MATTER

St. Louis Park, Minnesota

Financial Statements

Years Ended December 31, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016, 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
September 25, 2018

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MATTER

Statements of Financial Position

December 31, 2017 and 2016

ASSETS	2017	2016
Current Assets		
Cash	$ 849,839	$ 712,748
Contributions receivable, net	158,309	102,913
Prepaid expenses and other current assets	-	10,000
Purchased inventory	110,417	42,162
Donated inventory	7,613,950	9,466,079
Total current assets	8,732,515	10,333,902
Trademark, net	41,286	47,262
Property and Equipment	172,033	211,006
Less accumulated depreciation	(135,642)	(154,418)
Net property and equipment	36,391	56,588
Total assets	$ 8,810,192	$ 10,437,752

LIABILITIES AND NET ASSETS

	2017	2016
Current Liabilities		
Bank note payable, current maturities	$ 45,000	$ 45,000
Equipment note payable, current maturities	6,751	6,464
Accounts payable	132,588	122,435
Accrued liabilities	3,986	5,076
Demand note payable, related parties	-	165,074
Total current liabilities	188,325	344,049
Long-term liabilities		
Equipment note payable, long term portion	7,725	14,444
Deferred rent liability	13,680	12,315
Total long-term liabilities	21,405	26,759
Total liabilities	209,730	370,808
Net Assets		
Unrestricted	8,201,356	9,827,515
Temporarily restricted	399,106	239,429
Total net assets	8,600,462	10,066,944
Total liabilities and net assets	$ 8,810,192	$ 10,437,752

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

MATTER

Statements of Activities

	Year Ended December 31, 2017			Year Ended December 31, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Contributions:						
Individuals	$ 117,913	$ 220,393	$ 338,306	$ 697,640	$ 215,668	$ 913,308
Corporations and partnerships	674,575	103,500	778,075	283,033	179,197	462,230
Churches and organizations	118,238	7,000	125,238	128,383	25,655	154,038
Federated campaigns	30,078	-	30,078	40,724	-	40,724
Foundations	561,199	142,000	703,199	102,450	39,070	141,520
Program service revenue	353,275	25,000	378,275	399,390	-	399,390
Event revenue, net of direct benefit to donor of $13,259 in 2017 and $125,970 in 2016	1,353,526	-	1,353,526	839,877	-	839,877
Equipment sales and other	204,557	-	204,557	416,537	-	416,537
Donated services and facilities	146,231	-	146,231	186,920	-	186,920
Noncash donations, gifts-in-kind	18,431,290	-	18,431,290	9,876,074	-	9,876,074
Net assets released from restriction	338,216	(338,216)	-	288,378	(288,378)	-
Total support and revenues	22,329,098	159,677	22,488,775	13,259,406	171,212	13,430,618
Expenses						
Program services:						
Hospitals & Clinics	21,371,906	-	21,371,906	14,934,765	-	14,934,765
Healthy Food	970,925	-	970,925	2,410,024	-	2,410,024
Change the Course	-	-	-	161,288	-	161,288
Supporting services:						
General and administrative	742,762	-	742,762	400,400	-	400,400
Fundraising and procurement of in-kind gifts	869,664	-	869,664	591,738	-	591,738
Total expenses	23,955,257	-	23,955,257	18,498,215	-	18,498,215
Change in Net Assets	(1,626,159)	159,677	(1,466,482)	(5,238,809)	171,212	(5,067,597)
Net Assets - Beginning of Year	9,827,515	239,429	10,066,944	15,066,324	68,217	15,134,541
Net Assets - End of Year	$ 8,201,356	$ 399,106	$ 8,600,462	$ 9,827,515	$ 239,429	$ 10,066,944

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

Statements of Cash Flows

Years Ended December 31,	2017	2016
Cash Flows from Operating Activities		
Change in net assets	$ (1,466,482)	$ (5,067,597)
Adjustments to reconcile change in net assets to net cash provided by operations:		
Contributed inventory received	(18,431,290)	(9,876,074)
Inventory donated to beneficiaries	20,037,178	15,564,150
Provision for inventory valuation loss	329,877	-
Depreciation and amortization expense	25,676	26,310
Bad debt expense	18,158	5,000
Warehouse rent expense	141,143	165,074
(Gain) loss on disposal of equipment	497	(1,625)
Related party demand note payable balance contributed to Organization	(306,217)	(25,000)
Changes in assets and liabilities:		
Contributions receivable	(73,554)	(81,288)
Prepaid expenses and other current assets	10,000	(517)
Purchased inventory	(151,891)	(22,027)
Accounts payable	10,153	9,239
Accrued liabilities	(1,090)	(1,704)
Deferred rent liability	1,365	3,714
Net cash provided by operating activities	143,523	697,655
Cash Flows from Investing Activities		
Purchase of property and equipment	-	(11,679)
Proceeds from disposal of equipment	-	1,625
Net cash used for investing activities	-	(10,054)
Cash Flows from Financing Activities		
Proceeds from bank note payable	45,000	-
Payments on bank note payable	(45,000)	(75,000)
Payments on equipment note payable	(6,432)	(5,671)
Net cash provided by financing activities	(6,432)	(80,671)
Net Increase in Cash	137,091	606,930
Cash – Beginning of Year	712,748	105,818
Cash – End of Year	$ 849,839	$ 712,748
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	$ 3,961	$ 8,067
Supplemental Disclosure of Noncash Investing and Financing Activities		
Warehouse rent expense included in related party demand note payable	$ 141,143	$ 165,074
Related party demand note payable balance contributed to Organization	$ 306,217	$ 25,000
Equipment financed with note payable	$ -	$ 26,579

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

MATTER

Statement of Functional Expenses

	Year Ended December 31, 2017				
	Program Services		Supporting Services		
	Hospitals & Clinics	Healthy Food	General and Administrative	Fundraising and Procurement of In-Kind Gifts	Total
Donations to beneficiaries, including gifts-in-kind	$ 19,751,371	$ 285,807	$ -	$ -	$ 20,037,178
Payroll and payroll taxes	378,223	342,687	286,603	228,152	1,235,665
Volunteer time and donated services, in-kind expense	43,586	53,556	4,156	44,933	146,231
Employee benefits	21,741	19,699	16,478	13,114	71,032
Transportation	249,265	6,120	239	239	255,863
Warehouse rent and expense	137,555	137,555	15,284	15,282	305,676
Program supplies	71,737	14,539	180	371	86,827
Purchase of medical supplies	189,350	-	-	-	189,350
Grants, public relations and office expense	247,755	89,199	31,524	49,872	418,350
Insurance	5,420	5,420	5,419	5,420	21,679
Miscellaneous	-	-	20,784	-	20,784
Professional services	15,467	-	19,300	-	34,767
Telephone and internet	3,240	2,974	2,190	1,753	10,157
Travel	247,325	3,498	859	46,279	297,961
Interest expense	3,452	3,452	3,450	3,452	13,806
Depreciation expense	4,925	4,925	4,925	4,925	19,700
Amortization expense	1,494	1,494	1,494	1,494	5,976
Provision for inventory valuation loss	-	-	329,877	-	329,877
Special event fundraising expense	-	-	-	454,378	454,378
Special event - direct benefit to donor	-	-	13,259	-	13,259
Total expenses	21,371,906	970,925	756,021	869,664	23,968,516
Special event - direct benefit to donor	-	-	(13,259)	-	(13,259)
Total functional expenses	$ 21,371,906	$ 970,925	$ 742,762	$ 869,664	$ 23,955,257

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

MATTER

Statement of Functional Expenses

	Year Ended December 31, 2016					
	Program Services			Supporting Services		
	Hospitals & Clinics	Healthy Food	Change the Course	General and Administrative	Fundraising and Procurement of In-Kind Gifts	Total
Donations to beneficiaries, including gifts-in-kind	$ 13,616,574	1,925,549	$ -	$ -	$ -	$ 15,542,123
Payroll and payroll taxes	280,559	206,444	59,779	280,886	138,411	966,079
Volunteer time and donated services, in-kind expense	103,390	1,506	1,506	3,731	58,518	168,651
Occupancy, in-kind expense	4,923	4,924	2,813	703	703	14,066
Employee benefits	9,474	9,474	9,474	9,474	9,474	47,370
Transportation	303,234	1,319	390	235	1,411	306,589
Warehouse rent and expense	109,929	109,579	62,567	15,642	15,642	313,359
Program supplies	1,800	113,174	-	-	-	114,974
Purchase of medical supplies	128,831	-	-	-	84	128,915
Grants, public relations and office expense	297,799	22,074	12,138	44,701	30,267	406,979
Insurance	5,022	5,023	5,022	5,022	5,022	25,111
Miscellaneous	-	-	-	5,102	-	5,102
Professional services	717	-	-	22,302	-	23,019
Telephone and internet	2,448	2,028	167	4,452	1,437	10,532
Travel	62,633	1,497	-	718	108,663	173,511
Interest expense	2,170	2,171	2,170	2,170	2,170	10,851
Depreciation expense	4,067	4,067	4,067	4,067	4,067	20,335
Amortization expense	1,195	1,195	1,195	1,195	1,195	5,975
Special event fundraising expense	-	-	-	-	214,674	214,674
Special event - direct benefit to donor	-	-	-	125,970	-	125,970
Total expenses	14,934,765	2,410,024	161,288	526,370	591,738	18,624,185
Special event - direct benefit to donor	-	-	-	(125,970)	-	(125,970)
Total functional expenses	$ 14,934,765	$ 2,410,024	$ 161,288	$ 400,400	$ 591,738	$ 18,498,215

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 Minnesota-based nonprofit on a mission to expand access to health next door and around the world. Internationally, the Organization addresses these barriers by giving hospitals the tools they need to care for the sick and injured in dignified ways, and by designing solutions to create diversified and resilient farms. Locally, the Organization activates healthy eating for kids and families with the MATTERbox, an innovative solution to healthy food access and nutrition education.

The hospitals and clinics program provides hospitals and clinics around the world with the tools they need to care for the sick and injured with dignity. The Organization sources, allocates, and ships life-saving medical supplies and equipment to our partners who are on the front lines of scarcity and lack quality healthcare. The Organization partners with international governments and organizations to assess each healthcare facility and then procures and ships the equipment and supplies needed for the hospital or clinic to sustain its programs, improve the health of the community, and save lives. This program was previously included within the resource distribution program for the year ended December 31, 2016.

The healthy food program activates healthy eating for kids and families in Minnesota and around the United States. The program addresses the growing need for healthy eating education, especially in communities where poverty and food deserts persist. Each MATTERbox is an intentionally procured meal kit that gives a dignified experience of healthier eating, as well as recipes, challenges, tools and tips for building sustainable eating habits. The healthy food program is not only an immediate response to hunger, but also a channel for creating new healthy lifestyle habits, promoting long term change. This program was previously included within the resource distribution program for the year ended December 31, 2016.

The Organization also worked through their Change the Course program to empower community members and businesses to see the value of what was 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. This program was ended in 2016 and no longer an active program during the year ended December 31, 2017.

Subsequent to December 31, 2017, the Organization began the agriculture program in which the Organization designs solutions to create resilient and diversified farms around the world. From the development of sustainable farm designs to sourcing and repurposing farming equipment in the United States and farm implementation, the Organization partners with international organizations to provide farmers with the equipment, supplies, and practices needed to efficiently sustain and increase yields and profitability. Participating farmers and communities receive materials in modular increments, customized to the size of the operation, crops, soil and weather.

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 medical supplies, food 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 Receivable

Contributions receivable that are expected to be collected within one year are recorded at 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. 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.

Inventory, In-Kind Donated Assets

Contributions of in-kind assets that have not been distributed as of December 31, 2017 and 2016 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, 2017 and 2016 consisted primarily of medical supplies, food and domestic goods. During 2017, the Organization determined the fair value of the art inventory at the date of the contribution no longer approximated the current fair value. Accordingly, the inventory recorded value was reduced by approximately $330,000 and this valuation loss is included within expenses for the year ended December 31, 2017. 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 2014.

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

Reclassifications

The presentation of certain items in the statements of financial position, cash flows and functional expenses for the year ended December 31, 2016 have been changed to conform to the classifications used for the year ended December 31, 2017. These reclassifications had no effect on the change in net assets or total net assets as previously reported.

Recently Adopted Accounting Pronouncements

In July 2015, the Financial Accounting Standards Board (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. The amendments in this update are effective for the Organization beginning January 1, 2017. The Organization has elected adoption of the accounting pronouncement effective January 1, 2017, and applied this guidance prospectively. The adoption of this guidance did not have a significant effect on the Organization's financial statements.

Recently Issued Accounting Pronouncements

In August 2016, the FASB issued 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. The standard is to be applied on a retrospective basis in the year it is first applied. The Organization has not elected early adoption and is currently evaluating the impact of the standard on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance was issued to clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The new standard is to be applied on a modified prospective basis, although retrospective application is permitted. For transactions of non-public entities in which the entity serves as the resource recipient, the amendments are effective for annual periods beginning after December 15, 2018. For transactions of non-public entities in which the entity serves as the resource provider, the amendments are effective for annual periods beginning after December 15, 2019. Early adoption of the amendment is permitted. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's 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 for annual periods beginning January 1, 2019. The Organization is currently evaluating the impact of the standard 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 of the standard on its financial statements.

Subsequent Events

The Organization has evaluated subsequent events through September 25, 2018, the date which the financial statements were available to be issued.

2. CONCENTRATIONS

The Organization received approximately $496,000 of contributions from a board member and officer of the Organization and a related party company under control by a board member and officer of the Organization. There were no contribution concentrations during 2016. During 2017 and 2016, in-kind gift contribution donations (primarily medical supplies) were largely provided by three healthcare provider networks.

During 2017, the Organization received approximately $933,000 of net contribution revenue from its annual banquet and $194,000 from the CHS Field Children Matter Benefit Concert, which represented 69% and 14% of total special events revenue, respectively. During 2016, the Organization received approximately $840,000 of net contribution revenue from its annual banquet, which represented 100% of total special events revenue.

The Organization had contributions receivable for general operations of approximately $170,000 and $103,000 at December 31, 2017 and 2016, respectively. One and two donors comprised 66% and 53% of the Organization's contributions receivable at December 31, 2017 and 2016, respectively.

3. CONTRIBUTIONS RECEIVABLE

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

	2017	2016
Contributions receivable	$ 170,467	$ 102,913
Less: allowance for doubtful accounts	12,158	-
Total contributions receivable, net	$ 158,309	$ 102,913

4. PURCHASED AND DONATED INVENTORY

Purchased and donated inventory consists of the following at December 31:

	2017	2016
Purchased Inventory		
Food	$ 110,417	$ 42,162
Donated Inventory		
Medical supplies	7,256,648	8,702,562
Artwork	329,876	659,753
Machinery	19,500	-
Other domestic goods (primarily clothing and household items)	7,926	103,764
Total donated inventory	7,613,950	9,466,079
Total inventory	$ 7,724,367	$ 9,508,241

5. TRADEMARK

Trademark consists of the following at December 31:

	2017	2016
Trademark	$ 59,707	$ 59,707
Less accumulated amortization	18,421	12,445
Trademark, net	$ 41,286	$ 47,262

Amortization expense for the years ended December 31, 2017 and 2016 was approximately $6,000 in each year.

The estimated amortization expense for the next five years and thereafter is as follows at December 31, 2017:

2018	$ 5,971
2019	5,971
2020	5,971
2021	5,971
2022	5,971
Thereafter	11,431
Total	$ 41,286

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	Useful Life	2017	2016
Equipment and furniture	5 years	$ 29,832	$ 31,347
Leasehold improvements	5 years	65,692	67,104
Vehicles	5 years	76,509	112,555
		172,033	211,006
Less: accumulated depreciation		135,642	154,418
Property and equipment, net		$ 36,391	$ 56,588

Depreciation expense for the years ended December 31, 2017 and 2016 was approximately $20,000 in each year.

7. BANK LINES 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 line of credit was personally guaranteed by a board member and officer of the Organization. The Organization had no outstanding borrowings at December 31, 2016. The line of credit expired during 2017 and was not renewed.

In October 2017, the Organization entered into a $50,000 line of credit with the same bank with a maturity of October 2018. Interest is charged at the bank's prime rate plus 2.00% or a minimum of 5.25%. The note contains certain restrictive covenants and is secured by a second priority right to substantially all of the Organization's assets. The Organization had no outstanding borrowings at December 31, 2017.

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. 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 12, were subordinated to this bank term note. The total balance outstanding on the bank note payable at December 31, 2016 was $45,000. The note payable agreement was paid in full during 2017.

In May 2017, 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. The total balance outstanding on the bank note payable at December 31, 2017 was $45,000 and was paid in 2018. Subsequent to year end, the line of credit expired and the Organization is currently working to finalize the renewal of the line of credit.

In October 2017, the Organization entered into a $200,000 line of credit with this same bank with a maturity of October 2018. Interest is charged at the bank's prime rate plus 1.00%. The note contains certain restrictive covenants and is secured by substantially all of the Organization's assets. The Organization had no outstanding borrowings at December 31, 2017.

8. 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 interest expense on this note in each of the years ended December 31, 2017 and 2016. The total balance outstanding on the equipment note payable at December 31, 2017 and 2016 was $14,476 and $20,908.

Scheduled maturities of the equipment note payable are as follows at December 31, 2017:

2018	$ 6,751
2019	7,079
2020	646
Total	$ 14,476

9. LEASE OBLIGATION

The Organization leases a warehouse space from one of the related party companies discussed in Note 12. 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 lease. Subsequent to December 31, 2017, the Organization entered into an amended warehouse space lease beginning in July 2018 with monthly payments ranging from approximately $9,045 to $9,984 through September 2023. The amended lease reduced the space of the previous warehouse space lease.

Future minimum commitments for payment of rent based on the subsequent year amendment of the warehouse space lease are as follows:

2018	$	123,353
2019		109,220
2020		111,951
2021		114,749
2022		117,618
Thereafter		89,857
Total minimum lease commitments	$	666,748

10. TEMPORARILY RESTRICTED NET ASSETS

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

		2017		2016
Tractor purchase, including shipping charges	$	24,146	$	31,783
Panama medical project		23,601		50,000
Soccer ball purchase		21,210		39,070
Senegal project		169,801		116,356
Microfinance project		2,220		2,220
Tanzania medical project		25,000		-
MATTERbox program		3,500		-
World Poker Tour event – sponsorship		100,000		-
Zimbabwe farm project		22,628		-
Honduras medical project		7,000		-
Total temporarily restricted net assets	$	399,106	$	239,429

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:

	2017	2016
Matter box program	$ -	$ 206,775
Soccer ball purchase	17,860	-
Tractor purchase, including shipping charges	50,487	18,325
Fire truck purchase, including shipping charges	-	12,500
Panama medical project	26,399	-
Senegal project	224,099	50,778
Zimbabwe farm project	19,371	-
Total net assets released from restrictions	$ 338,216	$ 288,378

11. GIFTS-IN-KIND

The Organization received gifts-in-kind (primarily medical supplies) for the years ended December 31, 2017 and 2016 of approximately $18,325,000 and $8,466,000, 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, 2017 and 2016 is approximately $106,000 and $1,410,000, respectively, of clothing, food, household 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 $19,751,000 in 2017 and $13,616,000 in 2016. 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 $286,000 in 2017 and $1,926,000 in 2016.

The Organization receives significant contributions in the form of donated services and facilities. These services include assistance with programs, administrative tasks, and fundraising events. In 2017 and 2016, the Organization received the following donated services and facilities qualifying under generally accepted accounting principles that were recorded in the statement of activities:

	2017	2016
Services from unpaid volunteers	$ 88,935	$ 86,117
Services donated by various corporations	57,296	86,737
Facilities	-	14,066
Total donated services and facilities	$ 146,231	$ 186,920

The Organization estimates that it received approximately 1,000 and 2,500 hours of additional volunteer services in 2017 and 2016, respectively, primarily related to programs and community outreach, but these services did not qualify for recognition in the financial statements.

The Organization occupied certain warehouse space during 2016 under a month-to-month agreement with one of the related companies as discussed in Note 12. 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 for the year ended December 31, 2016.

12. TRANSACTIONS WITH RELATED PARTIES

The Organization is related to two companies which lease space to the Organization as described in Notes 9 and 11. A board member of the Organization is a shareholder in both of the related companies, and the individual's spouse is also a board member 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 lease discussed in Note 9 and the in-kind rent discussed in Note 11, for the years ended December 31, 2017 and 2016, was approximately $263,000 and $286,000, respectively, all of which is with the related companies, and which includes operating lease costs (executory costs) of approximately $73,000 and $86,000, respectively.

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. Additional rental and lease operating costs of $141,143 were incurred in 2017 and added to the note payable in 2017. 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 $306,000 included within the note payable balance as a contribution to the Organization in 2017. The Organization included this contribution of approximately $306,000 within corporation and partnership contributions in the statement of activities for 2017. There was no outstanding balance for the note payable at December 31, 2017.

The Organization recorded approximately $10,000 and $0 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 ranging from 5.50% and 6.50%, for the years ended December 31, 2017 and 2016, respectively.

The Organization had a note payable of $25,000 to a company that was 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%. In 2016, the related party company deemed $25,000 that was included within the note payable balance 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, 2017 or 2016. The Organization incurred interest expense under this related party note payable agreement of approximately $1,000 during the year ended December 31, 2016.

13. 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 $27,000 and $19,000 during 2017 and 2016, respectively.