

MISSION OF DEEDS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015

MISSION OF DEEDS, INC.

Financial Statements

December 31, 2015 and 2014

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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. (a nonprofit organization) ("the Organization"), which comprise the statements of financial position as of December 31, 2015 and 2014 and the related statement of activities, functional expenses and cash flows for the years then ended, 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.

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, 2015 and 2014, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

O'Connor & DeWitt P.C.

**Certified Public Accountants
Braintree, Massachusetts**

June 8, 2016

MISSION OF DEEDS, INC.

Statements of Financial Position

December 31,

Assets

	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and equivalents	\$ 182,664	\$ 217,141
Investments	684,843	652,363
Unconditional promises to give	30,167	-
Deposits	<u>-</u>	<u>2,000</u>
Total Current Assets	<u>897,674</u>	<u>871,504</u>
Property and Equipment, net	<u>337,060</u>	<u>314,731</u>
Other Asset:		
Unconditional promises to give, net of current portion	<u>31,711</u>	<u>-</u>
Total Assets	<u>\$ 1,266,445</u>	<u>\$ 1,186,235</u>

Liabilities and Net Assets

Current Liabilities:		
Accounts payable	\$ 1,432	\$ 3,451
Accrued expenses	<u>2,289</u>	<u>4,194</u>
Total Current Liabilities	<u>3,721</u>	<u>7,645</u>
Net Assets:		
Unrestricted	1,003,902	958,747
Temporarily restricted	103,822	104,843
Permanently restricted	<u>155,000</u>	<u>115,000</u>
Total Net Assets	<u>1,262,724</u>	<u>1,178,590</u>
Total Liabilities and Net Assets	<u>\$ 1,266,445</u>	<u>\$ 1,186,235</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, 2015

(with comparative totals for 2014)

	<u>2015</u>			<u>2014</u>	
	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total Net Assets</u>	<u>Total</u>
Revenues:					
Contributions	\$ 216,729	\$ 10,000	\$ 40,000	\$ 266,729	\$ 374,631
Grants	326,040	-	-	326,040	239,949
Fundraising events	148,331	-	-	148,331	151,775
Donated goods	431,989	-	-	431,989	423,734
Interest and dividends	8,273	11,138	-	19,411	12,150
Gain on sale of fixed asset	5,500	-	-	5,500	-
Net unrealized losses	<u>(4,731)</u>	<u>(22,159)</u>	<u>-</u>	<u>(26,890)</u>	<u>(4,388)</u>
Total Support and Revenues	<u>1,132,131</u>	<u>(1,021)</u>	<u>40,000</u>	<u>1,171,110</u>	<u>1,197,851</u>
Expenses:					
Program services	921,731	-	-	921,731	876,843
Management services	55,752	-	-	55,752	55,494
Fundraising	<u>109,493</u>	<u>-</u>	<u>-</u>	<u>109,493</u>	<u>116,164</u>
Total Expenses	<u>1,086,976</u>	<u>-</u>	<u>-</u>	<u>1,086,976</u>	<u>1,048,500</u>
Change in Net Assets	<u>45,155</u>	<u>(1,021)</u>	<u>40,000</u>	<u>84,134</u>	<u>149,351</u>
Net Assets, Beginning of Year	<u>958,747</u>	<u>104,843</u>	<u>115,000</u>	<u>1,178,590</u>	<u>1,029,239</u>
Net Assets, End of Year	<u>\$ 1,003,902</u>	<u>\$ 103,822</u>	<u>\$ 155,000</u>	<u>\$ 1,262,724</u>	<u>\$ 1,178,590</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, 2015
(with comparative totals for 2014)

	2015				2014
	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Expenses:					
Furniture	\$ 434,391	\$ -	\$ -	\$ 434,391	\$ 423,734
Payroll salaries and wages	164,645	23,435	61,839	249,919	230,638
Bedding costs	128,920	-	-	128,920	119,227
Rent	55,620	6,180	-	61,800	61,800
Fundraising costs	-	-	40,927	40,927	37,338
Depreciation	33,395	3,710	-	37,105	27,908
Payroll taxes	17,613	2,669	6,405	26,686	23,550
Occupancy	23,999	2,666	-	26,665	34,183
Telephone	11,181	1,242	-	12,423	11,200
Utilities	9,578	1,064	-	10,642	11,323
Property taxes	8,794	977	-	9,771	10,272
Insurance	6,534	2,178	-	8,712	9,732
Volunteer awards	8,035	-	-	8,035	10,195
Professional fees	-	7,950	-	7,950	7,725
Snow removal	5,142	571	-	5,713	881
Client gifts	3,698	-	-	3,698	2,600
Office supplies	2,462	821	-	3,283	3,558
Advertising	2,737	304	-	3,041	11,437
Payroll service	2,461	147	322	2,930	2,798
Vehicle costs	2,526	-	-	2,526	6,431
Bank fees	-	1,555	-	1,555	1,686
Dues and subscriptions	-	284	-	284	284
	<u>\$ 921,731</u>	<u>\$ 55,752</u>	<u>\$ 109,493</u>	<u>\$ 1,086,976</u>	<u>\$ 1,048,500</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>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ <u>84,134</u>	\$ <u>149,351</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	37,105	27,908
Unrealized loss on investments	26,890	4,388
Changes in assets and liabilities:		
Unconditional promises to give	(61,878)	53,333
Deposits	2,000	(2,000)
Accounts payable	(2,019)	(1,225)
Accrued expenses	<u>(1,905)</u>	<u>(578)</u>
Net Adjustments	<u>193</u>	<u>81,826</u>
Net Cash Provided by Operating Activities	<u>84,327</u>	<u>231,177</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(59,434)	(24,002)
Purchase of investments	<u>(59,370)</u>	<u>(302,045)</u>
Net Cash Applied to Investing Activities	<u>(118,804)</u>	<u>(326,047)</u>
Net Decrease in Cash and Equivalents	(34,477)	(94,870)
Cash and Equivalents, Beginning of Year	<u>217,141</u>	<u>312,011</u>
Cash and Equivalents, End of Year	\$ <u>182,664</u>	\$ <u>217,141</u>

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

MISSION OF DEEDS, INC.

Notes to the Financial Statements

December 31, 2015 and 2014

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, 2014, from which the summarized information was derived.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2015 and 2014

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 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, 2015 and 2014

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, 2015 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 Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with specific program and support services are allocated directly according to the natural expenditure classification.

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, 2015 and 2014

Note 1 - Summary of Significant Accounting Policies - Continued

Income Tax Status

Accounting principles generally accepted in the United States 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. 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. As a not-for-profit entity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, the Organization may, however, be subject to tax on unrelated business income.

Reclassification

Certain amounts on the 2014 financial statements have been reclassified to conform to the 2015 presentation.

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.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2015 and 2014

Note 1 - Summary of Significant Accounting Policies - Continued

Endowment Funds - Continued

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.

Certain endowment funds had an aggregate fair value of \$10,173 and \$887 less than donor stipulated levels, for the years then ended December 31, 2015 and 2014, respectively. These are commonly referred to as underwater.

Note 2 - Unconditional Promises to Give

Unconditional promises to give are discounted at 5% and consist of the following at December 31, 2015:

Receivable in 2016	\$ 33,333
Receivable in 2017	<u>33,333</u>
Total	66,666
Less: discount to net present value	<u>4,788</u>
Present value of unconditional promises to give	61,878
Less: current unconditional promises to give	<u>30,167</u>
Unconditional Promises to Give, Net of Current Portion	\$ <u>31,711</u>

There were no unconditional promises to give as of the year ended December 31, 2014.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2015 and 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>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 214,339	\$ 188,497	\$ 161,950	\$ 162,998
Certificates of deposit	<u>496,346</u>	<u>496,346</u>	<u>489,365</u>	<u>489,365</u>
	<u>\$ 710,685</u>	<u>\$ 684,843</u>	<u>\$ 651,315</u>	<u>\$ 652,363</u>

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

	<u>2015</u>	<u>2014</u>
Unrealized gain, beginning of year	\$ 1,048	\$ 5,436
Unrealized loss, end of year	<u>(25,842)</u>	<u>1,048</u>
Change in unrealized loss for the year	<u>\$ (26,890)</u>	<u>\$ (4,388)</u>

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2015 and 2014

Note 4 - Property and Equipment

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

	<u>2015</u>	<u>2014</u>
Vehicles	\$ 56,934	\$ 27,788
Office furniture and equipment	30,370	27,870
Leasehold improvements	<u>383,377</u>	<u>383,377</u>
	470,681	439,035
Less: accumulated depreciation	<u>133,621</u>	<u>124,304</u>
	<u>\$ 337,060</u>	<u>\$ 314,731</u>

Note 5 - Endowment Net Assets

Changes in endowment net assets for the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (887)	\$ 19,420	\$ 115,000	\$ 133,533
Investment income	-	10,161	-	10,161
Contributions	-	-	40,000	40,000
Unrealized losses	-	(22,158)	-	(22,158)
Transfer from unrestricted	<u>(9,286)</u>	<u>9,286</u>	-	-
Endowment net assets, end of year	<u>\$ (10,173)</u>	<u>\$ 16,709</u>	<u>\$ 155,000</u>	<u>\$ 161,536</u>

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2015 and 2014

Note 5 - Endowment Net Assets - Continued

	<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	-	(2,708)	-	(2,698)
Transfer from unrestricted	<u>(887)</u>	<u>887</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	\$ <u>(887)</u>	\$ <u>19,420</u>	\$ <u>115,000</u>	\$ <u>133,533</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 as of December 31, consist of the following:

	<u>2015</u>	<u>2014</u>
Building Fund	\$ 87,287	\$ 86,310
Operations	6,535	18,533
Scholarships	<u>10,000</u>	<u>-</u>
	\$ <u>103,822</u>	\$ <u>104,843</u>