

MISSION OF DEEDS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2014

MISSION OF DEEDS, INC.

Financial Statements

December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Mission of Deeds, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2014 and 2013 and the related statement of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Organization's 2013 financial statements and, in our report dated June 13, 2014 we expressed an unmodified opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 the Organization as of December 31, 2014 and 2013, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

O'Common and Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

June 15, 2015

MISSION OF DEEDS, INC.

Statements of Financial Position

December 31,

Assets

	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash and equivalents	\$ 217,141	\$ 312,011
Investments	652,363	354,706
Grant receivable	-	53,333
Deposits	<u>2,000</u>	<u>-</u>
Total Current Assets	<u>871,504</u>	<u>720,050</u>
Property and Equipment, net	<u>314,731</u>	<u>318,637</u>
Total Assets	<u>\$ 1,186,235</u>	<u>\$ 1,038,687</u>

Liabilities and Net Assets

Current Liabilities:		
Accounts payable	\$ 3,451	\$ 4,676
Accrued expenses	<u>4,194</u>	<u>4,772</u>
Total Current Liabilities	<u>7,645</u>	<u>9,448</u>
Net Assets:		
Unrestricted	968,072	906,184
Temporarily restricted	95,518	98,055
Permanently restricted	<u>115,000</u>	<u>25,000</u>
Total Net Assets	<u>1,178,590</u>	<u>1,029,239</u>
Total Liabilities and Net Assets	<u>\$ 1,186,235</u>	<u>\$ 1,038,687</u>

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

MISSION OF DEEDS, INC.

Statement of Activities

For the Year Ended December 31, 2014
(with comparative totals for 2013)

	<u>2014</u>			<u>2013</u>	
	<u>Unrestricted</u> <u>Net Assets</u>	<u>Temporarily</u> <u>Restricted</u> <u>Net Assets</u>	<u>Permanently</u> <u>Restricted</u> <u>Net Assets</u>	<u>Total</u> <u>Net Assets</u>	<u>Total</u>
Revenues:					
Contributions	\$ 185,824	\$ -	\$ 90,000	\$ 275,824	\$ 123,169
Grants	239,949	-	-	239,949	300,600
Fundraising	250,582	-	-	250,582	243,786
Donated goods	423,734	-	-	423,734	375,203
Interest and dividends	7,531	4,619	-	12,150	6,728
Net unrealized losses	(1,680)	(2,708)	-	(4,388)	130
Net assets released from restriction:					
Purpose restrictions met	<u>4,448</u>	<u>(4,448)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenues	<u>1,110,388</u>	<u>(2,537)</u>	<u>90,000</u>	<u>1,197,851</u>	<u>1,049,616</u>
Expenses:					
Program services	876,843	-	-	876,843	783,023
Management services	55,494	-	-	55,494	75,591
Fundraising	<u>116,164</u>	<u>-</u>	<u>-</u>	<u>116,164</u>	<u>90,807</u>
Total Expenses	<u>1,048,500</u>	<u>-</u>	<u>-</u>	<u>1,048,500</u>	<u>949,421</u>
Change in Net Assets	<u>61,888</u>	<u>(2,537)</u>	<u>90,000</u>	<u>149,351</u>	<u>100,195</u>
Net Assets, Beginning of Year	<u>906,184</u>	<u>98,055</u>	<u>25,000</u>	<u>1,029,239</u>	<u>929,044</u>
Net Assets, End of Year	<u>\$ 968,072</u>	<u>\$ 95,518</u>	<u>\$ 115,000</u>	<u>\$ 1,178,590</u>	<u>\$ 1,029,239</u>

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

MISSION OF DEEDS, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2014
(with comparative totals for 2013)

	2014				2013
	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Expenses:					
Furniture	\$ 423,734	\$ -	\$ -	\$ 423,734	\$ 375,203
Payroll salaries and wages	145,302	23,064	62,272	230,638	196,091
Bedding costs	119,227	-	-	119,227	121,886
Rent	55,620	6,180	-	61,800	61,800
Fundraising costs	-	-	47,533	47,533	44,914
Depreciation	25,117	2,791	-	27,908	26,980
Payroll taxes	14,837	2,355	6,359	23,550	19,684
Miscellaneous	713	237	-	950	1,455
Property taxes	13,745	1,527	-	15,272	14,324
Occupancy	26,265	2,918	-	29,183	30,841
Advertising	10,293	1,144	-	11,437	-
Utilities	10,191	1,132	-	11,323	10,030
Telephone	10,080	1,120	-	11,200	10,646
Insurance	7,840	1,892	-	9,732	9,304
Professional fees	-	7,725	-	7,725	7,500
Vehicle costs	6,431	-	-	6,431	5,415
Payroll service	2,099	699	-	2,798	2,485
Client gifts	2,600	-	-	2,600	2,438
Office supplies	1,956	652	-	2,608	5,584
Bank fees	-	1,686	-	1,686	1,331
Snow removal	793	88	-	881	821
Dues and subscriptions	-	284	-	284	689
	<u>\$ 876,843</u>	<u>\$ 55,494</u>	<u>\$ 116,164</u>	<u>\$ 1,048,500</u>	<u>\$ 949,421</u>

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

MISSION OF DEEDS, INC.

Statements of Cash Flows

For the Years Ended December 31,

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ <u>149,351</u>	\$ <u>100,195</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	27,908	26,980
Unrealized loss (gain) on investments	4,388	(130)
Changes in assets and liabilities:		
Grant receivable	53,333	13,333
Deposits	(2,000)	-
Accounts payable	(1,225)	1,273
Accrued expenses	<u>(578)</u>	<u>3,347</u>
Net Adjustments	<u>81,826</u>	<u>44,803</u>
Net Cash Provided by Operating Activities	<u>231,177</u>	<u>144,998</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(24,002)	(1,100)
Purchase of investments	<u>(302,045)</u>	<u>(7,097)</u>
Net Cash Applied to Investing Activities	<u>(326,047)</u>	<u>(8,197)</u>
Net (Decrease) Increase in Cash and Equivalents	(94,870)	136,801
Cash and Equivalents, Beginning of Year	<u>312,011</u>	<u>175,210</u>
Cash and Equivalents, End of Year	<u>\$ 217,141</u>	<u>\$ 312,011</u>

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

MISSION OF DEEDS, INC.

Notes to the Financial Statements

December 31, 2014 and 2013

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

Nature of Operations

Mission of Deeds, Inc.'s (the "Organization") purpose is to purchase and collect household goods and distribute them to individuals and families in need. The Organization is located in Reading, Massachusetts north of Boston and provides services in that general area.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. In order to ensure the observance of limitations and restrictions placed on the use of resources available to the Organization, net assets, revenues, and expenses are classified 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 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, temporarily 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.

Comparative Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2014 and 2013

Note 1 - Summary of Significant Accounting Policies - Continued

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending upon the existence of any donor restrictions. All restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the donor's restriction. When a restriction expires or the specific purpose is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions received with donor stipulations that are met in the year of receipt are reported as unrestricted.

Management Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect 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 statements 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.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2014 and 2013

Note 1 - Summary of Significant Accounting Policies - Continued

Financial Instruments - Continued

The carrying amounts of certain financial instruments, including cash and equivalents, approximate fair value as of December 31, 2014 because of the relatively short maturity of these instruments. The carrying amounts of investments are reported at market value. Unrealized gains and losses are included in the changes in net assets within the accompanying statement of activities.

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 management's estimates.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Advertising

The Organization charges the cost of advertising expense as incurred.

In-Kind Contributions

The Organization receives in-kind contributions of new and used furniture, bedding, and household items from the general public. The Organization, in turn, gives these donated goods to underprivileged families through a network of social service agencies. The Organization recognizes in-kind contributions at their fair market value.

The Organization maintains a warehouse of goods received but not yet distributed to individuals. In accordance with generally accepted accounting principles, these items have not been recognized as inventory in these financial statements as they are not held for resale.

In-kind contributions are included as revenue in the accompanying Statement of Activities and offset by similar amounts included as program expenditures.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2014 and 2013

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

Income Tax Status

Generally accepted accounting principles as practiced in the United States of America require an entity to assess the probability that a tax position has a “more likely than not” (MLTN) sustainability after review by tax authorities. If a tax position is deemed not to meet this threshold, any unrecognized tax benefits and costs are estimated and recognized. Interest and penalties, if any, related to assessments by tax authorities will be classified as a component of interest expense and other expense, respectively, in the statement of activities.

A tax position may be considered as taken any time a taxpayer chooses amongst alternatives that affect the amount of their tax obligations and include for example: tax exempt status; status as a pass-through entity (S Corporations); decisions made in the process of conforming with tax laws; decisions not to file in certain jurisdictions; allocation of income between jurisdictions and the characterization of income or expenses. Tax returns are routinely open for review by the tax authorities for three years from their due date. In certain circumstances, the statute of limitations may remain open indefinitely.

The Organization has been notified by the Internal Revenue Service that it meets the qualifications to be classified as a tax exempt entity under section 501 (c)(3) of the Internal Revenue Code. Since the continuance of this status is based upon continuing qualification, the Organization has identified this as a tax position. However, it has determined that this tax position meets MLTN sustainability and does not result in an uncertainty requiring recognition. The Organization does not have any activities that would subject it to unrelated business income tax.

The Organization does not expect any material changes in its position regarding this matter in the next twelve months.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2014 and 2013

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

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 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 fund programs supported by endowment funds.

At December 31, 2014, certain endowment funds had an aggregate fair value of \$887 less than donor stipulated levels. These are commonly referred to as underwater.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2014 and 2013

Note 2 - Grants Receivable

Grants receivable as of December 31, 2013 consisted of two grants to be used for general operations; both of which were received during 2014.

Note 3 - Investments

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

Investments are carried at fair value based on quoted prices in active markets (all Level 1 measurements) and consist of the following at December 31:

<u>Description</u>	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 161,950	\$ 162,998	\$ 65,274	\$ 70,710
Certificates of deposit	<u>489,365</u>	<u>489,365</u>	<u>283,996</u>	<u>283,996</u>
	<u>\$ 651,315</u>	<u>\$ 652,363</u>	<u>\$ 349,270</u>	<u>\$ 354,706</u>

The following table sets forth the change in unrealized gain in investments for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Unrealized gain, beginning of year	\$ 5,436	\$ 5,306
Unrealized gain, end of year	<u>1,048</u>	<u>5,436</u>
Change in unrealized gain for the year	\$ <u>(4,388)</u>	\$ <u>130</u>

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2014 and 2013

Note 4 - **Property and Equipment**

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

	<u>2014</u>	<u>2013</u>
Vehicles	\$ 27,788	\$ 27,788
Office furniture and equipment	27,870	27,870
Leasehold improvements	<u>383,377</u>	<u>359,375</u>
	439,035	415,033
Less: accumulated depreciation	<u>124,304</u>	<u>96,396</u>
	\$ <u>314,731</u>	\$ <u>318,637</u>

Note 5 - **Endowment Net Assets**

Changes in endowment net assets for the years ended December 31, 2014 and 2013 are as follows:

	<u>2014</u>			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 17,769	\$ 25,000	\$ 42,769
Investment income	-	3,472	-	3,472
Contributions	-	-	90,000	90,000
Unrealized losses	<u>(887)</u>	<u>(1,821)</u>	-	<u>(2,708)</u>
Endowment net assets, end of year	\$ <u>(887)</u>	\$ <u>19,420</u>	\$ <u>115,000</u>	\$ <u>133,533</u>

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2014 and 2013

Note 5 - **Endowment Net Assets - Continued**

2013

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 15,845	\$ 25,000	\$ 40,845
Investment income	-	1,856	-	1,856
Unrealized gains	<u>-</u>	<u>68</u>	<u>-</u>	<u>68</u>
Endowment net assets, end of year	\$ <u>-</u>	\$ <u>17,769</u>	\$ <u>25,000</u>	\$ <u>42,769</u>

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

Note 6 - **Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of contributions of cash made for the purpose of enabling the Organization to make improvements to its operating facility. Temporarily restricted net assets also include income derived from permanently restricted net assets that has not yet been approved to be spent for operating purposes.

Note 7 - **Related Party Transaction**

During 2009, the Organization signed a three-year operating lease for its facilities with a related party requiring monthly payments of \$5,000 plus a pro-rata share of operating costs. The lease contains three five-year extensions through June 30, 2027. During May 2012, the Organization exercised its first option to extend the lease. Under this option, monthly payments of \$5,150 plus a pro-rata share of operating costs are required. Rent expense for the years ended December 31, 2014 and 2013 was \$61,800.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2014 and 2013

Note 7 - **Related Party Transaction - Continued**

Future minimum lease payments subsequent to December 31, 2014, are as follows:

<u>Years Ending</u> <u>December 31,</u>	
2015	\$ 61,800
2016	61,800
2017	<u>30,900</u>
	\$ <u>154,500</u>

Note 8 - **Concentrations, Risks and Uncertainties**

Cash

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

Uncertainties

The Organization is highly dependent on donor contributions and fundraising efforts. Although management believes that it will have sufficient funds to meet its operating expenses for the remainder of the fiscal year between funds already available and promised grants, there is no guarantee that their grants and fundraising activities will continue into future years.

Subsequent Events

Management has evaluated subsequent events through June 15, 2015, the date for which the financial statements were available for issuance.