MATTER FKA HOPE FOR THE CITY

St. Louis Park, Minnesota

Financial Statements

Years Ended December 31, 2015 and 2014

MATTER

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BOULAY

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Matter, FKA Hope for the City
St. Louis Park, Minnesota

We have audited the accompanying financial statements of Matter, FKA Hope for the City, (a non-profit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, 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, FKA Hope for the City, as of December 31, 2015 and 2014, 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
June 28, 2016

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MATTER

Statements of Financial Position

December 31, 2015 and 2014

ASSETS		2015		2014
Current Assets				
Cash	$	105,818	$	94,219
Contributions and grants receivable, net		1,000		43,516
Accounts receivable, net		25,625		20,010
Prepaid expenses and other current assets		9,483		44,975
Purchased inventory		20,135		12,500
Donated inventory		15,154,155		18,334,257
Total current assets		15,316,216		18,549,477
Trademark, net		53,238		59,209
Property and Equipment		176,668		316,458
Less accumulated depreciation		(138,004)		(240,116)
Net property and equipment		38,664		76,342
Total assets	$	15,408,118	$	18,685,028

LIABILITIES AND NET ASSETS

Current Liabilities				
Bank note payable, current maturities	$	120,000	$	165,000
Leasehold improvements note payable, current maturities		-		4,313
Accounts payable		113,196		198,127
Accrued liabilities		6,780		21,651
Deferred revenue		-		3,000
Demand notes payable, related parties		25,000		398,984
Total current liabilities		264,976		791,075
Deferred rent liability		8,601		6,714
Total liabilities		273,577		797,789
Net Assets				
Unrestricted		15,066,324		17,874,739
Temporarily restricted		68,217		12,500
Total net assets		15,134,541		17,887,239
Total liabilities and net assets	$	15,408,118	$	18,685,028

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

MATTER

Statements of Activities

	Year Ended December 31, 2015			Year Ended December 31, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Contributions:						
Individuals	$ 448,835	$ 74,729	**$ 523,564**	$ 107,026	$ 25,000	**$ 132,026**
Corporations and Partnerships	695,112	154,789	**849,901**	182,196	-	**182,196**
Churches and organizations	10,586	56,389	**66,975**	41,227	-	**41,227**
Federated campaigns	30,512	122	**30,634**	42,144	-	**42,144**
Foundations	141,520	-	**141,520**	64,250	20,000	**84,250**
Program service revenue	437,983	3,931	**441,914**	488,629	20,000	**508,629**
Event revenue, net of direct benefit to donor of $144,182 in 2015 and $212,407 in 2014	295,494	-	**295,494**	448,655	70,000	**518,655**
Contributed interest and other	237,290	-	**237,290**	254,412	-	**254,412**
Donated services and facilities	239,617	-	**239,617**	91,732	-	**91,732**
Noncash donations, gifts-in-kind	24,182,379	-	**24,182,379**	32,509,235	-	**32,509,235**
Net assets released from restriction	234,243	(234,243)	**-**	143,090	(143,090)	**-**
Total support and revenues	26,953,571	55,717	**27,009,288**	34,372,596	(8,090)	**34,364,506**
Expenses						
Program services:						
Change the Course	351,713	-	**351,713**	277,940	-	**277,940**
Resource distribution	28,642,026	-	**28,642,026**	37,132,001	-	**37,132,001**
Supporting services:						
General and administrative	380,660	-	**380,660**	307,479	-	**307,479**
Fundraising and procurement of in-kind gifts	387,587	-	**387,587**	208,148	-	**208,148**
Total expenses	29,761,986	-	**29,761,986**	37,925,568	-	**37,925,568**
Change in Net Assets	(2,808,415)	55,717	**(2,752,698)**	(3,552,972)	(8,090)	**(3,561,062)**
Net Assets - Beginning of Year	17,874,739	12,500	**17,887,239**	21,427,711	20,590	**21,448,301**
Net Assets - End of Year	$ 15,066,324	$ 68,217	**$ 15,134,541**	$ 17,874,739	$ 12,500	**$ 17,887,239**

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

Statements of Cash Flows

Years Ended December 31,	2015	2014
Cash Flows from Operating Activities		
Change in net assets	**$ (2,752,698)**	$ (3,561,062)
Adjustments to reconcile change in net assets to net cash used for operations:		
Contributed inventory received	**(24,165,791)**	(32,509,235)
Inventory donated to beneficiaries	**27,347,645**	35,858,169
Depreciation and amortization expense	**25,764**	26,183
Bad debt expense	**19,050**	30,253
(Gain) loss on disposal of equipment	**(5,146)**	(21,650)
Related party demand note payable balance contributed to Organization	**(541,103)**	-
Changes in assets and liabilities:		
Accounts receivable	**(6,665)**	40,005
Contributions and grants receivable	**17,492**	(50,619)
Prepaid expenses and other current assets	**35,492**	(40,125)
Purchased inventory	**(7,635)**	(4,500)
Accounts payable	**(84,931)**	3,210
Accrued liabilities	**(14,871)**	(3,533)
Deferred revenue	**(3,000)**	(19,500)
Deferred rent liability	**1,887**	6,170
Net cash used for operating activities	**(134,510)**	(246,234)
Cash Flows from Investing Activities		
Purchase of property and equipment	**(721)**	(31,916)
Proceeds from disposal of equipment	**19,000**	21,650
Payments for trademark of Organization name	**-**	(9,707)
Change in cash held for long-term purposes	**-**	10,000
Net cash provided by (used for) investing activities	**18,279**	(9,973)
Cash Flows from Financing Activities		
Payments on bank note payable	**(45,000)**	(45,000)
Payments on leasehold improvements note payable	**(4,313)**	(5,752)
Payments on related parties demand notes payable	**(82,963)**	-
Proceeds from related parties demand notes payable	**260,106**	363,564
Net cash provided by financing activities	**127,830**	312,812
Net Increase in Cash	**11,599**	56,605
Cash – Beginning of Year	**94,219**	37,614
Cash – End of Year	**$ 105,818**	$ 94,219
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	**$ 12,360**	$ 12,870
Supplemental Disclosure of Noncash Investing and Financing Activities		
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.

MATTER

Statements of Functional Expenses

	Year Ended December 31, 2015					Year Ended December 31, 2014				
	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	$ -	$ 27,347,645	$ -	$ -	**$ 27,347,645**	$ -	$ 35,858,169	$ -	$ -	**$ 35,858,169**
Payroll and payroll taxes	81,805	352,679	197,920	167,532	**799,936**	93,697	401,255	136,383	74,430	**705,765**
Volunteer time, in-kind expense	6,250	136,403	11,500	51,264	**205,417**	1,435	57,880	19,134	359	**78,808**
Occupancy, in-kind expense	6,390	22,364	1,597	1,597	**31,948**	2,585	9,047	646	646	**12,924**
Employee benefits	6,316	12,632	6,316	6,316	**31,580**	7,308	14,616	7,308	7,308	**36,540**
Transportation	2,839	200,800	(1,745)	1,567	**203,461**	3,501	243,508	1,023	2,201	**250,233**
Warehouse rent and expense	61,559	212,089	19,655	15,083	**308,386**	75,044	264,107	18,781	18,783	**376,715**
Program supplies	117,393	32,829	-	-	**150,222**	36,546	20,761	-	-	**57,307**
Purchase of medical supplies	-	145,575	238	3,774	**149,587**	-	113,025	-	-	**113,025**
Office and public relations expense	50,386	105,026	75,249	62,906	**293,567**	35,008	72,010	36,542	46,889	**190,449**
Insurance	4,786	9,572	4,786	4,786	**23,930**	10,381	20,761	10,381	10,381	**51,904**
Miscellaneous	-	-	28,090	-	**28,090**	-	-	31,310	-	**31,310**
Professional services	-	3,231	16,148	-	**19,379**	-	900	31,141	2,000	**34,041**
Telephone and internet	1,029	3,723	6,886	1,147	**12,785**	2,265	6,633	4,144	827	**13,869**
Travel	431	32,401	1,491	22,141	**56,464**	358	29,706	874	6,736	**37,674**
Interest expense	7,376	14,752	7,376	7,376	**36,880**	4,575	9,151	4,575	4,575	**22,876**
Depreciation expense	3,959	7,916	3,959	3,959	**19,793**	5,137	10,274	5,137	5,137	**25,685**
Amortization expense	1,194	2,389	1,194	1,194	**5,971**	100	198	100	100	**498**
Special event fundraising expense	-	-	-	36,945	**36,945**	-	-	-	27,776	**27,776**
Special event - direct benefit to donor	-	-	144,182	-	**144,182**	-	-	212,407	-	**212,407**
Total expenses	351,713	28,642,026	524,842	387,587	**29,906,168**	277,940	37,132,001	519,886	208,148	**38,137,975**
Special event - direct benefit to donor	-	-	(144,182)	-	**(144,182)**	-	-	(212,407)	-	**(212,407)**
Total functional expenses	$ 351,713	$ 28,642,026	$ 380,660	$ 387,587	**$ 29,761,986**	$ 277,940	$ 37,132,001	$ 307,479	$ 208,148	**$ 37,925,568**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Matter, FKA Hope for the City, (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 fresh produce, 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 one financial institution. At times throughout the year, the Organization’s cash balances may 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, 2015 and 2014 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, 2015 and 2014 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 new 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 2012.

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 February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires companies 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 annual periods beginning after December 15, 2019, 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 Accounting Standards Update (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 the 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 June 28, 2016, 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:

	2015	2014
Service revenue - general operations	**$ 23,875**	$ 20,010
Contributions - general operations	**16,000**	43,516
Other receivables	**3,000**	-
	42,875	63,526
Less: allowance for doubtful accounts	**16,250**	-
Total receivables, net	**$ 26,625**	$ 63,526

3. DONATED INVENTORY

Donated inventory consists of the following at December 31:

	2015	2014
Food	$ 161,622	$ 160,853
Other domestic goods (primarily clothing and household items)	430,576	875,006
Medical supplies	13,830,361	16,552,526
Artwork	729,344	745,872
Machinery	2,252	-
Total donated inventory	$ 15,154,155	$ 18,334,257

4. TRADEMARK

Trademark consists of the following at December 31:

	2015	2014
Trademark	$ 59,707	$ 59,707
Less accumulated amortization	6,469	498
Trademark, net	$ 53,238	$ 59,209

Amortization expense for the years ended December 31, 2015 and 2014 was approximately $6,000 and $500, respectively.

The estimated amortization expense for the next five years and thereafter is as follows at December 31, 2015:

2016	$ 5,971
2017	5,971
2018	5,971
2019	5,971
2020	5,971
Thereafter	23,383
Total	$ 53,238

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	Useful Life	2015	2014
Equipment and furniture	5 – 10 years	**$ 31,347**	$ 119,589
Leasehold improvements	5 years	**65,535**	46,499
Vehicles	5 years	**79,786**	143,144
Assets not yet place in service		**-**	7,266
		176,668	316,458
Less: accumulated depreciation		**138,004**	240,116
Property and equipment, net		**$ 38,664**	$ 76,342

Assets not yet placed in service at December 31, 2014 consisted of warehouse pallet racking which was placed in service during 2015.

Depreciation expense for the years ended December 31, 2015 and 2014 was approximately $20,000 and $26,000, respectively.

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 $14,640 to $18,578 per month. Through June 2014, the Organization also rented a second warehouse space on a month-to-month basis at a monthly rate of $4,691. 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, 2015:

2016	$ 196,811
2017	207,342
2018	212,630
2019	217,946
2020	130,043
Total minimum lease commitments	$ 964,772

7. TEMPORARILY RESTRICTED NET ASSETS

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

	2015	2014
Fire truck purchase, including shipping charges	$ 12,500	$ 12,500
Tractor purchase, including shipping charges	5,717	-
Panama medical project	50,000	-
Total temporarily restricted net assets	$ 68,217	$ 12,500

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:

	2015	2014
Matter box program	$ 226,608	$ -
Tractor purchase, including shipping charges	7,635	-
Soccer ball purchase	-	10,590
Food box	-	20,000
Transportation operations, including truck purchase	-	10,000
Gala event specific restrictions	-	20,000
Program specific restrictions	-	70,000
Fire truck purchase, including shipping charges	-	12,500
Total net assets released from restrictions	$ 234,243	$ 143,090

8. GIFTS-IN-KIND

The Organization received gifts-in-kind (primarily medical supplies) for the years ended December 31, 2015 and 2014 of approximately $21,114,000 and $25,042,000, 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, 2015 and 2014 is approximately $3,068,000 and $7,468,000, 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 $23,836,000 in 2015 and $29,339,000 in 2014. 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 $3,511,000 in 2015 and $6,519,000 in 2014.

The Organization receives a significant amount of donated services from unpaid volunteers who assist in various activities. In 2015 and 2014, approximately $208,000 and $78,000 of services qualifying under generally accepted accounting principles were recorded in the statement of activities, respectively. The Organization estimates that it received approximately 2,000 and 8,000 hours of additional volunteer services in 2015 and 2014, respectively, primarily related to local programs and community outreach, but these services did not qualify for recognition in the financial statements.

The Organization occupied certain warehouse space during 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 Organization has estimated the approximate fair value of the annual rental to be approximately $32,000 and $13,000 for 2015 and 2014, respectively. 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, 2015 and 2014, was approximately $287,000 and $331,000, respectively, all of which is with the related companies, and which includes operating lease costs of approximately $66,000 and $114,000, respectively.

The Organization had accounts payable of approximately $0 and $1,600 at December 31, 2015 and 2014, respectively, to the related companies.

The Organization had a note payable of $0 and $41,755 at December 31, 2015 and 2014, respectively, to a board member and officer of the Organization for amounts advanced for operating expenses. The note is unsecured, non-interest bearing, and due on demand, although it is subordinated to the bank note payable, and repayment is not anticipated within the next year. 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. The Organization has included this approximately $32,000 within individual contributions in the statement of activities for 2015.

The Organization had a note payable of $0 and $332,229 at December 31, 2015 and 2014, respectively, to an Organization under control by a board member and officer of the Organization for rental and lease operating costs incurred by the Organization during 2014. The note is unsecured, non-interest bearing, and due on demand, although it is subordinated to the bank note payable, and repayment is not anticipated within the next year. The Organization under control by a board member and officer of the Organization deemed approximately $509,000 included within the note payable balance during fiscal 2015, as a contribution to the Organization. The Organization has included this approximately $509,000 within corporations and partnerships in the statement of activities for 2015.

The Organization recorded approximately $20,000 and $3,000 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 5.25% and 6.00%, for the years ended December 31, 2015 and 2014, respectively.

The Organization had a note payable of $25,000 at December 31, 2015 and 2014, to an Organization under control by a board member and officer of the Organization for amounts advanced for operating expenses. The note is unsecured and borrowings incur interest of 8%. Borrowings under the note payable are due on demand, although the note is subordinated to the bank note payable, and repayment is not anticipated within the next year. The board member and officer of the Organization deemed $25,000, included within the note payable balance during fiscal 2015, as a contribution to the Organization subsequent December 31, 2015. The Organization incurred interest expense under this related party note payable agreement of approximately $2,000 and $1,000 during the years ended December 31, 2015 and 2014, respectively.

10. CONCENTRATIONS

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 an Organization under control by a board member and officer of the Organization. There were no contribution concentrations during 2014. There were no in-kind gift contribution concentrations in 2015 or 2014.

In 2015, the Organization received approximately $436,000 of revenue from its annual banquet, which represented 99% of total special events revenue. In 2014, the Organization received approximately $506,000 of revenue from its annual banquet, which represented 69% of total special events revenue.

The Organization had contributions, grants and pledge receivables for general operations of approximately $16,000 and $44,000 at December 31, 2015 and 2014, respectively. One and five donors comprised 94% and 86% of the Organization's contributions, grants, and pledges at December 31, 2015 and 2014, respectively.

The Organization had accounts receivable for general operations of approximately $24,000 and $20,000 at December 31, 2015 and 2014, respectively. One and two organizations comprised 68% and 62% of the Organization's accounts receivable balance at December 31, 2015 and 2014, 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 $5,223 during 2015. The Organization did not make contributions to the Plan during 2014.

12. BANK NOTE PAYABLE

The Organization has a note payable agreement with a bank with a maturity of July 2016. The note requires one payment of the outstanding balance in July 2016, including a payment for all accrued interest not yet paid. The note contains certain restrictive covenants and is secured by substantially all of the Organization's assets. The note is 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, 2015 and 2014 was $120,000 and $165,000, respectively.

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 is secured by the leasehold improvements, non-interest bearing, and due in August 2015. The agreement requires monthly payments of approximately $480 per month. The Organization recorded approximately $90 and $400 of in-kind contributions and related interest expense, based on the Organization's incremental borrowing rate of 5.25% and 6.00% for the years ended December 31, 2015 and 2014, respectively. The note payable agreement was paid in full during 2015.