

MISSION OF DEEDS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2009

MISSION OF DEEDS, INC.

Financial Statements

December 31, 2009 and 2008

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To the Board of Directors of
Mission of Deeds, Inc.

We have reviewed the accompanying statements of financial position of Mission of Deeds, Inc. as of December 31, 2009 and 2008, and the related statements of activities, cash flows and functional expenses for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Mission of Deeds, Inc.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

O'Connor & Drew, P.C.
Certified Public Accountants

June 12, 2010

MISSION OF DEEDS, INC.

Statements of Financial Position

December 31,

	<u>Assets</u>		
		<u>2009</u>	<u>2008</u>
Current Assets:			
Cash and equivalents		\$ 498,595	\$ 441,816
Investments		31,336	25,174
Inventory		<u>3,947</u>	<u>15,945</u>
Total Current Assets		<u>533,878</u>	<u>482,935</u>
Property and Equipment, net		<u>-</u>	<u>-</u>
Total Assets		<u>\$ 533,878</u>	<u>\$ 482,935</u>
	<u>Net Assets</u>		
Net Assets:			
Unrestricted		\$ 198,918	\$ (159,258)
Temporarily restricted		309,960	617,193
Permanently restricted		<u>25,000</u>	<u>25,000</u>
Total Net Assets		<u>\$ 533,878</u>	<u>\$ 482,935</u>

See Accountants' Review Report and accompanying notes to the financial statements.

MISSION OF DEEDS, INC.

Statement of Activities

For the Year Ended December 31, 2009
(with comparative totals for 2008)

	2009			Total Net Assets	2008 Total Net Assets
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets		
Revenues:					
Contributions	\$ 151,055	\$ 24,418	\$ -	\$ 175,473	\$ 209,378
Grant revenue	116,786	-	-	116,786	158,210
Fundraising	188,047	-	-	188,047	136,164
Investment return	1,071	13,779	-	14,850	6,314
Net assets released from restrictions					
Satisfaction of program restrictions	<u>345,430</u>	<u>(345,430)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>802,389</u>	<u>(307,233)</u>	<u>-</u>	<u>495,156</u>	<u>510,066</u>
Expenses:					
Program services	335,709	-	-	335,709	294,290
Management services	63,245	-	-	63,245	103,347
Fundraising	<u>45,259</u>	<u>-</u>	<u>-</u>	<u>45,259</u>	<u>22,223</u>
Total Expenses	<u>444,213</u>	<u>-</u>	<u>-</u>	<u>444,213</u>	<u>419,860</u>
Increase (Decrease) in Net Assets	358,176	(307,233)	-	50,943	90,206
Net Assets, Beginning of Year	<u>(159,258)</u>	<u>617,193</u>	<u>25,000</u>	<u>482,935</u>	<u>392,729</u>
Net Assets, End of Year	<u>\$ 198,918</u>	<u>\$ 309,960</u>	<u>\$ 25,000</u>	<u>\$ 533,878</u>	<u>\$ 482,935</u>

See Accountants' Review Report and accompanying notes to the financial statements.

MISSION OF DEEDS, INC.

Statements of Cash Flows

For the Years Ended December 31,

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 50,943	\$ 90,206
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on investments	(6,162)	4,234
Changes in assets and liabilities:		
Inventory	11,998	(785)
Prepaid expenses	-	1,500
Accrued expenses	-	(192)
	<u>56,779</u>	<u>94,963</u>
Net Cash Provided by Operating Activities		
	<u>56,779</u>	94,963
Net Increase in Cash and Cash Equivalents		
	<u>441,816</u>	<u>346,853</u>
Cash and Equivalents, Beginning of Year		
	<u>441,816</u>	<u>346,853</u>
Cash and Equivalents, End of Year	<u>\$ 498,595</u>	<u>\$ 441,816</u>

See Accountants' Review Report and accompanying notes to the financial statements.

MISSION OF DEEDS, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2009
(with comparative totals for 2008)

	2009				2008 <u>Total</u>
	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	
Expenses:					
Payroll salaries and wages	\$ 70,045	\$ 30,019	\$ 23,400	\$ 123,464	\$ 116,312
Bedding costs	97,896	-	-	97,896	86,243
Furniture	68,089	-	-	68,089	105,295
Rent	29,250	9,750	-	39,000	18,000
Miscellaneous	21,884	7,295	-	29,179	24,332
Fundraising costs	-	-	21,859	21,859	22,233
Insurance	13,562	4,521	-	18,083	15,574
Payroll taxes	10,892	3,630	-	14,522	10,477
Website	6,326	2,109	-	8,435	-
Heating	3,951	1,317	-	5,268	6,862
Vehicle costs	3,359	1,119	-	4,478	3,440
Telephone	3,116	1,039	-	4,155	3,837
Lighting	2,925	975	-	3,900	3,809
Professional fees	1,952	651	-	2,603	1,700
Office supplies	890	297	-	1,187	1,099
Postage delivery	770	256	-	1,026	587
Advertising	404	135	-	539	-
Dues and subscriptions	398	132	-	530	60
	<u>\$ 335,709</u>	<u>\$ 63,245</u>	<u>\$ 45,259</u>	<u>\$ 444,213</u>	<u>\$ 419,860</u>

See Accountants' Review Report and accompanying notes to the financial statements.

MISSION OF DEEDS, INC.

Notes to the Financial Statements

December 31, 2009 and 2008

Note 1 - Summary of Significant Accounting Policies

Business Activity

Mission of Deeds, Inc.'s (the "Organization") purpose is to collect second-hand furniture and distribute the donated furniture to underprivileged people in the Greater Boston area.

Financial Statement Presentation

In order to ensure the observance of limitations and restrictions placed on the use of resources available to the Organization, the Organization determines the classification of its net assets, revenues, and expenses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and are expendable for support of the Organization's general operations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

See Accountants' Review Report.

MISSION OF DEEDS, INC.

Notes to the Financial Statements

December 31, 2009 and 2008

Note 1 - **Summary of Significant Accounting Policies - Continued**

Management Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets, liabilities, revenues and expenses. The actual outcome of the estimates could differ from the estimates made in the preparation of the financial statements.

Cash and Equivalents

For purposes of the statement of financial position and cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and equivalents.

Financial Instruments

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and equivalents and investments. The Organization maintains its cash and equivalents in bank deposit accounts, the balances of which, at times, may exceed Federally insured limits. Investments are maintained at brokerage institutions. Exposure to credit risk is reduced by placing such deposits in high quality financial institutions and insured brokerage houses.

The carrying amounts of certain financial instruments, including cash and equivalents, approximate fair value because of the relatively short maturity of these instruments. The carrying amounts of investments are reported at market value.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

Grants

Grants, contracts and similar funds received that are designated for a specific program, fiscal year or purpose by the contractor or grantor are initially classified as deferred revenue. These funds, which are exchange transactions and not contributions as discussed above, are recognized as revenues when the Organization has incurred expenditures in compliance with the contract or grant agreement.

See Accountants' Review Report.

MISSION OF DEEDS, INC.

Notes to the Financial Statements

December 31, 2009 and 2008

Note 1 - Summary of Significant Accounting Policies - Continued

Fair Value Measurements

Promulgations of the Financial Accounting Standards Board have established a framework for measuring fair value, which provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The highest priority is assigned to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access

Level 2 Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

See Accountants' Review Report.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2009 and 2008

Note 1 - **Summary of Significant Accounting Policies - Continued**

Functional Allocation of Revenues and Expenses

Grant and contract revenues are recorded over the period covered by the grant or contract as services provided. Revenues and expenses, which are not directly attributable to a specific program, are recorded as administrative. Such revenues and expenses have been allocated to specific programs based on each program's percentage of total expenses of the Organization.

Inventory

Inventories are stated at fair market value and consist of donated furniture. Contributions of donated furniture are recorded at their fair market value in the period received. Contributions of donated equipment or furniture services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. For fiscal years 2009 and 2008, the Organization received donated furniture with a fair market value of \$68,089 and \$105,295, respectively.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using accelerated methods over the assets' estimated useful lives.

Income Tax Status

The Organization is a non-profit organization and is exempt from Federal and state income tax under Section 501(c) 3 of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax exempt purpose is subject to taxation as unrelated business income.

Endowment Funds

Effective July 1, 2009, Massachusetts enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), originally proposed by the Uniform Law Commission in 2006, and which has been enacted or is under consideration in 47 states. Prior to enacting UPMIFA, Massachusetts operated under the Uniform Management of Institutional Funds Act (UMIFA) which focused on prudent spending of net appreciation of the fund and emphasized the historic dollar value concept, an amount below which an organization could not spend from the fund. In the absence of overriding,

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MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2009 and 2008

Note 1 - Summary of Significant Accounting Policies - Continued

Endowment Funds - Continued

explicit donor stipulations, UPMIFA prescribes new guidelines for expenditures of donor restricted funds and focuses on the prudent spending of the entire donor restricted fund, including accumulated earnings, in lieu of the historical dollar concept of UMIFA. UPMIFA's requirement that amounts may be appropriated for expenditure only after careful consideration of the seven factors outlined in its spending guidelines is bolstered by its intent to have the governing board of the organization make its decisions in light of the donor's intended purpose of the endowment fund, stipulated or otherwise.

Under UPMIFA, donor restricted funds will continue to be classified as permanently restricted net assets, however, donor restricted funds not classified as permanently restricted net assets, such as gains and other amounts permitted to be disbursed in accordance with the donors' stipulations or deemed spent earnings on endowment funds that had not been specifically approved for expenditure, must be classified as temporarily restricted net assets until appropriately approved for expenditure by the organization.

The Organization's board classifies donor restricted funds and earnings thereon in accordance with applicable state law as interpreted by the Attorney General. Accordingly, if the donor agreement does not prohibit the expenditures of appreciation such gains would be classified as unrestricted net assets. Endowment fund assets are appropriated for expenditure in accordance with the directions and/or intent of the donor.

The investment policy for endowment funds is intended to preserve capital to the extent possible and provide a reasonably predictable stream of revenue to provide appropriate funding to the programs supported by endowment funds.

Reclassification

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

Note 2 - Investments

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2009.

See Accountants' Review Report.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2009 and 2008

Note 2 - Investments - Continued

Mutual Funds: Valued at the net asset value (NAV) of the shares held by the Organization at year end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value of assets measured on a recurring basis at December 31, 2009 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 31,336	\$ -	\$ -	\$ 31,336
Total assets at fair value	\$ <u>31,336</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>31,336</u>

Note 3 - Property and Equipment

A summary of property and equipment at December 31, is as follows:

	<u>2009</u>	<u>2008</u>
Vehicles	\$ 27,788	\$ 27,788
Furniture and fixtures	<u>12,120</u>	<u>12,120</u>
	39,908	39,908
Less: accumulated depreciation	<u>39,908</u>	<u>39,908</u>
	\$ <u>-</u>	\$ <u>-</u>

See Accountants' Review Report.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2009 and 2008

Note 4 - **Endowment Net Assets**

During 2006, the Organization received a \$25,000 donation to establish a permanent endowment fund. Terms of the donation require the funds to be segregated from other Organization funds. Income earned on the endowment may be used to pay operational expenses of the Organization.

Changes in endowment net assets for the years ended June 30, 2009 and 2008 are as follows:

	<u>2009</u>			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 174	\$ 25,000	\$ 25,174
Investment return net appreciation	<u>-</u>	<u>6,162</u>	<u>-</u>	<u>6,162</u>
Endowment net assets, end of year	\$ <u>-</u>	\$ <u>6,336</u>	\$ <u>25,000</u>	\$ <u>31,336</u>
	<u>2008</u>			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 4,408	\$ 25,000	\$ 29,408
Investment return net depreciation	<u>-</u>	<u>(4,234)</u>	<u>-</u>	<u>(4,234)</u>
Endowment net assets, end of year	\$ <u>-</u>	\$ <u>174</u>	\$ <u>25,000</u>	\$ <u>25,174</u>

See Accountants' Review Report.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2009 and 2008

Note 4 - **Endowment Net Assets - Continued**

All endowment funds consist of donor-restricted funds. The Organization has no board-designated endowment funds.

Note 5 - **Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of contributions made for the purpose of enabling the Organization to acquire inventory, to enhance their operating facility by either making improvements or acquiring a new facility, and income derived from permanently restricted net assets to be used for operating purposes.

Note 6 - **Related Party Transaction**

During 2009, the Organization signed a three year operating lease expiring June 2012 for its facilities with a related party requiring annual payments of \$60,000 plus a pro rata share of operating costs. The lease contains three five year extensions through June 30, 2027. The following is a summary of future minimum rental payments subsequent to December 31, 2009 under a non-cancelable operating lease:

<u>Years Ending December 31,</u>	<u>Amount</u>
2010	\$ 60,000
2011	60,000
2012	<u>30,000</u>
	\$ <u>150,000</u>

Rent expense for 2009 and 2008 was \$39,000 and \$18,000 respectively.

Note 7 - **Concentrations, Risks and Uncertainties**

Cash

From time to time, the Organization's cash balances at financial banking institutions exceed the Federally insured limit. The trustees monitor the financial condition of these banking institutions to keep this potential risk to a minimum.

See Accountants' Review Report.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2009 and 2008

Note 7 - Concentrations, Risks and Uncertainties - Continued

Uncertainties

The Organization is highly dependent on donor contributions. There is risk to the extent that these contributions are not renewed each year.

Subsequent Events

Management has evaluated subsequent events through June 12, 2010, the date for which the financial statements were available for issuance.