427
Computer services	38,103	4,763	-	42,866	18,331
Conferences and meetings	4,066	621	1,000	5,687	5,553
Dues and subscriptions	5,309	3,176	650	9,135	6,938
Fees and fines	2,303	105	553	2,961	3,141
In-kind medical equipment	297,881	-	-	297,881	331,176
In-kind services	-	10,186	-	10,186	11,520
Insurance	4,065	27,374	-	31,439	25,028
Miscellaneous	608	1,237	152	1,997	1,538
Office supplies	13,297	407	-	13,704	10,260
Other expenses	8,905	40	18	8,963	10,916
Postage and freight	1,414	7	-	1,421	2,066
Printing and reproductions	7,632	408	-	8,040	7,172
Professional fees	35,368	11,442	-	46,810	35,830
Purchased inventory	66,520	-	-	66,520	29,404
Repairs and maintenance	49,684	1,371	-	51,055	32,061
Rent and occupancy expense	24,750	19,534	-	44,284	26,838
Staff training	5,334	-	20	5,354	586
Telephone and internet	25,574	138	121	25,833	28,629
Travel	13,535	572	458	14,565	12,419
Uniforms	4,490	-	-	4,490	6,146
Utilities	11,718	1,448	-	13,166	14,026
Vehicle expenses	12,080	-	5,110	17,190	12,845
Warehouse supplies	11,784	-	-	11,784	11,256
Total expenses before depreciation	1,381,222	138,302	120,351	1,639,875	1,546,936
Depreciation	9,317	15,830	-	25,147	13,104
Total expenses	<u>\$ 1,390,539</u>	<u>\$ 154,132</u>	<u>\$ 120,351</u>	<u>\$ 1,665,022</u>	<u>\$ 1,560,040</u>

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

PROJECT MEND

STATEMENT OF CASH FLOWS

Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flow from operating activities:		
Change in net assets	\$ 1,316,155	\$ 1,064,311
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	25,147	13,104
Amortization expense	17,284	-
Gains on sale of property and equipment	(937,796)	-
Non-cash contributions of property and equipment	(40,000)	-
Contributions restricted for capital campaign	(600,500)	(1,155,000)
Change in:		
Grants receivable	96,167	(60,730)
Pledges receivable, other than capital campaign	1,268	(16,835)
Prepaid expenses	(5,230)	2,496
Medical equipment inventory	38,444	(38,435)
Accounts payable	(4,162)	(2,964)
Accrued liabilities	(117)	(68)
Net cash used by operating activities	<u>(93,340)</u>	<u>(194,121)</u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	550,836	-
Purchase of property and equipment	<u>(276,359)</u>	<u>(17,561)</u>
Net cash provided (used) by investing activities	<u>274,477</u>	<u>(17,561)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for capital campaign	<u>1,100,500</u>	<u>405,000</u>
Net cash provided by financing activities	<u>1,100,500</u>	<u>405,000</u>
Net increase in cash	1,281,637	193,318
Cash and cash equivalents at beginning of year	<u>338,633</u>	<u>145,315</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,620,270</u></u>	<u><u>\$ 338,633</u></u>
Supplemental schedule of cash flow information:		
Noncash investing and financing transactions:		
Contribution of property and equipment	<u><u>\$ 40,000</u></u>	<u><u>\$ -</u></u>
Sale and acquisition of property:		
Cash received	\$ 545,236	\$ -
Fair value of right-of-use asset acquired	124,447	-
Fair value of land acquired	375,000	-
Net book value of land and building sold	<u>(112,487)</u>	<u>-</u>
Gain on sale of property	<u><u>\$ 932,196</u></u>	<u><u>\$ -</u></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 two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Comparative Financial Information

The financial information for the year ended September 30, 2018, 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, 2019.

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)

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.

Right-of-Use Asset

The Organization has capitalized an asset to reflect the value of a three-year license agreement that permits the Organization to continue to use the Austin Street warehouse following the sale of that property. This asset is amortized using the straight-line method over the term of the license agreement.

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 support with or without donor restrictions depending on the existence or nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All other donor-restricted support is reported as an increase in net assets with donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon expiration of the time restriction and are reported in the Statement of Activities as "net assets released from restrictions". Contributions with donor restrictions whose restrictions are met in the same reporting period are recorded as contributions without donor restrictions.

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 \$297,881 and \$331,176 to qualified individuals for the years ended September 30, 2019 and 2018, 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)

Accounting Pronouncements Issued but Not Yet Adopted

Revenue from Contracts with Customers (Topic 606)

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

FASB issued ASU 2015-14 that deferred the effective date until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements. This may affect the Organization in fiscal year 2020.

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded.

The ASU is effective for the Organization's fiscal years beginning after December 15, 2020 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements. This may affect the Organization in fiscal year 2022.

Not-for-Profit Entities (Topic 958)

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The new standard modifies guidelines for evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, and for determining whether a contribution is conditional.

Portions of the ASU that apply to transactions in which the organization serves as the recipient of resources are effective for fiscal years beginning after December 15, 2018, and portions of the ASU that apply to transactions in which the organization serves as the resource provider are effective for fiscal years beginning after December 15, 2019. This may affect the Organization in fiscal years 2020 and 2021.

Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update 2016-14, regarding the reporting and disclosure requirements for not-for-profit organizations, effective for periods beginning after December 15, 2017, with early adoption permitted. The pronouncement replaces the three classes of net assets with two new classes, requires the reporting of expenses by function and natural classification for all not-for-profit organizations, enhances disclosures on liquidity and availability of resources and includes several other less significant reporting enhancements. The Organization adopted this new pronouncement effective October 1, 2018.

(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 20, 2020, 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, 2019, amounts in excess of the FDIC insured limits were \$1,388,884.

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, 2019 and 2018. At September 30, 2019 and 2018, 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>2019</u>	<u>2018</u>
Land, buildings and improvements	\$ 414,910	\$ 275,150
Furniture and equipment	208,042	160,275
Vehicles	132,549	112,115
Construction in progress	185,863	-
	<u>941,364</u>	<u>547,540</u>
Less accumulated depreciation	<u>(242,016)</u>	<u>(401,917)</u>
Property and equipment, net	<u>\$ 699,348</u>	<u>\$ 145,623</u>

Depreciation expense for the years ended 2019 and 2018 was \$25,147 and \$13,104, respectively.

Sale and Acquisition of Property and Equipment

In the year ended September 30, 2018, the Organization classified \$112,487 of net property and equipment as held for sale, pursuant to its intent to sell the Austin Street facility. That property was sold in the year ended September 30, 2019, with the Organization receiving significant cash and non-cash consideration in the sale. In the transaction, the Organization received cash payments totaling \$545,236, a parcel of land with an estimated fair value of \$375,000, and a three-year license agreement to continue to use the Austin Street warehouse at an estimated fair value of \$124,447. Gains on sale of property and equipment for the year ended September 30, 2019 include a gain of \$932,196 resulting from this transaction.

6 RIGHT-OF-USE ASSET

The Organization has a right-of-use asset relating to a license agreement that permits the Organization to continue using the Austin Street warehouse for three years following the sale of that property. The license agreement expires on April 30, 2022. The following table describes the changes to the Organization's right-of-use asset:

	<u>2019</u>	<u>2018</u>
Right-of-use asset, beginning of year	\$ -	\$ -
Additions	124,447	-
Amortization expense	<u>(17,284)</u>	<u>-</u>
Right-of-use asset, end of year	<u>\$ 107,163</u>	<u>\$ -</u>

Amortization expense for this asset is recorded to rent and occupancy expense in the Statement of Activities.

PROJECT MEND

NOTES TO FINANCIAL STATEMENTS

(Continued)

7 NET ASSETS WITH DONOR RESTRICTIONS

During 2019 and 2018, the Organization received contributions for various specific programs and activities. As of September 30, 2019 and 2018, net assets with donor restrictions were restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Promises to give due in future years	\$ 34,067	\$ 35,335
Capital campaign	<u>1,416,734</u>	<u>1,076,800</u>
Net assets with donor restrictions	<u>\$ 1,450,801</u>	<u>\$ 1,112,135</u>

Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose or time restrictions:		
Assistive Technology	\$ 115,000	\$ 40,000
DME Repair & Reuse Program	15,000	-
New Equipment Program	4,000	30,000
Veteran's Service Program	65,000	40,000
Medical Care for Children with Special Needs Program	15,000	-
Capital Campaign	260,566	78,200
General 2017-2018 Operations	-	75,000
General 2018-2019 Operations	<u>35,335</u>	<u>-</u>
Net assets released from restriction	<u>\$ 509,901</u>	<u>\$ 263,200</u>

8 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>2019</u>		<u>2018</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	\$ 125,000	4.2%	\$ 100,000	3.8%
Texas Veterans Commission	State	<u>283,057</u>	<u>9.5%</u>	<u>265,893</u>	<u>10.1%</u>
Total state government grants		<u>\$ 408,057</u>	<u>13.7%</u>	<u>\$ 365,893</u>	<u>13.9%</u>
Bexar County - General Fund	County	\$ -	0.0%	\$ 40,000	1.5%
University Health System	County	50,000	1.7%	50,000	1.9%
City of San Antonio - General Fund	City	<u>53,589</u>	<u>1.8%</u>	<u>55,500</u>	<u>2.1%</u>
Total local government grants		<u>\$ 103,589</u>	<u>3.5%</u>	<u>\$ 145,500</u>	<u>5.5%</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.

PROJECT MEND

NOTES TO FINANCIAL STATEMENTS

(Continued)

9 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, 2019 and 2018 were \$7,693 and \$16,944, respectively.

10 OPERATING LEASES

The Organization leases office space and equipment under various operating leases expiring through October 2022. Total rent payments on these leases for the years ended September 30, 2019 and 2018 were \$27,000 and \$26,838, respectively. The following are future minimum rental payments under these leases:

<u>Year Ending September 30</u>	
2020	\$ 28,650
2021	3,900
2022	3,900
2023	325
	<u>\$ 36,775</u>

11 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year for general purposes include amounts restricted for expenditure in the upcoming fiscal year. Accounts receivable are subject to an implied time restriction but are expected to be collected within one year, except for amounts that are due in future years.

Cash and cash equivalents	\$ 1,620,270
Grants receivable	103,163
Pledges receivable	<u>284,067</u>
Financial assets at year end	2,007,500
Less those unavailable for general expenditure within one year, due to:	
Donor-restricted to expenditure for specific purposes	<u>(1,416,734)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 590,766</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At September 30, 2019, the Organization has financial assets available to meet cash needs for general expenditure within one year that were equivalent to roughly 131 days of average operating expenses.