MATTER
ST. LOUIS PARK, MINNESOTA

FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

SMITH • SCHAFER
& ASSOCIATES, LTD.
Certified Public Accountants and Consultants

MATTER

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Matter
Minneapolis, Minnesota

We have audited the accompanying financial statements of Matter (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

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Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of Matter as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of Matter as of December 31, 2018, were audited by other auditors whose report dated October 24, 2019, expressed an unmodified opinion on those statements.

Smith, Schafer and Associates, Ltd.

Minneapolis, Minnesota
November 4, 2020

MATTER

STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

ASSETS	2019	2018
Current Assets		
Cash and cash equivalents	**$ 641,611**	$ 566,911
Contributions receivable, net	**44,996**	443,571
Note receivable	**-**	128,153
Inventory	**6,415,086**	3,704,193
Prepaid expenses	**-**	3,915
Total Current Assets	**7,101,693**	4,846,743
Property and Equipment, net	**73,820**	95,563
TOTAL ASSETS	**$ 7,175,513**	$ 4,942,306

See Notes to Financial Statements

LIABILITIES AND NET ASSETS	2019	2018
Current Liabilities		
Obligation under line of credit agreement	**$ -**	$ 116,624
Current portion of long-term debt	**-**	7,079
Accounts payable	**105,247**	107,454
Accrued payroll and payroll taxes	**13,971**	11,774
Total Current Liabilities	**119,218**	242,931
Long-Term Liabilities		
Deferred rent	**36,097**	39,162
Long-term debt, net of current portion	**-**	616
Total Long-Term Liabilities	**36,097**	39,778
Total Liabilities	**155,315**	282,709
Net Assets		
Without donor restrictions	**6,432,941**	3,848,118
With donor restrictions	**587,257**	811,479
Total Net Assets	**7,020,198**	4,659,597
TOTAL LIABILITIES AND NET ASSETS	**$ 7,175,513**	$ 4,942,306

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MATTER

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Totals 2019	Totals 2018
Support and Revenues				
Noncash donations, gifts in-kind	**$ 25,354,591**	**$ -**	**$ 25,354,591**	$ 16,620,856
Contributions	**2,646,995**	**82,927**	**2,729,922**	1,839,485
Event revenue, net of direct benefit to donors of $65,071 in 2019 and $91,234 in 2018	**257,829**	**-**	**257,829**	1,468,478
Program service revenue	**212,254**	**-**	**212,254**	291,750
Equipment sales and other	**178,149**	**-**	**178,149**	240,064
Volunteer and donated service	**52,000**	**-**	**52,000**	217,271
Net Assets Released From Restrictions	**307,149**	**(307,149)**	**-**	-
Total Support and Revenues	**29,008,967**	**(224,222)**	**28,784,745**	20,677,904
Functional Expenses				
Program services:				
Hospitals & clinics	**24,058,652**	**-**	**24,058,652**	21,569,808
Healthy food	**1,076,977**	**-**	**1,076,977**	940,591
Agriculture	**163,324**	**-**	**163,324**	336,788
General and administrative	**607,091**	**-**	**607,091**	907,724
Fundraising	**518,100**	**-**	**518,100**	863,858
Total Functional Expenses	**26,424,144**	**-**	**26,424,144**	24,618,769
Increase (Decrease) in Net Assets	**2,584,823**	**(224,222)**	**2,360,601**	(3,940,865)
NET ASSETS, BEGINNING OF YEAR	**3,848,118**	**811,479**	**4,659,597**	8,600,462
NET ASSETS, END OF YEAR	**$ 6,432,941**	**$ 587,257**	**$ 7,020,198**	$ 4,659,597

See Notes to Financial Statements

MATTER

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services			
	Hospitals and Clinics	Healthy Food	Agriculture	Total
Donations to beneficiaries	$ 22,181,493	$ 584,202	$ -	$ 22,765,695
Payroll and payroll taxes	278,265	326,142	72,457	676,864
Grants, public relations, and office expense	791,162	24,622	2,929	818,713
Transportation	334,280	43,231	12,661	390,172
Professional services	57,755	1,561	30	59,346
Travel	97,506	4,665	15,346	117,517
Warehouse rent	117,417	39,139	19,570	176,126
Program supplies	158,270	29,175	25,212	212,657
Special event fundraising	44,626	8,997	11,040	64,663
Employee benefits	9,853	14,543	3,987	28,383
Depreciation	-	-	-	-
Insurance	-	-	-	-
Interest	116	39	19	174
Miscellaneous	277	1,388	19	1,684
Telephone and internet	2,202	2,183	577	4,962
Amortization	-	-	-	-
Provision for inventory valuation loss	-	-	-	-
Purchase of medical supplies	-	-	-	-
Volunteer time and donated services, in-kind	-	-	-	-
Special event - direct benefit to donor	-	-	-	-
Gain on sale of fixed asset	-	-	-	-
Total Functional Expenses	24,073,222	1,079,887	163,847	$ 25,316,956
Special event - direct benefit to donor	(14,570)	(2,910)	(523)	(18,003)
TOTAL FUNCTIONAL EXPENSES, NET DIRECT BENEFIT TO DONORS	$ 24,058,652	$ 1,076,977	$ 163,324	$ 25,298,953

See Notes to Financial Statements

General & Administrative	Fundraising	Totals
$ -	$ -	$ 22,765,695
315,902	232,975	1,225,741
57,511	88,722	964,946
274	2,033	392,479
133,457	35,015	227,818
454	91,563	209,534
10,882	9,785	196,793
-	-	212,657
	80,098	144,761
31,137	8,879	68,399
30,605	-	30,605
21,197	-	21,197
1,400	8,612	10,186
2,005	5,795	9,484
2,617	1,691	9,270
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
(350)	-	(350)
607,091	565,168	26,489,215
-	(47,068)	(65,071)
$ 607,091	$ 518,100	$ 26,424,144

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STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services			
	Hospitals and Clinics	Healthy Food	Agriculture	Total
Donations to beneficiaries	$ 20,018,833	$ 185,057	$ 98,325	$ 20,302,215
Payroll and payroll taxes	304,978	403,923	65,394	774,295
Grants, public relations, and office expense	161,552	42,533	18,868	222,953
Transportation	323,093	24,694	-	347,787
Professional services	48,677	-	12,044	60,721
Travel	92,949	12,024	47,396	152,369
Warehouse rent	155,986	51,996	25,999	233,981
Program supplies	358,059	21,460	59,384	438,903
Special event fundraising	-	-	-	-
Employee benefits	15,331	20,304	3,287	38,922
Depreciation	4,257	4,257	2,128	10,642
Insurance	4,751	4,751	2,376	11,878
Interest	864	864	432	2,160
Miscellaneous	-	-	-	-
Telephone and internet	2,598	3,441	557	6,596
Amortization	1,195	1,195	598	2,988
Provision for inventory valuation loss	-	-	-	-
Purchase of medical supplies	73,506	-	-	73,506
Volunteer time and donated services, in-kind	3,179	164,092	-	167,271
Special event - direct benefit to donor	-	-	-	-
Gain on sale of fixed asset	-	-	-	-
Total Functional Expenses	21,569,808	940,591	336,788	22,847,187
Special event - direct benefit to donor	-	-	-	-
TOTAL FUNCTIONAL EXPENSES, NET DIRECT BENEFIT TO DONORS	$ 21,569,808	$ 940,591	$ 336,788	$ 22,847,187

See Notes to Financial Statements

General & Administrative	Fundraising	Totals
$ -	$ -	$ 20,302,215
297,541	262,640	1,334,476
44,603	19,680	287,236
6,863	904	355,554
57,540	20,000	138,261
3,886	136,398	292,653
12,993	13,000	259,974
219	-	439,122
-	381,961	381,961
14,957	13,203	67,082
5,322	5,322	21,286
5,938	5,939	23,755
1,080	1,080	4,320
72,878	-	72,878
2,534	2,237	11,367
1,494	1,494	5,976
329,876	-	329,876
-	-	73,506
50,000	-	217,271
91,234	-	91,234
-	-	-
998,958	863,858	24,710,003
(91,234)	-	(91,234)
$ 907,724	$ 863,858	$ 24,618,769

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STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
Increase (decrease) in net assets	**$ 2,360,601**	$(3,940,865)
Adjustments to reconcile change in net assets to net cash from operations:		
Contributed inventory	**(25,354,591)**	(16,500,698)
Inventory donated to beneficiaries	**22,794,870**	20,302,215
Provision for inventory valuation loss	**-**	329,876
Depreciation and amortization	**30,605**	27,262
Trademark charge	**-**	35,310
Bad debt expense	**-**	33,028
In-kind warehouse rent expense	**-**	76,120
(Gain) loss on disposal of equipment	**(350)**	350
Related party demand note payable balance contributed to Organization	**-**	(76,120)
Donated capital furniture	**-**	(63,858)
(Increase) Decrease in:		
Contributions receivable	**398,575**	(318,290)
Purchased inventory	**(151,172)**	(111,219)
Prepaid expenses	**3,915**	(3,915)
Increase (Decrease) in:		
Accounts payable	**(2,207)**	(25,134)
Accrued payroll and payroll taxes	**2,197**	7,788
Accrued rent	**(3,065)**	25,482
Net Cash Provided By (Used In) Operating Activities	**79,378**	(202,668)

See Notes to Financial Statements

Continued	**2019**	2018
Cash Flows From Investing Activities		
Net activity on note receivable	**128,153**	(128,153)
Proceeds from disposal of equipment	**350**	149
Expenditures for property and equipment	**(8,862)**	(17,099)
Net Cash Provided By (Used In) Investing Activities	**119,641**	(145,103)
Cash Flows From Financing Activities		
Proceeds from bank note payable	**-**	116,624
Payments on equipment note payable	**(7,695)**	(6,781)
Payments on bank line of credit	**(116,624)**	(45,000)
Net Cash Provided By (Used In) Financing Activities	**(124,319)**	64,843
Net Increase (Decrease) in Cash and Cash Equivalents	**74,700**	(282,928)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**566,911**	849,839
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 641,611**	$ 566,911
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid during the year for:		
Interest	**$ 10,186**	$ 3,825
Noncash Investing and Financing Activities:		
Warehouse rent expense included in related party demand note payable	**-**	76,120
Related party demand note payable contributed to Organization	**-**	76,120
Donated capital furniture	**-**	63,858

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1. Description of Organization and Summary of Significant Accounting Policies

Description 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 provide 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.

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.

The Organization's agriculture program 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.

Basis of Presentation

Financial statement presentation follows FASB ASC 958, Not-for-Profit Entities: *Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities, based on the existence or absence of imposed restrictions as either:

> *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Changes in Accounting Principles

During 2019, the Organization adopted FASB Accounting Standards Update (ASU) No 2014-09, ASC 606, *Revenue from Contracts with Customers* which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance within accounting principles generally accepted in the United States of America. The core principle of the 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 Organization adopted ASU 2014-09 with a date of initial application of January 1, 2018, using the full-retrospective method. Therefore, any comparative information would have been adjusted, if necessary, when applying this new standard. The majority of the Organization's contracts do not contain variable consideration or contract modifications.

The adoption of ASC 606 did not have a significant impact on the Organization's financial position, results of operations, or cash flows. The majority of the Organization's revenue arrangements consist of performance obligations directly tied to the transfer of promised goods recognized at a point in time for mission trips, events and other revenue. Based on the Organization's evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

The Organization does not expect the adoption of the new revenue standard to have a material impact on its net income on an ongoing basis.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Changes in Accounting Principles (Continued)

During 2019, the Organization also adopted ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard aims to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not for profit organizations. The standard defines characterizations of grants as reciprocal exchanges or contributions by determining if the resource provider is receiving value in return for the resources transferred to the Organization. ASU No. 2018-08 also requires organizations to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and the right of return of assets transferred or release of a promisor's obligation to transfer assets. The Organization used the modified prospective transition method and, accordingly, the accounting change has not been retrospectively applied.

Basis of Accounting and Support and Revenue Recognition

The Organization maintains its books and records on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP).

Revenue is measured based on consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. For performance obligations related to program services and equipment sales, control transfers to the customer and revenue is recognized at a point in time when the event occurs.

The Organization does not have any significant financing components as payments are received at or shortly after the point of sale.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions Receivable

Contributions receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of clients, providers, donors and grantors having outstanding balances, it has concluded that realization losses on balances outstanding at year end will be immaterial. Therefore, no valuation allowance is maintained for these receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off. All receivables are expected to be collected within one year of the statement of financial position date.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Inventory

Inventory consists primarily of contributed medical supplies, food and domestic goods. Contributions of in-kind assets that have not been distributed as of December 31, 2019 and 2018 are recorded as inventory at the lower of their approximate current fair value or their approximate fair value at the date of the contribution. The Organization believes that this approximates the lower of cost or net realizable value in the market. Donated inventories are expected to be distributed in the following year. The value of the donated inventory represents a significant estimate which could change in the near term.

The Organization had certain artwork within its inventory that was reduced by approximately $330,000 in 2018 and this valuation loss was included with expenses for the year ended December 31, 2018.

Purchased inventory is stated at the lower of cost or net realizable value. Purchased inventory consists primarily of food.

Property and Equipment

Property and equipment is carried at cost and is being depreciated using the straight-line method over the estimated useful lives of the assets, which is typically five years. The Organization's policy is to capitalize and depreciate property and equipment which has a cost in excess of $2,000 and an estimated useful life of at least one year.

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, which 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.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Donated Services

Donated services are recognized as contributions if the services: create or enhance nonfinancial assets; or required specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A number of volunteers have donated significant time to the Organization's program services which have not been reflected in the accompanying financial statements since the recognition criteria were not met.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is nonreciprocal, does not contain a barrier that must be overcome, and there is no right of return of assets transferred or release of a promisor's obligation to transfer assets present.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

All other contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As a result, the Organization does not pay federal income tax. Therefore no provision or liability for federal income taxes has been included in the financial statements.

Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

The Organization's federal informational returns are subject to examination by the IRS, generally for three years after they were filed.

Concentration of Credit Risks

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and receivables. The Organization keeps its cash and cash equivalents with high quality financial institutions. At times, balances maintained at these financial institutions may exceed the federally insured limit.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risks (Continued)

Management routinely assesses the financial strength of its customers and donors and as a consequence, believes that receivables credit risk exposure is limited.

Fair Value of Financial Instruments

The carrying amount for substantially all assets and liabilities approximates fair value due to immediate or short-term maturity of these financial instruments.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Expenses charged to program services and supporting services, if not directly identifiable, are allocated to the services benefited based on estimates by management. Administrative expenses typically include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. 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.

The primary expenses that are allocated include payroll, payroll taxes, employee benefits, telephone and internet which are allocated on the basis of estimates of time and effort, warehouse rent and expense which is allocated on the basis of estimated space applicable to each program or supporting service, and office expense, insurance, and depreciation and amortization which are allocated on the basis of overall size of each program or supporting service. All other expenses are directly allocable or allocated in a manner as considered practicable.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant management estimates include 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.

Reclassifications

Certain reclassification have been made to the 2018 financial statements to conform with the presentation in the 2019 financial statements. There were no changes to total net assets or changes in net assets as a result of the reclassifications for the years ended December 31, 2019 and 2018.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Accounting Pronouncements Issued But Not Yet Effective

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the balance sheet for leases with terms exceeding twelve months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Organization for the year ending December 31, 2022. Early adoption is permitted. The impact of the adoption of this pronouncement has not yet been determined.

2. Liquidity

The following reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use because of donor restrictions or other contractual considerations within one year of the statement of financial position date.

	2019	2018
Financial assets, end of year	**$ 686,607**	$ 1,138,635
Less those unavailable for general expenditures within one year due to:		
Restrictions due to purpose or time	**587,257**	811,479
Financial assets available to meet cash needs for general expenditures within one year	**$ 99,350**	$ 327,156

As part of the Organization's liquidity management plan, the Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. Additionally, as further described in Note 8, the Organization has a line of credit agreement, which the Organization could draw upon in the event of an unanticipated liquidity need.

3. Concentrations

During the years ended December 31, 2019 and 2018, in-kind gift contribution donations (primarily medical supplies) were largely provided by four healthcare provider networks.

During the year ended December 31, 2019, the Organization received approximately $294,000 of net contribution revenue from its annual banquet, which represented 91% of total special events revenue. During the year ended December 31, 2018, the Organization received approximately $462,000 of net contribution revenue from its annual banquet and $1,003,000 from the World Poker Tournament event, which represented 31% and 68% of total special events revenue, respectively.

The Organization had contributions receivable of approximately $45,000 and $448,000 at December 31, 2019 and 2018, respectively. Two donors comprised 63% of the Organization's contributions receivable at December 31, 2019. Two donors comprised 84% of the Organization's contributions receivable at December 31, 2018.

4. Contributions Receivable

Contributions receivable (all currently due) consisted of the following at December 31, 2019 and 2018:

	2019	2018
Contributions receivable	**$ 44,996**	$ 448,351
Less: Allowance for doubtful accounts	**-**	4,780
Contributions Receivable, net	**$ 44,996**	$ 443,571

At December 31, 2019, the contributions receivable balance did not include any donor restricted amounts. At December 31, 2018, the contributions receivable balance included funds with donor restrictions of $145,847 for the healthy foods program and $255,000 for the Senegal project.

5. Note Receivable

During 2018, the Organization entered into an agreement to extend funds to an unrelated third party via a line of credit not to exceed $200,000. The note was unsecured and the funds are for the purpose for the unrelated third party to construct a residential home (referred to as MATTERhouse). Once the MATTERhouse was completed, the original agreement required the unrelated third party to sell the MATTERhouse. The proceeds from the sale of the house were to be first applied as repayment of the note receivable, with any excess given to the Organization as a contribution. The MATTERhouse was completed in 2019 and was sold in April 2020.

During 2019, the note receivable was paid in full before the sale of the MATTERhouse. At December 31, 2018, the outstanding balance of the note receivable was $128,153.

6. Purchased and Donated Inventory

	2019	2018
Purchased Inventory		
Food	**$ 78,724**	$ 36,579
Donated Inventory		
Medical supplies	**6,253,611**	3,614,943
Machinery	**32,173**	22,202
Other domestic goods (primarily clothing and household items)	**50,578**	30,469
Total donated inventory	**6,336,362**	3,667,614
Total inventory	**$ 6,415,086**	$ 3,704,193

7. Property and Equipment

Property and equipment as of December 31, 2019 and 2018 consisted of the following:

	2019	2018
Leasehold improvements	$ 106,653	$ 97,790
Machinery and equipment	29,831	45,731
Vehicles	58,212	58,212
Furniture and fixtures	48,858	48,858
Total	243,554	250,591
Less: Accumulated Depreciation	169,734	155,028
Property and equipment, net	$ 73,820	$ 95,563

Depreciation expense for the years ended December 31, 2019 and 2018 was $30,605 and $21,286, respectively.

8. Line of Credit Agreement

The Organization has a revolving line of credit agreement with its bank, under which it may borrow up to $50,000. The line, which matures on October 24, 2020, bears interest at 2.00% over the Prime Rate as published by the Wall Street Journal (4.75% as of December 31, 2019), but not less than 5.25%. The note contains certain restrictive covenants. The Organization was in compliance with all covenants as of December 31, 2019. The note is secured by substantially all of the Organization's assets. The Organization had no outstanding draws as of December 31, 2019 and 2018.

The Organization has a second line of credit agreement with its bank, under which it may borrow up to $200,000. The line, which matures on January 4, 2020, bears interest at 1.00% over the Prime Rate as published by the Wall Street Journal (4.75% as of December 31, 2019). The note is secured by substantially all of the Organization's assets. The note contains certain restrictive covenants. The Organization was in compliance with all covenants as of December 31, 2019. The Organization had no outstanding draws as of December 31, 2019. The Organization had outstanding draws totaling $116,624 as of December 31, 2018. The line was not renewed in January 2020.

The Organization had a third line of credit agreement with its bank, which it could borrow up to $120,000. For borrowing against this line of credit, the Organization paid interest at 1.00% over the Prime Rate as published by the Wall Street Journal (4.75% as of December 31, 2019), the line matured on November 5, 2019 and was not renewed. The line was secured by substantially all of the Organization's assets. The Organization did not have any amounts borrowed under this line of credit as of December 31, 2019 and 2018.

9. Equipment Note Payable

The Organization had entered into a loan agreement in the amount of $26,579 to finance equipment for the Organization. The balance owing under the note payable was $7,695 as of December 31, 2018. The note was secured by the equipment and was paid in full during the year ended December 31, 2019.

10. Net Assets

With Donor Restrictions

Net assets with donor restrictions as of December 31, 2019 and 2018 consisted of the following:

	2019	2018
Innovation hub	**$ 217,963**	$ 136,036
Senegal project	**154,031**	272,303
Hospitals & Clinics	**137,275**	164,943
Healthy food program, including funds for MATTERbox events	**48,505**	182,847
Agriculture	**23,083**	38,490
Insight Trips (occurring in 2020)	**5,400**	16,860
Luol Deng project	**1,000**	-
Total Net Assets With Donor Restrictions	**$ 587,257**	$ 811,479

During 2018, the Organization transferred approximately $9,000 from the Senegal project to the agriculture program based on amended stipulations from the donor regarding the intended purpose.

The Innovation hub program provides a sustainable, active learning environment, and opportunity to gradually shift to student centered educational approaches through a technological classroom designed within a shipping container that can be deployed anywhere. The Senegal project relates to providing medical, healthy food, and agriculture support specifically within Senegal.

10. Net Assets (Continued)

Net assets were released from donor restrictions by meeting the donor purpose requirements or the expiration of time for the years ended December 31, 2019 and 2018 and consisted of the following:

	2019	2018
Healthy food program, including funds for MATTERbox events	**$ 134,343**	$ 6,500
Senegal project	**118,272**	360,676
Hospitals & Clinics	**27,667**	238,000
Agriculture	**15,407**	91,495
Insight Trips (occurred in 2019)	**11,460**	-
Event sponsorship	**-**	100,000
Total Net Assets Released from Restrictions	**$ 307,149**	$ 796,671

11. Leases

The Organization leases a warehouse space from a related party company as discussed in Note 14. The warehouse space lease term previously expired in July 2020, with varying monthly rent payments each year ranging from $15,006 to $16,848 per month. During 2018, 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. The Organization records rental expense on a straight-line basis over the life of the lease and has therefore recorded a deferred rent liability at December 31, 2019 and 2018. The Organization is obligated to pay costs of insurance, taxes, repairs, and utilities pursuant to the terms of the lease.

Future minimum commitments for payment of rent under the warehouse space lease, which at inception, had a noncancelable term of more than one year are as follows at December 31, 2019:

Year Ending December 31,	Totals
2020	$ 111,951
2021	114,749
2022	117,618
2023	89,857
Total	$ 434,175

12. Retirement Plans

The Organization maintains a Simple IRA retirement for all of the Organization's employees who have met certain eligibility requirements. The Organization contributed 3% of each qualified and participating employee's salary for each of the years ended December 31, 2019 and 2018. The Organization contributed $29,263 and $33,000 to the Simple IRA plan for the years ended December 31, 2019 and 2018, respectively.

13. Gifts In-Kind

The Organization received gifts-in-kind (primarily medical supplies) for the years ended December 31, 2019 and 2018 of approximately $25,287,000 and $16,475,000, 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, 2019 and 2018 is approximately $68,000 and $26,000, 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. Lastly, the Organization received gifts-in-kind of approximately $120,000 for the year ended December 31, 2018 of donated capitalized furniture, donated construction material, and special event expenses.

Included in donations to beneficiaries expense are donations to beneficiaries in foreign countries totaling approximately $22,638,000 and $20,114,000 during the years ended December 31, 2019 and 2018, respectively. Also included in donations to beneficiaries expense are donations of clothing, food, and household and various other items, distributed primarily to other non-profit beneficiaries in Minnesota, totaling approximately $128,000 and $188,000 during the years ended December 31, 2019 and 2018, respectively.

The Organization receives significant contributions in the form of donated services. These services include assistance with programs, administrative tasks, and fundraising events. During the years ended December 31, 2019 and 2018, the Organization received donated professional services in the amount of $52,000 and $50,000, respectively.

14. Related Party Transactions

The Organization is related to the company which leases space to the Organization as described in Note 11. A board member of the Organization is the controlling shareholder in the related company. The existence of this relationship 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 entity was autonomous.

Total rent expense, including the lease discussed in Note 11, for the years ended December 31, 2019 and 2018, was approximately $197,000 and $217,000, respectively, all of which is with the related company and which includes lease operating costs (executory costs) of approximately $91,000 and $68,000, respectively.

In 2018, approximately $76,000 of the above described rental and lease operating costs were added to a note payable and then the related party company deemed the note payable balance of $76,000 to be a contribution to the Organization in 2018. This contribution of approximately $76,000 is included within corporation and partnership contributions in the statement of activities for 2018. There was no remaining outstanding balance on the note payable at December 31, 2018.

At December 31, 2018, the Organization also had approximately $6,000 owed to the related company which is included within accounts payable on the statement of financial position. There were no such amounts owed to the related company as of December 31, 2019.

During the years ended December 31, 2019 and 2018, the Organization received contributions from board members of approximately $229,000 and $59,000, respectively, exclusive of the related party lease note payable amounts discussed above.

15. Revenue and Contract Balances

Performance obligations satisfied at a point in time totaled $390,403 and $531,814 for the years ended December 31, 2019.

Revenue from performance obligations satisfied at a point in time consists of registrations for a mission trip and the sale of donated equipment.

16. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 4, 2020, the date the financial statements were available to be issued. Subsequent to year end, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a pandemic. The extent and duration of the impact of COVID-19 on the Organization's operations and financial performance depends on future developments that are uncertain and unpredictable, including the duration and spread of the pandemic. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Organization's business.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law in response to COVID-19. Under the CARES Act, the Organization qualified for a Paycheck Protection Program (PPP) loan of approximately $237,600. The PPP loan provides the Organization with money to pay employee payroll and related costs, rent and utilities. The Organization's plan is to use the loan proceeds for qualified expenses in order to have the loan fully forgiven by the federal government. In the event any portion of the loan is not forgiven, the loan accrues interest at one percent with principal and interest payments over a 24-month period.