

MISSION OF DEEDS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017

MISSION OF DEEDS, INC.

Financial Statements

December 31, 2017 and 2016

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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 not-for-profit organization) ("the Organization"), which comprise the statements of financial position as of December 31, 2017 and 2016 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 auditors consider 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, 2017 and 2016, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

O'Connell and Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

June 21, 2018

MISSION OF DEEDS, INC.

Statements of Financial Position

December 31,

Assets

	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and equivalents	\$ 255,271	\$ 223,333
Investments	732,177	707,867
Unconditional promises to give	<u>-</u>	<u>31,711</u>
Total Current Assets	<u>987,448</u>	<u>962,911</u>
Property and Equipment, net	<u>274,025</u>	<u>312,509</u>
Total Assets	<u>\$ 1,261,473</u>	<u>\$ 1,275,420</u>

Liabilities and Net Assets

Current Liabilities:		
Accounts payable	\$ 6,440	\$ 7,187
Accrued expenses	<u>3,928</u>	<u>3,928</u>
Total Current Liabilities	<u>10,368</u>	<u>11,115</u>
Net Assets:		
Unrestricted	958,624	982,539
Temporarily restricted	137,481	126,766
Permanently restricted	<u>155,000</u>	<u>155,000</u>
Total Net Assets	<u>1,251,105</u>	<u>1,264,305</u>
Total Liabilities and Net Assets	<u>\$ 1,261,473</u>	<u>\$ 1,275,420</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, 2017
(with comparative totals for 2016)

	<u>2017</u>			<u>2016</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	\$ 212,210	\$ -	\$ -	\$ 212,210	\$ 314,327
Grants	289,880	-	-	289,880	262,531
Fundraising events	217,720	-	-	217,720	104,920
Donated goods	450,804	-	-	450,804	421,530
Interest and dividends	14,672	9,790	-	24,462	16,195
Net unrealized gains	484	2,290	-	2,774	10,022
Net assets released from restriction:	<u>1,365</u>	<u>(1,365)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenues	<u>1,187,135</u>	<u>10,715</u>	<u>-</u>	<u>1,197,850</u>	<u>1,129,525</u>
Expenses:					
Program services	1,025,479	-	-	1,025,479	969,682
Management services	96,638	-	-	96,638	56,618
Fundraising	<u>88,933</u>	<u>-</u>	<u>-</u>	<u>88,933</u>	<u>101,644</u>
Total Expenses	<u>1,211,050</u>	<u>-</u>	<u>-</u>	<u>1,211,050</u>	<u>1,127,944</u>
Change in Net Assets	<u>(23,915)</u>	<u>10,715</u>	<u>-</u>	<u>(13,200)</u>	<u>1,581</u>
Net Assets, Beginning of Year	<u>982,539</u>	<u>126,766</u>	<u>155,000</u>	<u>1,264,305</u>	<u>1,262,724</u>
Net Assets, End of Year	<u>\$ 958,624</u>	<u>\$ 137,481</u>	<u>\$ 155,000</u>	<u>\$ 1,251,105</u>	<u>\$ 1,264,305</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, 2017
(with comparative totals for 2016)**

	2017				2016
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Expenses:					
Furniture	\$ 459,365	\$ -	\$ -	\$ 459,365	\$ 429,306
Payroll salaries and wages	188,585	62,130	25,769	276,484	266,984
Bedding costs	160,062	-	-	160,062	145,171
Rent	56,594	6,288	-	62,882	61,800
Fundraising costs	-	-	56,785	56,785	30,273
Depreciation	36,511	4,057	-	40,568	40,101
Occupancy	22,718	2,524	-	25,242	33,146
Payroll taxes	16,452	2,493	5,983	24,928	24,349
Volunteer awards	13,309	-	-	13,309	10,160
Property taxes	11,682	1,298	-	12,980	9,947
Telephone	11,322	1,258	-	12,580	11,468
Utilities	9,611	1,068	-	10,679	10,796
Office supplies	7,419	2,473	-	9,892	3,686
Vehicle costs	8,362	-	-	8,362	8,342
Insurance	6,168	2,056	-	8,224	7,257
Advertising	6,881	765	-	7,646	17,016
Professional fees	-	6,500	-	6,500	6,500
Miscellaneous	3,624	-	-	3,624	1,367
Payroll service	3,022	180	396	3,598	2,856
Education programs	2,496	-	-	2,496	4,978
Bank fees	-	2,420	-	2,420	971
Snow removal	1,296	144	-	1,440	720
Dues and subscriptions	-	984	-	984	750
	<u>\$ 1,025,479</u>	<u>\$ 96,638</u>	<u>\$ 88,933</u>	<u>\$ 1,211,050</u>	<u>\$ 1,127,944</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>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Change in net assets	<u>\$ (13,200)</u>	<u>\$ 1,581</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	40,568	40,101
Reinvested interest and dividends	(21,536)	(13,002)
Unrealized gain on investments	(2,774)	(10,022)
Changes in assets and liabilities:		
Unconditional promises to give	31,711	30,167
Accounts payable	(747)	5,755
Accrued expenses	<u>-</u>	<u>1,638</u>
Net Adjustments	<u>47,222</u>	<u>54,637</u>
Net Cash Provided by Operating Activities	<u>34,022</u>	<u>56,218</u>
Cash Flows from Investing Activity:		
Purchase of property and equipment	<u>(2,084)</u>	<u>(15,549)</u>
Net Increase in Cash and Equivalents	31,938	40,669
Cash and Equivalents, Beginning of Year	<u>223,333</u>	<u>182,664</u>
Cash and Equivalents, End of Year	<u>\$ 255,271</u>	<u>\$ 223,333</u>

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

MISSION OF DEEDS, INC.

Notes to the Financial Statements

December 31, 2017 and 2016

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 also provides scholarships for students in need who study in the fields of science, technology, engineering and mathematics. 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, 2016, from which the summarized information was derived.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2017 and 2016

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining the value of unconditional promises to give, estimating depreciation, and the recoverability of long-lived assets.

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.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies - Continued

Financial Instruments - Continued

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 as of December 31, 2017 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 to 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, 2017 and 2016

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.

Endowment Funds

Effective July 1, 2009, Massachusetts enacted a version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). 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 to fund programs supported by endowment funds.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2017 and 2016

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

Endowment Funds - Continued

Certain endowment funds had an aggregate fair value of \$450 less than donor-stipulated levels, for the year then ended December 31, 2016. These are commonly referred to as underwater.

New Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 (ASU 2016-02) *Leases* effective for non-public and most not-for-profit entities for fiscal years beginning after December 15, 2019. Implementation of this standard will require lessees to recognize on their statement of financial position the rights and obligation resulting from leases with terms of less than twelve months to be excluded from this standard. Management is in the process of evaluating this standard and has not yet determined its impact on the financial statements.

ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, an amendment to Topic 958, *Not-for-Profit Entities*, was issued by the Financial Accounting Standards Board in June 2016 with an effective date for fiscal years beginning after December 15, 2017. The purpose of this amendment is to improve the transparency and utility of information contained in the financial statements of such entities. Net assets will be presented in two categories, net assets with donor restrictions and net assets without donor restrictions, as opposed to the current three categories. Additional information and disclosures will be required to enable a reader to more readily understand liquidity limitations due to restrictions on net assets. Early application is permitted. Management has not begun its review of the standard, but does not expect implementation to have a material effect on financial position or results of operations.

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

Note 2 - **Unconditional Promises to Give**

Unconditional promises to give at December 31, 2016 was \$31,711, net of 5% present value discount of \$1,622. During 2017, the unconditional promise to give was received in full. As of December 31, 2017, the unconditional promises to give is \$0.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2017 and 2016

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>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 232,007	\$ 218,961	\$ 220,141	\$ 204,322
Certificates of deposit	<u>513,216</u>	<u>513,216</u>	<u>503,545</u>	<u>503,545</u>
	<u>\$ 745,223</u>	<u>\$ 732,177</u>	<u>\$ 723,686</u>	<u>\$ 707,867</u>

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

	<u>2017</u>	<u>2016</u>
Unrealized loss, beginning of year	\$ (15,820)	\$ (25,842)
Unrealized loss, end of year	<u>(13,046)</u>	<u>(15,820)</u>
Change in unrealized loss, for the year	<u>\$ 2,774</u>	<u>\$ 10,022</u>

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2017 and 2016

Note 4 - **Property and Equipment**

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

	<u>2017</u>	<u>2016</u>
Vehicles	\$ 56,934	\$ 56,934
Office furniture and equipment	32,454	30,370
Leasehold improvements	<u>398,927</u>	<u>398,927</u>
	488,315	486,231
Less: accumulated depreciation	<u>214,290</u>	<u>173,722</u>
	<u>\$ 274,025</u>	<u>\$ 312,509</u>

Note 5 - **Endowment Net Assets**

Changes in endowment net assets for the years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (450)	\$ 23,602	\$ 155,000	\$ 178,152
Investment income	-	9,790	-	9,790
Contributions	-	-	-	-
Unrealized gains	-	2,290	-	2,290
Transfer to unrestricted	<u>450</u>	<u>(450)</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 35,232</u>	<u>\$ 155,000</u>	<u>\$ 190,232</u>

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2017 and 2016

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

	<u>2016</u>			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (10,173)	\$ 20,267	\$ 155,000	\$ 165,094
Investment income	-	4,788	-	4,788
Contributions	-	-	-	-
Unrealized gains	-	8,270	-	8,270
Transfer to unrestricted	<u>9,723</u>	<u>(9,723)</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	\$ <u>(450)</u>	\$ <u>23,602</u>	\$ <u>155,000</u>	\$ <u>178,152</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>2017</u>	<u>2016</u>
Building fund	\$ 88,421	\$ 87,853
Operations	35,232	23,152
Scholarships	<u>13,828</u>	<u>15,761</u>
	\$ <u>137,481</u>	\$ <u>126,766</u>

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 2017, the Organization exercised its second option to extend the lease. Under this option, monthly payments of \$5,305 plus a pro-rata share of operating costs are required.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2017 and 2016

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

Rent expense for the years ended December 31, 2017 and 2016 was \$62,882 and \$61,800 respectively. Management expects that it will renew the remaining options to extend the lease through June 2027.

Future minimum lease payments subsequent to December 31, 2017, are as follows:

Years Ending <u>December 31,</u>	
2018	\$ 63,660
2019	63,660
2020	63,660
2021	63,660
2022	<u>31,830</u>
	\$ <u>286,470</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. All deposits exceeding the federally insured limits were insured by the Share Insurance Fund.

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 21, 2018, the date for which the financial statements were available for issuance. Management accepted the financial statements and did not identify any events subsequent to December 31, 2017 requiring disclosure in these financial statements.