



May 23, 2012

Mr. Arthur Triglione
Mission of Deeds, Inc.
6 Chapin Avenue
Reading, MA 01867

Dear Mr. Triglione:

Please find enclosed five copies of the financial statements of Mission of Deeds, Inc. for the year ended December 31, 2011.

Very truly yours,

Jeffrey J. Caruso

JJC/tem
Enclosures

MISSION OF DEEDS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2011

MISSION OF DEEDS, INC.

Financial Statements

December 31, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

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


We have audited the accompanying statement of financial position of Mission of Deeds Inc. (the "Organization") as of December 31, 2011 and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mission of Deeds, Inc. as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 2010 financial statements were reviewed by us, and our report thereon, dated October 24, 2011, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

As discussed in Note 2 of the financial statements, during the year ended December 31, 2011 management discovered that certain pledge receivables as of December 31, 2010 were understated. Accordingly, an adjustment has been made to restate the Statement of Activities for the year ended December 31, 2010.


Certified Public Accountants

May 18, 2012

MISSION OF DEEDS, INC.

Statements of Financial Position

December 31,

	<u>Assets</u>	
	<u>2011</u>	(Reviewed) (Restated) <u>2010</u>
Current Assets:		
Cash and equivalents	\$ 191,004	\$ 547,361
Investments	312,318	35,502
Pledge receivable	<u>18,333</u>	<u>31,666</u>
Total Current Assets	<u>521,655</u>	<u>614,529</u>
Property and Equipment, net	<u>345,456</u>	<u>211,629</u>
Total Assets	<u>\$ 867,111</u>	<u>\$ 826,158</u>
	<u>Liabilities and Net Assets</u>	
Current Liabilities:		
Accounts payable	\$ 12,009	\$ 15,608
Accrued expenses	<u>1,737</u>	<u>2,939</u>
Total Current Liabilities	<u>13,746</u>	<u>18,547</u>
Net Assets:		
Unrestricted	404,086	352,970
Temporarily restricted	424,279	429,641
Permanently restricted	<u>25,000</u>	<u>25,000</u>
Total Net Assets	<u>853,365</u>	<u>807,611</u>
Total Liabilities and Net Assets	<u>\$ 867,111</u>	<u>\$ 826,158</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, 2011

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total Net Assets</u>
Revenues:				
Contributions	\$ 67,835	\$ -	\$ -	\$ 67,835
Grant revenue	138,500	-	-	138,500
Fundraising	128,005	136,088	-	264,093
Donated goods	372,650	-	-	372,650
Interest and dividends	1,779	3,350	-	5,129
Net unrealized losses	-	(907)	-	(907)
Net assets released from restriction:				
Purpose restrictions met	<u>143,893</u>	<u>(143,893)</u>	<u>-</u>	<u>-</u>
Total Support and Revenues	<u>852,662</u>	<u>(5,362)</u>	<u>-</u>	<u>847,300</u>
Expenses:				
Program services	706,415	-	-	706,415
Management services	49,507	-	-	49,507
Fundraising	<u>45,624</u>	<u>-</u>	<u>-</u>	<u>45,624</u>
Total Expenses	<u>801,546</u>	<u>-</u>	<u>-</u>	<u>801,546</u>
Change in Net Assets	<u>51,116</u>	<u>(5,362)</u>	<u>-</u>	<u>45,754</u>
Net Assets, Beginning of Year	<u>352,970</u>	<u>429,641</u>	<u>25,000</u>	<u>807,611</u>
Net Assets, End of Year	<u>\$ 404,086</u>	<u>\$ 424,279</u>	<u>\$ 25,000</u>	<u>\$ 853,365</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, 2010 (Restated and Reviewed)

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total Net Assets</u>
Revenues:				
Contributions	\$ 86,503	\$ 44,999	\$ -	\$ 131,502
Grant revenue	118,108	-	-	118,108
Fundraising	177,373	263,965	-	441,338
Donated goods	238,710	-	-	238,710
Interest and dividends	9,752	1,913	-	11,665
Net unrealized gains	-	2,253	-	2,253
Reclassification of net assets	(6,336)	6,336	-	-
Net assets released from restriction:				
Purpose restrictions met	<u>199,785</u>	<u>(199,785)</u>	<u>-</u>	<u>-</u>
 Total Support and Revenues	 <u>823,895</u>	 <u>119,681</u>	 <u>-</u>	 <u>943,576</u>
Expenses:				
Program services	553,927	-	-	553,927
Management services	63,402	-	-	63,402
Fundraising	<u>52,514</u>	<u>-</u>	<u>-</u>	<u>52,514</u>
 Total Expenses	 <u>669,843</u>	 <u>-</u>	 <u>-</u>	 <u>669,843</u>
 Change in Net Assets	 <u>154,052</u>	 <u>119,681</u>	 <u>-</u>	 <u>273,733</u>
 Net Assets, Beginning of Year	 <u>198,918</u>	 <u>309,960</u>	 <u>25,000</u>	 <u>533,878</u>
 Net Assets, End of Year	 <u>\$ 352,970</u>	 <u>\$ 429,641</u>	 <u>\$ 25,000</u>	 <u>\$ 807,611</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>2011</u>	(Reviewed) (Restated) <u>2010</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ <u>45,754</u>	\$ <u>273,733</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,102	310
Unrealized loss (gain) on investments	907	(2,253)
Changes in assets and liabilities:		
Pledge receivables	13,333	(31,666)
Other assets	-	3,947
Accounts payable	(3,599)	9,644
Accrued expenses	<u>(1,202)</u>	<u>2,939</u>
Net Cash Applied to Operating Activities	<u>59,295</u>	<u>256,654</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(137,929)	(205,975)
Purchase of investments	<u>(277,723)</u>	<u>(1,913)</u>
Net Cash Applied to Investing Activities	<u>(415,652)</u>	<u>(207,888)</u>
Net (Decrease) Increase in Cash and Equivalents	(356,357)	48,766
Cash and Equivalents, Beginning of Year	<u>547,361</u>	<u>498,595</u>
Cash and Equivalents, End of Year	<u>\$ 191,004</u>	<u>\$ 547,361</u>

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

MISSION OF DEEDS, INC.

Notes to the Financial Statements

December 31, 2011 and 2010

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 distributes them to individuals and families in need. The Organization operates mainly north of Boston, Massachusetts.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principals. 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.

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

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2011 and 2010

Note 1 - Summary of Significant Accounting Policies - Continued

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period the promise to give is received. Unconditional promises to give exceeding over one year are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenues.

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.

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.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2011 and 2010

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, 2011 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 each program's percentage of total expenses of the Organization.

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.

In-Kind Contributions and Contributed Services

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.

Contributed services are recognized at fair market value only when the services received create or enhance long-lived assets or require specialized skills and are provided by individuals possessing those skills and would otherwise need to be purchased if not provided by donation.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2011 and 2010

Note 1 - Summary of Significant Accounting Policies - Continued

In-Kind Contributions and Contributed Services - Continued

In-kind contributions and contributed services are presented as revenue in the accompanying Statement of Activities and offset by similar amounts included as a portion of program expenditures. During the years ended December 31, 2011 and 2010 the organization received and recognized in-kind contributions and contributed services of \$372,650 and \$238,710, respectively.

Income Tax Status

Generally accepted accounting principles 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 management services 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; 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 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, 2011 and 2010

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 to provide appropriate funding to the programs supported by endowment funds.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2011 and 2010

Note 2 - Prior Period Adjustment

An understatement of pledge receivables as of December 31, 2010 was discovered during the year ended December 31, 2011. The statement of activities for the year ended December 31, 2010 has been restated to reflect this adjustment. A summary of the balances affected by the restatement are shown in the following table:

	<u>As Previously Reported</u> <u>As of December 31, 2010</u>	<u>As Restated</u>
Pledge receivable	\$ -	\$ 31,666
Temporarily restricted net assets	384,642	429,641
Temporarily restricted contributions	-	44,999

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>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 35,391	\$ 36,737	\$ 33,895	\$ 35,502
Certificates of deposit	<u>275,581</u>	<u>275,581</u>	-	-
	<u>\$ 310,972</u>	<u>\$ 312,318</u>	<u>\$ 33,985</u>	<u>\$ 35,502</u>

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2011 and 2010

Note 3 - Investments - Continued

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

	<u>2011</u>	<u>2010</u>
Unrealized (loss) gain, beginning of year	\$ 2,253	\$ (646)
Unrealized gain, end of year	<u>1,346</u>	<u>1,607</u>
Change in unrealized gain for the year	\$ <u>(907)</u>	\$ <u>2,253</u>

Note 4 - Pledges Receivable

Pledges receivables represent unconditional promises to give from several donors. All of the pledges are due within one year. Management has concluded that these amounts are fully collectible; therefore, no allowance for doubtful accounts has been established.

Note 5 - Property and Equipment

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

	<u>2011</u>	<u>2010</u>
Vehicles	\$ 27,788	\$ 27,788
Office furniture and equipment	18,310	18,310
Leasehold improvements	343,678	-
Construction in progress	<u>-</u>	<u>205,749</u>
	389,776	251,847
Less: accumulated depreciation	<u>44,320</u>	<u>40,218</u>
	\$ <u>345,456</u>	\$ <u>211,629</u>

Note 6 - 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.

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2011 and 2010

Note 6 - **Endowment Net Assets - Continued**

Changes in endowment net assets for the years ended December 31, 2011 and 2010 are as follows:

	<u>2011</u>			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 10,502	\$ 25,000	\$ 35,502
Investment income	-	2,142	-	2,142
Unrealized losses	<u>-</u>	<u>(907)</u>	<u>-</u>	<u>(907)</u>
Endowment net assets, end of year	\$ <u>-</u>	\$ <u>11,737</u>	\$ <u>25,000</u>	\$ <u>36,737</u>
	<u>2010</u>			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 6,336	\$ 25,000	\$ 31,336
Investment income	-	1,913	-	1,913
Unrealized gains	<u>-</u>	<u>2,253</u>	<u>-</u>	<u>2,253</u>
Endowment net assets, end of year	\$ <u>-</u>	\$ <u>10,502</u>	\$ <u>25,000</u>	\$ <u>35,502</u>

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

MISSION OF DEEDS, INC.

Notes to the Financial Statements - Continued

December 31, 2011 and 2010

Note 7 - **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 their operating facility. Income derived from permanently restricted net assets that has not been spent for operating purposes is classified as temporarily restricted.

Note 8 - **Related Party Transaction**

During 2009, the Organization signed a three year operating lease expiring June 2012 for its facilities with a related party at a below market rate 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. As of December 31, 2011, the future minimum rental payments under this operating lease are \$30,000. Rent expense for the years ended December 31, 2011 and 2010 was \$60,000. As of the date of these financials, management intends to exercise its option to extend the lease for five years.

Note 9 - **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.

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 May 18, 2012 the date for which the financial statements were available for issuance.