

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, 2020 and 2019, the related statements of activities and functional expenses for the year ended September 30, 2020, the related statement of cash flows for the years ended September 30, 2020 and 2019, 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, 2020 and 2019, the changes in its net assets for the year ended September 30, 2020, and its cash flows for the years ended September 30, 2020 and 2019 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020 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, 2021

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PROJECT MEND
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

PROJECT MEND
FINANCIAL STATEMENTS
Year Ended September 30, 2020

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PROJECT MEND
STATEMENT OF FINANCIAL POSITION
September 30, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 2,184,379	\$ 1,620,270
Grants receivable	168,350	103,614
Accounts receivable from employees	2,800	-
Pledges receivable	11,400	284,067
Medical equipment inventory	62,784	32,565
Prepaid expenses	16,487	12,209
Total current assets	<u>2,446,200</u>	<u>2,052,725</u>
Property and equipment:		
Fixed assets	1,062,924	941,364
Less accumulated depreciation	<u>(101,584)</u>	<u>(242,016)</u>
Total property and equipment, net	<u>961,340</u>	<u>699,348</u>
Other assets:		
Right-of-use asset	65,681	107,163
Security deposits	<u>1,500</u>	<u>1,500</u>
Total other assets	<u>67,181</u>	<u>108,663</u>
Total assets	<u>\$ 3,474,721</u>	<u>\$ 2,860,736</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 27,630	\$ 8,147
Accrued liabilities	2,370	44
Deferred revenues	<u>15,000</u>	<u>-</u>
Total current liabilities	<u>45,000</u>	<u>8,191</u>
Net assets:		
Without donor restrictions:		
Undesignated	1,233,376	702,396
Fixed assets	<u>961,340</u>	<u>699,348</u>
Total net assets without donor restrictions	2,194,716	1,401,744
With donor restrictions	<u>1,235,005</u>	<u>1,450,801</u>
Total net assets	<u>3,429,721</u>	<u>2,852,545</u>
Total liabilities and net assets	<u>\$ 3,474,721</u>	<u>\$ 2,860,736</u>

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

PROJECT MEND

STATEMENT OF ACTIVITIES

Year Ended September 30, 2020

(With Comparative Totals For Year Ended September 30, 2019)

	<u>Without Donor Restrictions</u>		<u>With Donor</u>	<u>Total</u>	
	<u>Undesignated</u>	<u>Fixed Assets</u>	<u>Restrictions</u>	<u>2020</u>	<u>2019</u>
Public support and revenue:					
Special events:					
Gross revenue	\$ -	\$ -	\$ -	\$ -	\$ 108,125
Less direct expenses	-	-	-	-	(46,154)
Net special events support	-	-	-	-	61,971
Local government grants	115,690	-	-	115,690	104,040
State government grants	443,479	-	-	443,479	408,057
Contributions and other grants	1,028,937	-	181,900	1,210,837	1,079,195
Payroll Protection Program grant	62,141	-	-	62,141	-
Program income	12,894	-	-	12,894	29,262
Gains (losses) on disposal of property and equipment	(40,651)	-	-	(40,651)	937,796
In-kind donations - medical equipment	444,649	-	-	444,649	302,406
In-kind donations - other	1,500	-	-	1,500	50,186
Other income	37,176	-	-	37,176	8,264
Total public support	2,105,815	-	181,900	2,287,715	2,981,177
Net assets released from restrictions:					
Restrictions satisfied by payments	397,696	-	(397,696)	-	-
Total public support and revenue	2,503,511	-	(215,796)	2,287,715	2,981,177
Expenses:					
Program services	1,429,297	882	-	1,430,179	1,390,539
Management and general	146,224	2,984	-	149,208	154,132
Fundraising	99,446	31,706	-	131,152	120,351
Total expenses	1,674,967	35,572	-	1,710,539	1,665,022
Change in net assets	828,544	(35,572)	(215,796)	577,176	1,316,155
Net assets at beginning of year	702,396	699,348	1,450,801	2,852,545	1,536,390
Net interfund transfers	(297,564)	297,564	-	-	-
Net assets at end of year	<u>\$ 1,233,376</u>	<u>\$ 961,340</u>	<u>\$ 1,235,005</u>	<u>\$ 3,429,721</u>	<u>\$ 2,852,545</u>

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

PROJECT MEND

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2020

(With Comparative Totals For Year Ended September 30, 2019)

	Program Services	Supporting Services		Totals	
		Management and General	Fundraising	2020	2019
Salaries and wages	\$ 493,038	\$ 76,166	\$ 27,920	\$ 597,124	\$ 562,003
Employee benefits	53,538	18,130	1,008	72,676	66,881
Payroll taxes	41,587	6,424	2,355	50,366	42,563
Total salaries and related expenses	588,163	100,720	31,283	720,166	671,447
Advertising	21,155	-	512	21,667	7,693
Assistive technology	106,854	-	-	106,854	132,233
Bad debt expense	-	-	-	-	5,385
Capital campaign	-	-	66,001	66,001	87,786
Computer services	24,807	3,407	-	28,214	42,866
Conferences and meetings	1,831	806	277	2,914	5,687
Dues and subscriptions	13,874	2,381	73	16,328	9,135
Fees and fines	1,381	110	98	1,589	2,961
In-kind medical equipment	386,008	-	-	386,008	297,881
In-kind services	-	-	-	-	10,186
Insurance	35,096	7,704	-	42,800	31,439
Miscellaneous	1,622	-	-	1,622	1,997
Office supplies	14,561	-	-	14,561	13,704
Other expenses	3,699	-	-	3,699	8,963
Postage and freight	2,847	-	-	2,847	1,421
Printing and reproductions	7,814	-	-	7,814	8,040
Professional fees	28,954	12,317	-	41,271	46,810
Purchased inventory	51,478	-	-	51,478	66,520
Repairs and maintenance	8,521	-	-	8,521	51,055
Rent and occupancy expense	57,589	12,641	-	70,230	44,284
Staff training	1,051	-	-	1,051	5,354
Telephone and internet	22,334	2,839	278	25,451	25,833
Travel	17,745	1,048	924	19,717	14,565
Uniforms	3,468	-	-	3,468	4,490
Utilities	11,899	2,251	-	14,150	13,166
Vehicle expenses	6,655	-	-	6,655	17,190
Warehouse supplies	9,891	-	-	9,891	11,784
Total expenses before depreciation	1,429,297	146,224	99,446	1,674,967	1,639,875
Depreciation	882	2,984	31,706	35,572	25,147
Total expenses	\$ 1,430,179	\$ 149,208	\$ 131,152	\$ 1,710,539	\$ 1,665,022

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

PROJECT MEND

STATEMENT OF CASH FLOWS

Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flow from operating activities:		
Change in net assets	\$ 577,176	\$ 1,316,155
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	35,572	25,147
Amortization expense	41,482	17,284
(Gains) losses on sale of property and equipment	40,652	(937,796)
Non-cash contributions of property and equipment	-	(40,000)
Contributions restricted for capital campaign	(75,500)	(600,500)
Change in:		
Grants receivable	(64,736)	96,167
Accounts receivable from employees	(2,800)	-
Pledges receivable, other than capital campaign	34,067	1,268
Prepaid expenses	(4,278)	(5,230)
Medical equipment inventory	(30,219)	38,444
Accounts payable	19,483	(4,162)
Accrued liabilities	2,326	(117)
Deferred revenue	15,000	-
Net cash provided (used) by operating activities	<u>588,225</u>	<u>(93,340)</u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	-	550,836
Purchase of property and equipment	(338,216)	(276,359)
Net cash provided (used) by investing activities	<u>(338,216)</u>	<u>274,477</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for capital campaign	314,100	1,100,500
Net cash provided by financing activities	<u>314,100</u>	<u>1,100,500</u>
Net increase in cash	564,109	1,281,637
Cash and cash equivalents at beginning of year	<u>1,620,270</u>	<u>338,633</u>
Cash and cash equivalents at end of year	<u>\$ 2,184,379</u>	<u>\$ 1,620,270</u>
Supplemental schedule of cash flow information:		
Noncash investing and financing transactions:		
Contribution of property and equipment	<u>\$ -</u>	<u>\$ 40,000</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	-	(112,487)
Gain on sale of property	<u>\$ -</u>	<u>\$ 932,196</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 one location in San Antonio, Texas. The administrative and warehouse building is located at 1111 Austin Street, where recipients meet with case management staff, support staff operates, and 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, 2019, 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, 2020.

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 \$386,008 and \$297,881 to qualified individuals for the years ended September 30, 2020 and 2019, 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)

Recently Adopted Accounting Pronouncements

The Organization has adopted the effective portions of ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. This had no impact on the net assets of the Organization for the years ended September 30, 2020 and 2019.

Accounting Pronouncements Issued but Not Yet Adopted

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, 2021 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 2023.

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 year 2021.

Subsequent Events

The Organization's management has evaluated subsequent events through January 20, 2021, 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, 2020, amounts in excess of the FDIC insured limits were \$1,987,327.

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, 2020 and 2019. At September 30, 2020 and 2019, grants receivable are scheduled to be collected within one year.

PROJECT MEND

NOTES TO FINANCIAL STATEMENTS (Continued)

5 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2020</u>	<u>2019</u>
Land, buildings and improvements	\$ 375,000	\$ 414,910
Furniture and equipment	81,998	208,042
Vehicles	197,434	132,549
Construction in progress	<u>408,492</u>	<u>185,863</u>
	1,062,924	941,364
Less accumulated depreciation	<u>(101,584)</u>	<u>(242,016)</u>
Property and equipment, net	<u>\$ 961,340</u>	<u>\$ 699,348</u>

Depreciation expense for the years ended 2020 and 2019 was \$35,572 and \$25,147, 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. During the year ended September 30, 2020, the Organization moved into a new warehouse also provided by the licensor for the Organization's use, but no change to the right-of-use asset has been recorded as the amended terms of the license agreement remain substantially the same. The license agreement expires on April 30, 2022. The following table describes the changes to the Organization's right-of-use asset:

	<u>2020</u>	<u>2019</u>
Right-of-use asset, beginning of year	\$ 107,163	\$ -
Additions	-	124,447
Amortization expense	<u>(41,482)</u>	<u>(17,284)</u>
Right-of-use asset, end of year	<u>\$ 65,681</u>	<u>\$ 107,163</u>

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

7 NET ASSETS WITH DONOR RESTRICTIONS

During 2020 and 2019, the Organization received contributions for various specific programs and activities. As of September 30, 2020 and 2019, net assets with donor restrictions were restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Promises to give due in future years	\$ 31,400	\$ 34,067
Capital campaign	<u>1,203,605</u>	<u>1,416,734</u>
Net assets with donor restrictions	<u>\$ 1,235,005</u>	<u>\$ 1,450,801</u>

(Continued)

PROJECT MEND

NOTES TO FINANCIAL STATEMENTS (Continued)

7 NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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>2020</u>	<u>2019</u>
Satisfaction of purpose or time restrictions:		
Assistive Technology	\$ -	\$ 115,000
DME Repair & Reuse Program	30,000	15,000
New Equipment Program	24,000	4,000
Veteran's Service Program	15,000	65,000
Medical Care for Children with Special Needs Program	6,000	15,000
Capital Campaign	288,629	260,566
General 2018-2019 Operations	-	35,335
General 2018-2019 Operations	34,067	-
Net assets released from restriction	<u>\$ 397,696</u>	<u>\$ 509,901</u>

8 PAYCHECK PROTECTION PROGRAM GRANT

In April 2020, the Organization received a loan in the amount of \$62,141 under the Small Business Administration Paycheck Protection Program (PPP). This loan may be forgiven, in part or in full, if the Organization meets certain criteria for the purpose and timing of expenditures of the proceeds from the loan. The Organization has elected to treat this as a conditional contribution that may be recognized as a governmental grant once the conditions have been fulfilled. Management believes that all relevant conditions for forgiveness were met as of September 30, 2020, and therefore has recognized the full balance of the loan payment as revenue in the year ended September 30, 2020. Subsequent to year end, the Organization applied for and was granted forgiveness of the full balance of the loan from the Small Business Administration.

9 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>2020</u>		<u>2019</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	\$ 125,028	5.5%	\$ 125,000	4.2%
Texas Veterans Commission	State	318,451	13.9%	283,057	9.5%
Total state government grants		<u>\$ 443,479</u>	<u>19.4%</u>	<u>\$ 408,057</u>	<u>13.7%</u>
Bexar County - General Fund	County	\$ 15,569	0.7%	\$ -	0.0%
University Health System	County	50,050	2.2%	50,000	1.7%
City of San Antonio - General Fund	City	50,071	2.2%	54,040	1.8%
Total local government grants		<u>\$ 115,690</u>	<u>5.1%</u>	<u>\$ 104,040</u>	<u>3.5%</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)

10 CONDITIONAL CONTRIBUTION

On October 8, 2019, a donor pledged \$500,000 to the Organization in response to the Organization's application for financial assistance for the construction of the Organization's new headquarters. Pursuant to the pledge agreement, the donor will provide the \$500,000 challenge grant only after the Organization has raised the balance needed for the total project (\$2,900,000) as well as provided photos of the construction in progress. As of the report date, the Organization has raised the \$2,900,000 goal and anticipates sending photos of construction during the 2021 fiscal year. Since not all conditions have been met to recognize the challenge grant as of September 30, 2020, the pledge has not been recognized in the accompanying financial statements.

11 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, 2020 and 2019 were \$21,667 and \$7,693, respectively.

12 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, 2020 and 2019 were \$28,748 and \$27,000, respectively. The following are future minimum rental payments under these leases:

<u>Year Ending September 30</u>	
2021	\$ 5,256
2022	5,256
2023	438
	<u>\$ 10,950</u>

13 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	\$ 2,184,379
Grants receivable	168,350
Accounts receivable from employees	2,800
Pledges receivable	11,400
Financial assets at year end	<u>2,366,929</u>
Less those unavailable for general expenditure within one year, due to:	
Donor-restricted to expenditure for specific purposes	<u>(1,203,605)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,163,324</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, 2020, the Organization has financial assets available to meet cash needs for general expenditure within one year that were equivalent to roughly 254 days of average operating expenses.

PROJECT MEND

NOTES TO FINANCIAL STATEMENTS (Continued)

14 SUBSEQUENT EVENTS

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases in the region. Measures taken by various governments to contain the virus, as well as changes in behavior by regular donors and event participants in response to the pandemic, have affected economic activity in our area. The Organization has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for the Organization's stakeholders.

Since April 2020, the impact on the Organization has been significant, with significant shifts in revenue streams and a general shift towards social distancing practices and working from home for many Organization employees as a result of measures intended to mitigate the pandemic. These disruptions have continued into the new fiscal year, and it is uncertain as to when the Organization will be able to resume normal, routine operations. As such, it is difficult to predict the impact the pandemic might have on the Organization's finances, other than the fact that temporary declines in certain revenues and expenses may continue into the new fiscal year. The Organization will continue to follow government and expert advice and, in parallel, the Organization will do its utmost to continue its operations in the best and safest way possible. The Organization intends to apply for further funding under the second round of the Small Business Administration Paycheck Protection Program as the loans become available in 2021.