

MATTER
ST. LOUIS PARK, MINNESOTA

FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020, 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.

To the Board of Directors
Matter
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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, 2020, 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

We have previously audited Matter's December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 4, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Schepke and Associates, Ltd.

Minneapolis, Minnesota
April 13, 2021

MATTER

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

ASSETS	2020	2019
Current Assets		
Cash and cash equivalents	\$ 1,135,009	\$ 641,611
Contributions receivable, net	180,769	44,996
Other receivables	18,586	-
Inventory	4,593,787	6,415,086
Prepaid expenses	3,608	-
Total Current Assets	5,931,759	7,101,693
Property and Equipment, net	46,661	73,820
TOTAL ASSETS	\$ 5,978,420	\$ 7,175,513

See Notes to Financial Statements

LIABILITIES AND NET ASSETS	2020	2019
Current Liabilities		
Obligation under line of credit agreement	\$ -	\$ -
Current portion of long-term debt	2,386	-
Accounts payable	90,573	105,247
Accrued payroll and payroll taxes	33,227	13,971
	<hr/>	<hr/>
Total Current Liabilities	126,186	119,218
Long-Term Liabilities		
Deferred rent	30,300	36,097
Long-term debt, net of current portion	147,614	-
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Total Long-Term Liabilities	177,914	36,097
	<hr/>	<hr/>
Total Liabilities	304,100	155,315
Net Assets		
Without donor restrictions	5,119,848	6,574,200
With donor restrictions	554,472	445,998
	<hr/>	<hr/>
Total Net Assets	5,674,320	7,020,198
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TOTAL LIABILITIES AND NET ASSETS	\$ 5,978,420	\$ 7,175,513
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MATTER

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2020

With Comparative Totals for the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
Support and Revenues				
Noncash donations, gifts in-kind	\$ 31,232,450	\$ -	\$ 31,232,450	\$ 25,354,591
Contributions	2,720,401	207,824	2,928,225	2,729,922
MATTER 360 Repurposing	748,955	-	748,955	178,149
Event revenue, net of direct benefit to donors of \$8,846 in 2020 and \$65,071 in 2019	162,413	-	162,413	257,829
Program service revenue	485,697	-	485,697	212,254
Interest income	5,726	-	5,726	-
Volunteer time and donated service	-	-	-	52,000
<hr/>				
Net Assets Released From Restrictions	99,350	(99,350)	-	-
<hr/>				
Total Support and Revenues	35,454,992	108,474	35,563,466	28,784,745
<hr/>				
Functional Expenses				
Program services:				
Hospitals & clinics	34,539,862	-	34,539,862	24,058,652
Healthy food	1,344,837	-	1,344,837	1,076,977
Agriculture	187,123	-	187,123	163,324
General and administrative	578,298	-	578,298	607,091
Fundraising	277,810	-	277,810	518,100
<hr/>				
Total Functional Expenses	36,927,930	-	36,927,930	26,424,144
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Other Income				
Insurance proceeds	18,586	-	18,586	-
<hr/>				
Increase (Decrease) in Net Assets	(1,454,352)	108,474	(1,345,878)	2,360,601
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NET ASSETS, BEGINNING OF YEAR	6,574,200	445,998	7,020,198	4,659,597
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NET ASSETS, END OF YEAR	\$ 5,119,848	\$ 554,472	\$ 5,674,320	\$ 7,020,198
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See Notes to Financial Statements

MATTER**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2020

	Program Services			Total
	Hospitals and Clinics	Healthy Food	Agriculture	
Donations to beneficiaries	\$32,360,447	\$ 961,250	\$ 32,173	\$ 33,353,870
Payroll and payroll taxes	511,519	243,238	48,228	802,985
Grants, public relations, and office expense	840,454	8,309	62,530	911,293
Transportation	270,174	75,177	10,284	355,635
Program supplies	343,424	2,558	4,993	350,975
Warehouse rent	134,005	39,129	19,564	192,698
Travel	36,600	1,550	2,682	40,832
Employee benefits	22,895	11,296	2,609	36,800
Professional services	14,326	273	3,714	18,313
Special event fundraising	8,076	254	-	8,330
Depreciation	-	-	-	-
Insurance	-	-	-	-
Telephone and internet	2,954	1,553	346	4,853
Miscellaneous	263	250	-	513
Interest	-	-	-	-
Gain on sale of fixed asset	-	-	-	-
Total Functional Expenses	34,545,137	1,344,837	187,123	\$ 36,077,097
Special event - direct benefit to donor	(5,275)	-	-	(5,275)
TOTAL FUNCTIONAL EXPENSES, NET DIRECT BENEFIT TO DONORS	\$34,539,862	\$ 1,344,837	\$ 187,123	\$ 36,071,822

See Notes to Financial Statements

	General & Administrative	Fundraising	Totals
\$	-	\$ -	\$ 33,353,870
	364,311	124,437	1,291,733
	60,221	52,228	1,023,742
	826	1,794	358,255
	-	-	350,975
	19,626	9,782	222,106
	2,154	33,347	76,333
	25,528	6,900	69,228
	47,237	1,000	66,550
	-	51,115	59,445
	27,160	-	27,160
	26,713	-	26,713
	2,443	555	7,851
	2,065	134	2,712
	14	89	103
	-	-	-
	578,298	281,381	36,936,776
	-	(3,571)	(8,846)
\$	578,298	\$ 277,810	\$ 36,927,930

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

	Program Services			Total
	Hospitals and Clinics	Healthy Food	Agriculture	
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
Program supplies	158,270	29,175	25,212	212,657
Warehouse rent	117,417	39,139	19,570	176,126
Travel	97,506	4,665	15,346	117,517
Employee benefits	9,853	14,543	3,987	28,383
Professional services	57,755	1,561	30	59,346
Special event fundraising	44,626	8,997	11,040	64,663
Depreciation	-	-	-	-
Insurance	-	-	-	-
Telephone and internet	2,202	2,183	577	4,962
Miscellaneous	277	1,388	19	1,684
Interest	116	39	19	174
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
	-	-	212,657
	10,882	9,785	196,793
	454	91,563	209,534
	31,137	8,879	68,399
	133,457	35,015	227,818
		80,098	144,761
	30,605	-	30,605
	21,197	-	21,197
	2,617	1,691	9,270
	2,005	5,795	9,484
	1,400	8,612	10,186
	(350)	-	(350)
	607,091	565,168	26,489,215
	-	(47,068)	(65,071)
\$	607,091	\$ 518,100	\$26,424,144

MATTER

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (1,345,878)	\$ 2,360,601
Adjustments to reconcile change in net assets to net cash from operations:		
Contributed inventory	(31,232,450)	(25,354,591)
Inventory donated to beneficiaries	33,356,427	22,794,870
Paycheck Protection Program loan forgiveness	(237,649)	-
Depreciation	27,160	30,605
(Gain) on disposal of equipment	-	(350)
(Increase) Decrease in:		
Contributions receivable	(135,773)	398,575
Other receivable	(18,586)	-
Purchased inventory	(302,679)	(151,172)
Prepaid expenses	(3,608)	3,915
Increase (Decrease) in:		
Accounts payable	(14,674)	(2,207)
Accrued payroll and payroll taxes	19,256	2,197
Accrued rent	(5,797)	(3,065)
Net Cash Provided By Operating Activities	<u>105,749</u>	<u>79,378</u>
Cash Flows From Investing Activities		
Net activity on note receivable	-	128,153
Proceeds from disposal of equipment	-	350
Expenditures for property and equipment	-	(8,862)
Net Cash Provided By Investing Activities	<u>-</u>	<u>119,641</u>

See Notes to Financial Statements

<i>Continued</i>	2020	2019
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	387,649	-
Payments on equipment note payable	-	(7,695)
Payments on bank line of credit	-	(116,624)
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Net Cash Provided By (Used In) Financing Activities	387,649	(124,319)
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Net Increase in Cash and Cash Equivalents	493,398	74,700
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	641,611	566,911
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CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,135,009	\$ 641,611
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SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

Cash paid during the year for:		
Interest	\$ 104	\$ 10,186

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NOTES TO FINANCIAL STATEMENTS

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, and 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

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 MATTER 360 repurposing, 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2020 and 2019 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.

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.

MATTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

MATTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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. As of December 31, 2020 and 2019, the Organization had approximately \$730,000 and \$148,000, respectively, in excess of the federally insured limit.

Management routinely assesses the financial strength of its customers and donors and as a consequence, believes that receivables credit risk exposure is limited. See Note 3 for further information about the Organization's donor concentrations.

Fair Value of Financial Instruments

The carrying amount for substantially all assets and liabilities approximates fair value due to the immediate or short-term maturity of these financial instruments. The fair value of the Organization's line of credit and long-term debt approximates carrying value because the terms are equivalent to borrowing rates currently available to the Organization for debt with similar terms and maturities.

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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 2019 financial statements to conform with the presentation in the 2020 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, 2020 and 2019.

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 13, 2021, the date the financial statements were available to be issued.

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Liquidity

The following reflects the Organization’s financial assets as of December 31, 2020 and 2019, 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.

	<u>2020</u>	<u>2019</u>
Financial assets, end of year	\$1,334,364	\$ 686,607
Less those unavailable for general expenditures within one year due to:		
Restrictions due to purpose or time	<u>554,472</u>	<u>445,998</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 779,892</u>	<u>\$ 240,609</u>

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, 2020 and 2019, in-kind gift contribution donations (primarily medical supplies) were largely provided by four healthcare provider networks.

During the year ended December 31, 2020, the Organization received approximately \$146,000 of net contribution revenue from its annual banquet, which represented 85% of total special events revenue. 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.

The Organization had contributions receivable of approximately \$181,000 and \$45,000 at December 31, 2020 and 2019, respectively. Two donors comprised 80% of the Organization’s contributions receivable at December 31, 2020. Two donors comprised 63% of the Organization’s contributions receivable at December 31, 2019.

MATTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Contributions Receivable

At December 31, 2020, the contributions receivable balance included funds with donor restrictions of \$45,287 for medical supplies. At December 31, 2019, the contributions receivable balance did not include any donor restricted amounts.

No allowance has been provided for doubtful contributions at December 31, 2020 and 2019, since management expects all receivables to be fully collectible within the next year.

5. Purchased and Donated Inventory

	2020	2019
Purchased Inventory		
Food	\$ 38,594	\$ 78,724
Donated Inventory		
Medical supplies	4,546,485	6,253,611
Machinery	8,708	32,173
Other domestic goods (primarily clothing and household items)	-	50,578
Total donated inventory	4,555,193	6,336,362
Total inventory	\$ 4,593,787	\$ 6,415,086

6. Property and Equipment

Property and equipment as of December 31, 2020 and 2019 consisted of the following:

	2020	2019
Leasehold improvements	\$ 106,653	\$ 106,653
Machinery and equipment	29,831	29,831
Vehicles	58,212	58,212
Furniture and fixtures	48,858	48,858
Total	243,554	243,554
Less: Accumulated Depreciation	196,893	169,734
Property and equipment, net	\$ 46,661	\$ 73,820

Depreciation expense for the years ended December 31, 2020 and 2019 was \$27,160 and \$30,605, respectively.

MATTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt

The Organization's long term debt as of December 31, 2020 and 2019 was as follows:

	<u>2020</u>	2019
Bank note payable, due in monthly payments of \$641 through June 2050, including interest at 2.75%, secured by substantially all of the Company's assets.	\$ 150,000	\$ -
Less: Current portion	2,386	-
Long-Term Debt, Net	<u>\$ 147,614</u>	<u>\$ -</u>

In April 2020, the Organization received an Economic Injury Disaster Loan (EIDL) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan was designed to provide economic relief to businesses that were experiencing a temporary loss of revenue.

Maturities of long-term debt as of December 31, 2020, were as follows:

<u>Year Ending December 31,</u>	<u>Amounts</u>
2021	\$ 2,386
2022	3,562
2023	3,662
2024	3,764
2025	3,868
Thereafter	<u>132,758</u>
Total	<u>\$ 150,000</u>

8. Paycheck Protection Program Loan

In May 2020, the Organization received a Paycheck Protection Program (PPP) loan in the amount of \$237,649 under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan was to be used to pay employee payroll and related costs, rent and utilities. The Organization recorded the loan and subsequent revenue as a conditional contribution in accordance with FASB ASC 958-605 *Not-for-Profit Entities: Revenue Recognition*. As a result, the loan funding was recorded as a refundable advance and subsequently recognized as contribution revenue once the measurable performance or other barriers and right of return of the PPP loan no longer existed. During the year ended December 31, 2020 the Organization recorded grant revenue, which is included in contributions on the statement of activities and changes in net assets, of \$237,649, the full amount of the Organization's PPP loan.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Line of Credit Agreements

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 December 23, 2021, bears interest at 2.00% over the Prime Rate as published by the Wall Street Journal (3.25% as of December 31, 2020), but not less than 5.25%. The note contains certain restrictive covenants. The Organization was in compliance with all covenants as of December 31, 2020. The note is secured by substantially all of the Organization's assets. The Organization had no outstanding draws as of December 31, 2020 and 2019.

The Organization has a second revolving line of credit agreement with its bank, under which it may borrow up to \$150,000. The line, which matures on December 31, 2021, bears interest at 0.5% over the Prime Rate as published by the Wall Street Journal (3.25% as of December 31, 2020), but not less than 5.00%. The note contains certain restrictive covenants. The Organization was in compliance with all covenants as of December 31, 2020. The note is secured by substantially all of the Organization's assets. The Organization had no outstanding draws as of December 31, 2020 and 2019.

10. Net Assets

With Donor Restrictions

Net assets with donor restrictions as of December 31, 2020 and 2019 consisted of the following:

	2020	2019
Innovation hub	\$ 319,100	\$ 144,505
Senegal project	116,207	138,280
Hospitals & Clinics	63,042	121,919
Agriculture	51,400	21,894
Luol Deng project	4,723	1,000
Healthy food program, including funds for MATTERbox events	-	13,000
Insight Trips (occurred in 2020)	-	5,400
	<hr/>	<hr/>
Total Net Assets With Donor Restrictions	<u>\$ 554,472</u>	<u>\$ 445,998</u>

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.

MATTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2020 and 2019 and consisted of the following:

	<u>2020</u>	<u>2019</u>
Hospitals & Clinics	\$ 58,877	\$ 116,482
Senegal project	22,073	134,022
Healthy food program, including funds for MATTERbox events	13,000	169,849
Insight Trips	5,400	11,460
Agriculture	-	16,595
	<u>\$ 99,350</u>	<u>\$ 448,408</u>

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, 2020 and 2019. 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, 2020:

<u>Year Ending December 31,</u>	<u>Totals</u>
2021	\$ 114,749
2022	117,618
2023	<u>89,857</u>
Total	<u>\$ 322,224</u>

MATTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2020 and 2019. The Organization contributed \$27,751 and \$29,263 to the Simple IRA plan for the years ended December 31, 2020 and 2019, respectively.

13. Gifts In-Kind

The Organization received gifts-in-kind (primarily medical supplies) for the years ended December 31, 2020 and 2019 of approximately \$31,232,000 and \$25,287,000, respectively, which the Organization donated or plans to donate to beneficiaries in foreign countries. Also included in gifts in-kind revenue for the year ended December 31, 2019 is approximately \$68,000 of clothing, food, household and various other items distributed primarily to other non-profit beneficiaries in Minnesota. There were no such gifts in-kind donations for the year ended December 31, 2020. 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 \$32,931,000 and \$22,638,000 during the years ended December 31, 2020 and 2019, 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 \$426,000 and \$128,000 during the years ended December 31, 2020 and 2019, 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 year ended December 31, 2020 the organization received no donated professional services. During the year ended December 31, 2019, the Organization received donated professional services in the amount of \$52,000.

MATTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2020 and 2019, was approximately \$222,000 and \$197,000, respectively, all of which is with the related company and which includes lease operating costs (executory costs) of approximately \$110,000 and \$91,000, respectively.

During the years ended December 31, 2020 and 2019, the Organization received contributions from board members of approximately \$183,000 and \$229,000, respectively.

15. Revenue and Contract Balances

Performance obligations satisfied at a point in time totaled \$1,234,652 and \$388,986 for the years ended December 31, 2020 and 2019, respectively.

Revenue from performance obligations satisfied at a point in time consists of registrations for a mission trip and MATTER 360 Repurposing.