MATTER

St. Louis Park, Minnesota

Financial Statements

Years Ended December 31, 2016 and 2015

MATTER

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BOULAY

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Matter
St. Louis Park, Minnesota

We have audited the accompanying financial statements of Matter (a non-profit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, cash flows and functional expenses 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.

Auditor's 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 auditor's 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 Matter as of December 31, 2016 and 2015, and the 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.

Boulay PLLP

Certified Public Accountants

Minneapolis, Minnesota
October 25, 2017

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MATTER

Statements of Financial Position

December 31, 2016 and 2015

ASSETS		2016		2015
Current Assets				
Cash	$	712,748	$	105,818
Contributions and grants receivable, net		69,010		1,000
Accounts receivable, net		33,903		25,625
Prepaid expenses and other current assets		10,000		9,483
Purchased inventory		42,162		20,135
Donated inventory		9,466,079		15,154,155
Total current assets		10,333,902		15,316,216
Trademark, net		47,262		53,238
Property and Equipment		211,006		176,668
Less accumulated depreciation		(154,418)		(138,004)
Net property and equipment		56,588		38,664
Total assets	$	10,437,752	$	15,408,118
LIABILITIES AND NET ASSETS				
Current Liabilities				
Bank note payable, current maturities	$	45,000	$	120,000
Equipment note payable, current maturities		6,464		-
Accounts payable		122,435		113,196
Accrued liabilities		5,076		6,780
Demand notes payable, related parties		165,074		25,000
Total current liabilities		344,049		264,976
Long-term liabilities				
Equipment note payable, long term portion		14,444		-
Deferred rent liability		12,315		8,601
Total long-term liabilities		26,759		8,601
Total liabilities		370,808		273,577
Net Assets				
Unrestricted		9,827,515		15,066,324
Temporarily restricted		239,429		68,217
Total net assets		10,066,944		15,134,541
Total liabilities and net assets	$	10,437,752	$	15,408,118

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

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Statements of Activities

	Year Ended December 31, 2016			Year Ended December 31, 2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Contributions:						
Individuals	$ 697,640	$ 215,668	**$ 913,308**	$ 448,835	$ 74,729	**$ 523,564**
Corporations and Partnerships	283,033	179,197	**462,230**	695,112	154,789	**849,901**
Churches and organizations	128,383	25,655	**154,038**	10,586	56,389	**66,975**
Federated campaigns	40,724	-	**40,724**	30,512	122	**30,634**
Foundations	102,450	39,070	**141,520**	141,520	-	**141,520**
Program service revenue	399,390	-	**399,390**	437,983	3,931	**441,914**
Event revenue, net of direct benefit to donor of $125,970 in 2016 and $144,182 in 2015	839,877	-	**839,877**	295,494	-	**295,494**
Equipment sales and other	416,537	-	**416,537**	237,290	-	**237,290**
Donated services and facilities	186,920	-	**186,920**	239,617	-	**239,617**
Noncash donations, gifts-in-kind	9,876,074	-	**9,876,074**	24,182,379	-	**24,182,379**
Net assets released from restriction	288,378	(288,378)	**-**	234,243	(234,243)	**-**
Total support and revenues	13,259,406	171,212	**13,430,618**	26,953,571	55,717	**27,009,288**
Expenses						
Program services:						
Change the Course	161,288	-	**161,288**	351,713	-	**351,713**
Resource distribution	17,344,789	-	**17,344,789**	28,642,026	-	**28,642,026**
Supporting services:						
General and administrative	400,400	-	**400,400**	380,660	-	**380,660**
Fundraising and procurement of in-kind gifts	591,738	-	**591,738**	387,587	-	**387,587**
Total expenses	18,498,215	-	**18,498,215**	29,761,986	-	**29,761,986**
Change in Net Assets	(5,238,809)	171,212	**(5,067,597)**	(2,808,415)	55,717	**(2,752,698)**
Net Assets - Beginning of Year	15,066,324	68,217	**15,134,541**	17,874,739	12,500	**17,887,239**
Net Assets - End of Year	$ 9,827,515	$ 239,429	**$ 10,066,944**	$ 15,066,324	$ 68,217	**$ 15,134,541**

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Statements of Cash Flows

Years Ended December 31,	2016	2015
Cash Flows from Operating Activities		
Change in net assets	**$ (5,067,597)**	$ (2,752,698)
Adjustments to reconcile change in net assets to net cash used for operations:		
Contributed inventory received	**(9,876,074)**	(24,165,791)
Inventory donated to beneficiaries	**15,564,150**	27,347,645
Depreciation and amortization expense	**26,310**	25,764
Bad debt expense	**5,000**	19,050
Gain on disposal of equipment	**(1,625)**	(5,146)
Related party demand note payable balance contributed to Organization	**(25,000)**	(541,103)
Changes in assets and liabilities:		
Accounts receivable	**(8,278)**	(6,665)
Contributions and grants receivable	**(73,010)**	17,492
Prepaid expenses and other current assets	**(517)**	35,492
Purchased inventory	**(22,027)**	(7,635)
Accounts payable	**9,239**	(84,931)
Accrued liabilities	**(1,704)**	(14,871)
Deferred revenue	**-**	(3,000)
Deferred rent liability	**3,714**	1,887
Net cash provided by (used for) operating activities	**532,581**	(134,510)
Cash Flows from Investing Activities		
Purchase of property and equipment	**(11,679)**	(721)
Proceeds from disposal of equipment	**1,625**	19,000
Net cash provided by (used for) investing activities	**(10,054)**	18,279
Cash Flows from Financing Activities		
Payments on bank note payable	**(75,000)**	(45,000)
Payments on leasehold improvements note payable	**-**	(4,313)
Payments on equipment note payable	**(5,671)**	-
Payments on related parties demand notes payable	**-**	(82,963)
Proceeds from related parties demand notes payable	**165,074**	260,106
Net cash provided by financing activities	**84,403**	127,830
Net Increase in Cash	**606,930**	11,599
Cash – Beginning of Year	**105,818**	94,219
Cash – End of Year	**$ 712,748**	$ 105,818
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	**$ 8,067**	$ 12,360
Supplemental Disclosure of Noncash Investing and Financing Activities		
Related party demand note payable balance contributed to Organization	**$ 25,000**	$ 541,103
Equipment financed with note payable	**$ 26,579**	$ -
Accounts receivable recorded from disposal of equipment	**$ -**	$ 3,000
Accounts receivable moved to related parties demand notes payable	**$ -**	$ 10,024
Donated equipment received	**$ -**	$ 16,588

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

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Statements of Functional Expenses

	Year Ended December 31, 2016					Year Ended December 31, 2015				
	Program Services		Supporting Services			Program Services		Supporting Services		
	Change the Course	Resource Distribution	General and Administrative	Fundraising and Procurement of In-Kind Gifts	Total	Change the Course	Resource Distribution	General and Administrative	Fundraising and Procurement of In-Kind Gifts	Total
Donations to beneficiaries, including gifts-in-kind	$ -	$ 15,542,123	$ -	$ -	**$ 15,542,123**	$ -	$ 27,347,645	$ -	$ -	**$ 27,347,645**
Payroll and payroll taxes	59,779	487,003	280,886	138,411	**966,079**	81,805	352,679	197,920	167,532	**799,936**
Volunteer time and donated services, in-kind expense	1,506	104,896	3,731	58,518	**168,651**	6,250	136,403	11,500	51,264	**205,417**
Occupancy, in-kind expense	2,813	9,847	703	703	**14,066**	6,390	22,364	1,597	1,597	**31,948**
Employee benefits	9,474	18,948	9,474	9,474	**47,370**	6,316	12,632	6,316	6,316	**31,580**
Transportation	390	304,553	235	1,411	**306,589**	2,839	200,800	(1,745)	1,567	**203,461**
Warehouse rent and expense	62,567	219,508	15,642	15,642	**313,359**	61,559	212,089	19,655	15,083	**308,386**
Program supplies	-	114,974	-	-	**114,974**	117,393	32,829	-	-	**150,222**
Purchase of medical supplies	-	128,831	-	84	**128,915**	-	145,575	238	3,774	**149,587**
Grants, public relations and office expense	12,138	319,873	44,701	30,267	**406,979**	50,386	105,026	75,249	62,906	**293,567**
Insurance	5,022	10,045	5,022	5,022	**25,111**	4,786	9,572	4,786	4,786	**23,930**
Miscellaneous	-	-	5,102	-	**5,102**	-	-	28,090	-	**28,090**
Professional services	-	717	22,302	-	**23,019**	-	3,231	16,148	-	**19,379**
Telephone and internet	167	4,476	4,452	1,437	**10,532**	1,029	3,723	6,886	1,147	**12,785**
Travel	-	64,130	718	108,663	**173,511**	431	32,401	1,491	22,141	**56,464**
Interest expense	2,170	4,341	2,170	2,170	**10,851**	7,376	14,752	7,376	7,376	**36,880**
Depreciation expense	4,067	8,134	4,067	4,067	**20,335**	3,959	7,916	3,959	3,959	**19,793**
Amortization expense	1,195	2,390	1,195	1,195	**5,975**	1,194	2,389	1,194	1,194	**5,971**
Special event fundraising expense	-	-	-	214,674	**214,674**	-	-	-	36,945	**36,945**
Special event - direct benefit to donor	-	-	125,970	-	**125,970**	-	-	144,182	-	**144,182**
Total expenses	161,288	17,344,789	526,370	591,738	**18,624,185**	351,713	28,642,026	524,842	387,587	**29,906,168**
Special event - direct benefit to donor	-	-	(125,970)	-	**(125,970)**	-	-	(144,182)	-	**(144,182)**
Total functional expenses	$ 161,288	$ 17,344,789	$ 400,400	$ 591,738	**$ 18,498,215**	$ 351,713	$ 28,642,026	$ 380,660	$ 387,587	**$ 29,761,986**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Matter (the “Organization”) is a non-profit entity organized under the laws of the State of Minnesota. Believing that the simple act of being resourceful can change the world, the Organization’s purpose is to expand access to health and food, locally in the Twin Cities metro area and around the world.

Through local resource distribution programs, including targeted nutrition and food distribution, the Organization strives to offer not just meals, but specifically healthy food to people facing food insecurity. The Organization primarily distributes shelf-stable goods, personal care and basic necessity items to other non-profit entities who serve people living in scarcity.

Through international resource distribution programs, the Organization provides restorative aid, particularly in the fields of health, education and farming, by supplying developing medical facilities, schools, orphanages, and agricultural operations with the equipment and supplies they need to thrive sustainably.

The Organization also works through their Change the Course program to empower community members and businesses to see the value of what is in their own two hands and create a world where we all matter more through engagement in team-building and service learning experiences such as medical supply sorting, food packing, and the participation in the Organization’s interactive educational exhibit.

Accounting Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the reported support and revenues and expenses. Significant management estimates include economic lives of property and equipment, valuation of donated inventory, the valuation of other in-kind donations, and the expense allocations to program and supporting services on the statement of functional expenses. Actual results could differ from those estimates.

Basis of Presentation

The Organization presents its financial statements on the accrual basis of accounting. The Organization reports its financial position and activities according to the three classes of net assets of unrestricted, temporarily restricted, and permanently restricted, based on the existence or absence of donor-imposed restrictions. The Organization has no permanently restricted net assets.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

In-Kind Contributions and Donations to Beneficiaries

The Organization receives contributions of clothing, food, medical supplies and other miscellaneous items. Contributions of donated non-cash assets are recorded at their estimated fair values at the date of gift in the period received, based upon the quantities donated and considering the condition and utility of the items received and primarily based on wholesale values. The Organization only records the value of in-kind gifts for which it is the recipient and for which the Organization has the unilateral power to redirect the use to beneficiaries of its choice.

Gift-in-kind donations of non-cash assets by the Organization to beneficiaries are recorded as donations at the date of distribution.

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

The estimates of the fair value of in-kind contributions and in-kind donations to beneficiaries of non-cash assets represent significant estimates which could change in the near term.

Cash

The Organization maintains its accounts primarily at two financial institutions. At times throughout the year, the Organization’s cash balances exceed amounts insured by the Federal Deposit Insurance Corporation.

Contributions, Grants, and Other Receivables

Contributions, pledges, and other grant receivables that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

Accounts receivable are recorded at their estimated net realizable value, net of an allowance for doubtful accounts. The Organization's estimate of the allowance for doubtful accounts is based upon historical experience, its evaluation of the current status of receivables, and unusual circumstances, if any. Accounts are considered past due if payment is not made on a timely basis. Accounts considered uncollectible are written off.

Inventory, In-Kind Donated Assets

Contributions of in-kind assets that have not been distributed as of December 31, 2016 and 2015 are recorded as inventory at the lower of their approximate current fair value or their approximate fair value at the date of the contribution. Contributions of donated food are recorded as unrestricted support when received and expensed when distributed and are recorded as inventory at the approximate wholesale value of the item. They are expected to be distributed in the following year. The donated inventory that remained on hand at December 31, 2016 and 2015 consisted primarily of food, medical supplies, and domestic goods. The value of the donated inventory represents a significant estimate which could change in the near term.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are provided over estimated useful lives by use of the straight-line method. Maintenance and repairs are expensed as incurred; major improvements and betterments are capitalized. The estimated useful lives of leasehold improvement assets is the shorter of the estimated useful life or related lease term.

Carrying Value of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Organization first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including, but not limited to, discounted cash flow models, quoted market values and third-party independent appraisals.

Trademark

The Organization's trademark asset represents the expenses incurred to establish the trademark for the Organization's name, Matter. The trademark is being amortized over its estimated useful life of ten years.

Deferred Revenue

Deferred revenue represents advances received from partner organizations to cover shipping and transportation services. Revenue is recognized in the period in which it is earned.

Income Taxes

Matter is a non-profit organization and therefore is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state statutes.

The Organization has evaluated whether they have any significant tax uncertainties that would require recognition or disclosure. Primarily due to the exempt status, the Organization does not have any significant tax uncertainties that would require recognition or disclosure.

The Organization is no longer subject to income tax examinations for years before fiscal year 2013.

Basis of Allocating Functional Expenses

The costs of providing various program services and supporting activities of the Organization have been summarized on the functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities. Fundraising expense includes costs of special events other than direct donor benefits as well as the efforts to secure both cash and in-kind contributions.

Allocations are generally made as follows:

- Salaries by estimated time spent on principal activities of each employee
- Payroll taxes according to the percentage used to allocate salaries
- All other expenses are directly allocable or allocated in a manner as considered practicable

Recently Issued Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which will change how a not-for-profit organization classifies its net assets, as well as the information it presents in the financial statements and related notes about the organization's liquidity and financial performance. The amendment was issued for the purposes of reducing complexities as well as improving the usefulness and relevance of the information provided to donors, grantors, creditors, and other financial statement users about a not-for-profit entity's resources, and the changes in those resources. The new standard is effective for the Organization for annual periods beginning January 1, 2018, with early adoption permitted. The standard is to be applied on a retrospective basis in the year it is first applied. The Organization is currently evaluating the impact that the adoption of this guidance will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which provides guidance for accounting for leases. The new guidance requires entities to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for the Organization for annual periods beginning January 1, 2020, with early adoption permitted. It is to be adopted using a modified retrospective approach. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements.

In July 2015, the FASB issued ASU No. 2015-11, which amended *Inventory (Topic 330) Related to Simplifying the Measurement of Inventory* of the Accounting Standards Codification. The amended guidance applies to all inventory except that which is measured using last-in, first-out (LIFO) or the retail inventory method. Inventory measured using first-in, first-out (FIFO) or average cost is included in the new amendments. Inventory within the scope of the new guidance should be measured at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments in this update are effective for the Organization beginning in 2017. The new guidance should be applied prospectively, and earlier application is permitted as of the beginning of an annual reporting period. The Organization is currently evaluating the impact of the standard on its financial statements.

In May 2014 and amended in August 2015, the FASB issued ASU No. 2014-09 which amended *Revenue from Contracts with Customers (Topic 606)* of the Accounting Standards Codification. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance will be effective for the Organization beginning in 2019. The Organization is currently evaluating the impact of the standard on its financial statements.

Subsequent Events

The Organization has evaluated subsequent events through October 25, 2017, the date which the financial statements were available to be issued.

2. ACCOUNTS, CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable (all currently due) consist of the following at December 31:

	2016	2015
Service revenue - general operations	$ 33,903	$ 23,875
Contributions - general operations	69,010	16,000
Other receivables	-	3,000
	102,913	42,875
Less: allowance for doubtful accounts	-	16,250
Total receivables, net	$ 102,913	$ 26,625

3. DONATED INVENTORY

Donated inventory consists of the following at December 31:

	2016	2015
Food	$ -	$ 161,622
Other domestic goods (primarily clothing and household items)	103,764	430,576
Medical supplies	8,702,562	13,830,361
Artwork	659,753	729,344
Machinery	-	2,252
Total donated inventory	$ 9,466,079	$ 15,154,155

4. TRADEMARK

Trademark consists of the following at December 31:

	2016	2015
Trademark	$ 59,707	$ 59,707
Less accumulated amortization	12,445	6,469
Trademark, net	$ 47,262	$ 53,238

Amortization expense for the years ended December 31, 2016 and 2015 was approximately $6,000 in each year.

The estimated amortization expense for the next five years and thereafter is as follows at December 31, 2016:

2017	$ 5,971
2018	5,971
2019	5,971
2020	5,971
2021	5,971
Thereafter	17,407
Total	$ 47,262

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	Useful Life	2016	2015
Equipment and furniture	5 years	**$ 31,347**	$ 31,347
Leasehold improvements	5 years	**67,104**	65,535
Vehicles	5 years	**112,555**	79,786
		211,006	176,668
Less: accumulated depreciation		**154,418**	138,004
Property and equipment, net		**$ 56,588**	$ 38,664

Depreciation expense for the years ended December 31, 2016 and 2015 was approximately $20,000 in each year.

6. LEASE OBLIGATION

The Organization leases a warehouse space from one of the related party companies discussed in Note 9. The warehouse space lease expires in July 2020, with varying monthly rent payments each year ranging from $15,006 to $16,848 per month. The Organization records rental expense on a straight-line basis over the life of the lease. The Organization is obligated to pay costs of insurance, taxes, repairs, and utilities pursuant to the terms of the leases. Future minimum commitments for payment of rent under the main warehouse space lease, which at inception, had a noncancellable term of more than one year are as follows at December 31, 2016:

2017	$ 188,041
2018	192,837
2019	197,657
2020	117,937
Total minimum lease commitments	$ 696,472

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31:

	2016	2015
Fire truck purchase, including shipping charges	$ -	$ 12,500
Tractor purchase, including shipping charges	31,783	5,717
Panama medical project	50,000	50,000
Soccer ball purchase	39,070	-
Senegal project	116,356	-
Microfinance project	2,220	-
Total temporarily restricted net assets	$ 239,429	$ 68,217

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors for resource distribution for the years ended December 31:

	2016	2015
Matter box program	$ 206,775	$ 226,608
Tractor purchase, including shipping charges	18,325	7,635
Fire truck purchase, including shipping charges	12,500	-
Senegal project	50,778	-
Total net assets released from restrictions	$ 288,378	$ 234,243

8. GIFTS-IN-KIND

The Organization received gifts-in-kind (primarily medical supplies) for the years ended December 31, 2016 and 2015 of approximately $8,466,000 and $21,114,000, respectively, which the Organization donated or plans to donate to beneficiaries in foreign countries. Also included in gifts-in-kind revenue for the years ended December 31, 2016 and 2015 is approximately $1,414,000 and $3,068,000, respectively, of clothing, food, household, art and various other items distributed primarily to other non-profit beneficiaries in Minnesota. The estimated fair value of these items was based upon approximated wholesale values after considering their marketability and usability.

Included in donations to beneficiaries expense are donations to beneficiaries in foreign countries totaling approximately $13,616,000 in 2016 and $23,836,000 in 2015. Also included in donations to beneficiaries expense are donations of clothing, food, household and various other items, distributed primarily to other non-profit beneficiaries in Minnesota, totaling approximately $1,926,000 in 2016 and $3,511,000 in 2015.

The Organization receives significant contributions in the form of donated services and facilities. In 2016 and 2015, the Organization received the following donated services and facilities qualifying under generally accepted accounting principles that were recorded in the statement of activities:

	2016	2015
Services from unpaid volunteers	**$ 172,854**	$ 207,668
Facilities	**14,066**	31,948
Total Donated Services and Facilities	**$ 186,920**	$ 239,616

The Organization estimates that it received approximately 2,500 and 2,000 hours of additional volunteer services in 2016 and 2015, respectively, primarily related to local programs and community outreach, but these services did not qualify for recognition in the financial statements. The amount of recorded services from unpaid volunteers relates primarily to programs and community outreach.

The Organization occupied certain warehouse space during 2016 and 2015 under a month-to-month agreement with one of the related companies as discussed in Note 9. No rent was paid by the Organization under this rental agreement. The amount is included in donated services and facilities in the statements of activities and in occupancy, in-kind expense in the statements of functional expenses.

9. TRANSACTIONS WITH RELATED PARTIES

The Organization is related to two companies which lease space to the Organization as described in Notes 6 and 8. A board member and officer of the Organization is a shareholder in both of the related companies, and the individual's spouse is also a board member and officer of the Organization. The existence of these relationships could result in changes in net assets or financial position of the Organization that are significantly different from those that would have been obtained if the entities were autonomous.

Total rent expense, including the leases discussed in Note 6 and the in-kind rent discussed in Note 8, for the years ended December 31, 2016 and 2015, was approximately $286,000 and $287,000, respectively, all of which is with the related companies, and which includes operating lease costs of approximately $86,000 and $66,000, respectively.

During 2015, the Organization had an outstanding note payable to a board member and officer of the Organization for amounts advanced for operating expenses in 2015 and years prior. The note was unsecured, non-interest bearing, and due on demand, although it was subordinated to the bank note payable. The board member and officer of the Organization deemed approximately $32,000 included within the note payable balance during fiscal 2015 as a contribution to the Organization in 2015. The Organization included this contribution of approximately $32,000 within individual contributions in the statement of activities for 2015. There was no outstanding balance for the note payable at December 31, 2015.

During 2015, the Organization had an outstanding note payable to a company that is under the control of a board member and officer of the Organization, for rental and lease operating costs incurred by the Organization during 2015 and years prior. The note was unsecured, non-interest bearing, and was due on demand, although it was subordinated to the bank note payable. This related party company deemed approximately $509,000 included within the note payable balance during fiscal 2015 as a contribution to the Organization in 2015. The Organization included this contribution of approximately $509,000 within corporation and partnership contributions in the statement of activities for 2015. There was no outstanding balance for the note payable at December 31, 2015.

The Organization had a note payable of $165,074 at December 31, 2016 to a company that is under the control of a board member and officer of the Organization, for rental and lease operating costs incurred by the Organization during 2016. The note is unsecured, non-interest bearing, and is due on demand, although it is subordinated to the bank note payable.

The Organization recorded approximately $0 and $20,000 in in-kind contributions and related interest expense under the above related party non-interest bearing notes payable agreements, based on the Organization's incremental borrowing rate of 5.50% and 5.25%, for the years ended December 31, 2016 and 2015, respectively.

The Organization had a note payable of $25,000 at December 31, 2015 to a company that is under the control of a board member and officer of the Organization for amounts advanced for operating expenses. The note was unsecured and borrowings incurred interest of 8%. Borrowings under the note payable were due on demand, although the note was subordinated to the bank note payable, and repayment was not anticipated within the next year. In 2016, the related party company deemed $25,000 that was included within the note payable balance at December 31, 2015 as a contribution to the Organization. The Organization has included this $25,000 within corporation and partnership contributions in the statement of activities for 2016. There was no outstanding balance for the note payable at December 31, 2016. The Organization incurred interest expense under this related party note payable agreement of approximately $1,000 and $2,000 during the years ended December 31, 2016 and 2015, respectively.

10. CONCENTRATIONS

There were no significant donor contribution concentrations during 2016. In 2015, as discussed further in Note 9, the Organization received approximately $541,000 of contributions from a board member and officer of the Organization and a company that is under the control of the board member and officer of the Organization.

The Organization had contributions, grants and pledge receivables for general operations of approximately $69,000 and $16,000 at December 31, 2016 and 2015, respectively. Two and one donor(s) comprised 70% and 94% of the Organization's contributions, grants, and pledges at December 31, 2016 and 2015, respectively.

11. EMPLOYEE BENEFIT PLAN

The Organization has a simple IRA plan for substantially all employees who meet certain eligibility requirements. The Organization made contributions to the Plan of approximately $19,000 and $5,000 during 2016 and 2015, respectively.

12. BANK LINE OF CREDIT AND NOTE PAYABLE

The Organization had a $75,000 line of credit with a bank. Interest was charged at the bank's prime rate plus 2.00% or a minimum of 5.25%. The note contained certain restrictive covenants and was secured by substantially all of the Organization's assets. The Organization had no outstanding borrowings at December 31, 2016 and 2015. Subsequent to year end, the line of credit expired and was not renewed.

The Organization had a note payable agreement with the same bank maturing July 2017. The note required one payment of the outstanding balance in July 2017, including a payment for all accrued interest not yet paid. Subsequent to year end, the note was paid in full upon maturity. The note contained certain restrictive covenants and was secured by substantially all of the Organization's assets. The note was personally guaranteed by a board member and officer of the Organization. The related parties notes payable, as discussed in Note 9, are subordinate to this bank term note. The total balance outstanding on the bank note payable at December 31, 2016 and 2015 was $45,000 and $120,000, respectively.

Subsequent to year end, the Organization entered into a $120,000 line of credit with a different bank with a maturity of August 2018. Interest is charged at the bank's prime rate plus 2.00%. The note contains certain restrictive covenants and is secured by substantially all of the Organization's assets.

13. LEASEHOLD IMPROVEMENTS NOTE PAYABLE

In February 2013, the Organization entered into a loan agreement in the amount of $14,379 to finance certain leasehold improvements made to the Organization's warehouse space. The note was secured by the leasehold improvements, was non-interest bearing, and was due in August 2015. The agreement required monthly payments of approximately $480 per month. The Organization recorded approximately $90 of in-kind contributions and related interest expense, based on the Organization's incremental borrowing rate of 5.25% for the year ended December 31, 2015. The note payable agreement was paid in full during 2015.

14. EQUIPMENT NOTE PAYABLE

In February 2016, the Organization entered into a loan agreement in the amount of $26,579 to finance equipment for the Organization. The note is secured by the equipment and matures in February 2020. The agreement requires monthly payments of approximately $610 per month including interest at 4.75%. The Organization recorded approximately $1,000 of related interest expense for the year ended December 31, 2016. The total balance outstanding on the equipment note payable at December 31, 2016 was $20,908.

Scheduled maturities of the equipment note payable are as follows at December 31, 2016:

2017	$ 6,464
2018	6,778
2019	7,107
2020	559
Total	$ 20,908