

MATTER
ST. LOUIS PARK, MINNESOTA

FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Matter as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Matter and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Matter's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor’s Responsibilities for the Audit of the Financial Statements (Continued)

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Matter’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Matter’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Matter’s 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 13, 2021. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Schepf and Associates, Ltd.

Minneapolis, Minnesota
July 27, 2022

LIABILITIES AND NET ASSETS	2021	2020
Current Liabilities		
Obligation under line of credit agreement	\$ -	\$ -
Current portion of long-term debt	641	2,386
Current portion of capital lease obligation	11,168	-
Accounts payable	71,371	90,573
Accrued profit sharing contribution	43,506	-
Accrued payroll and payroll taxes	102,856	33,227
	<hr/>	<hr/>
Total Current Liabilities	229,542	126,186
Long-Term Liabilities		
Deferred rent	30,405	30,300
Long-term debt, net of current portion	149,359	147,614
Long-term capital lease obligations, net of current portion	57,376	-
	<hr/>	<hr/>
Total Long-Term Liabilities	237,140	177,914
	<hr/>	<hr/>
Total Liabilities	466,682	304,100
Net Assets		
Without donor restrictions	8,132,735	5,119,848
With donor restrictions	740,223	554,472
	<hr/>	<hr/>
Total Net Assets	8,872,958	5,674,320
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TOTAL LIABILITIES AND NET ASSETS	\$ 9,339,640	\$ 5,978,420
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MATTER**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

For the Year Ended December 31, 2021

With Comparative Totals for the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
Support and Revenues				
Noncash donations, gifts in-kind	\$ 41,013,527	\$ -	\$41,013,527	\$31,232,450
Contributions	2,636,646	212,916	2,849,562	2,928,225
MATTER 360 Repurposing	1,590,084	-	1,590,084	748,955
Event revenue, net of direct benefit to donors of \$12,837 in 2021 and \$8,846 in 2020	314,989	-	314,989	162,413
Program service revenue	377,903	-	377,903	485,697
Interest income	17,227	-	17,227	5,726
Net Assets Released From Restrictions				
	27,165	(27,165)	-	-
Total Support and Revenues	45,977,541	185,751	46,163,292	35,563,466
Functional Expenses				
Program services	41,739,662	-	41,739,662	36,093,046
General and administrative	613,632	-	613,632	567,685
Fundraising	612,735	-	612,735	267,199
Total Functional Expenses	42,966,029	-	42,966,029	36,927,930
Other Income				
Insurance proceeds	1,375	-	1,375	18,586
Increase (Decrease) in Net Assets	3,012,887	185,751	3,198,638	(1,345,878)
NET ASSETS, BEGINNING OF YEAR	5,119,848	554,472	5,674,320	7,020,198
NET ASSETS, END OF YEAR	\$ 8,132,735	\$ 740,223	\$ 8,872,958	\$ 5,674,320

See Notes to Financial Statements

MATTER

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Program Services					
	MatterPro	Innovation Hub	Matter 360	Hospitals and Clinics	Healthy Food	Agriculture
Donations to beneficiaries	\$ -	\$ -	\$ -	\$ 37,428,991	\$ 976,578	\$ 8,708
Payroll and payroll taxes	-	90,393	308,691	215,092	283,135	33,182
Grants, public relations, and office expense	305,172	212,278	9,833	258,914	12,181	166,553
Program supplies	49,998	99,712	13,975	370,593	643	9,448
Transportation	21,427	2,783	100,967	171,111	53,358	-
Warehouse rent	-	-	2,860	-	339	-
Employee benefits	6,856	12,057	22,763	31,247	27,691	4,206
Travel	10,966	21,194	41	14,711	1,979	8,468
Professional services	600	11,821	5,184	-	216	-
Special event fundraising	372	-	-	6,576	149	-
Depreciation	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	-	(708)	23	-	42
Telephone and internet	-	23	20	39	78	7
Gain on sale of fixed asset	-	-	-	-	-	-
Total Functional Expenses	395,391	450,261	463,626	38,497,297	1,356,347	230,614
Special event - direct benefit to donor	-	-	-	-	-	-
TOTAL FUNCTIONAL EXPENSES, NET DIRECT BENEFIT TO DONORS	\$ 395,391	\$ 450,261	\$ 463,626	\$ 38,497,297	\$ 1,356,347	\$ 230,614

See Notes to Financial Statements

Program Services (Continued)

Warehouse	Total	General & Administrative	Fundraising	Totals
\$ -	\$ 38,414,277	\$ -	\$ -	\$ 38,414,277
115,882	1,046,375	296,872	300,382	1,643,629
174	965,105	97,486	209,124	1,271,715
-	544,369	323	16,295	560,987
25,996	375,642	1,478	156	377,276
200,298	203,497	235	-	203,732
3,664	108,484	52,749	24,158	185,391
89	57,448	44,429	17,368	119,245
-	17,821	60,378	-	78,199
-	7,097	-	57,285	64,382
-	-	30,032	-	30,032
-	-	27,183	-	27,183
-	-	10,481	-	10,481
-	(643)	2,951	747	3,055
23	190	2,424	57	2,671
-	-	(13,389)	-	(13,389)
346,126	41,739,662	613,632	625,572	42,978,866
-	-	-	(12,837)	(12,837)
\$ 346,126	\$ 41,739,662	\$ 613,632	\$ 612,735	\$ 42,966,029

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**STATEMENT OF FUNCTIONAL EXPENSES
or the Year Ended December 31, 2020**

	Program Services					
	MatterPro	Innovation Hub	Matter 360	Hospitals and Clinics	Healthy Food	Agriculture
Donations to beneficiaries	\$ -	\$ -	\$ -	\$32,360,447	\$ 961,250	\$ 32,173
Payroll and payroll taxes	-	56,828	-	454,691	243,238	48,228
Grants, public relations, and office expense	221,185	301,967	3,770	312,977	8,124	62,437
Program supplies	26,106	153,016	9,581	154,721	2,558	4,993
Transportation	53,469	104	8,073	199,175	72,059	8,725
Warehouse rent	-	-	16,620	-	-	-
Employee benefits	-	3,243	-	19,652	11,296	2,609
Travel	16,295	5,215	36	14,996	1,531	2,672
Professional services	1,050	853	12,323	100	273	3,714
Special event fundraising	8,076	-	-	-	254	-
Depreciation	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	-	260	3	250	-
Telephone and internet	-	395	-	2,558	1,553	346
Gain on sale of fixed asset	-	-	-	-	-	-
Total Functional Expenses	326,181	521,621	50,663	33,519,320	1,302,386	165,897
Special event - direct benefit to donor	(5,275)	-	-	-	-	-
TOTAL FUNCTIONAL EXPENSES, NET DIRECT BENEFIT TO DONORS	\$ 320,906	\$ 521,621	\$ 50,663	\$ 33,519,320	\$ 1,302,386	\$ 165,897

See Notes to Financial Statements

Program Services (Continued)

Warehouse	Total	General & Administrative	Fundraising	Totals
\$ -	\$ 33,353,870	\$ -	\$ -	\$ 33,353,870
-	802,985	364,311	124,437	1,291,733
925	911,385	60,176	52,182	1,023,743
	350,975	-	-	350,975
15,588	357,193	47	1,015	358,255
195,643	212,263	9,844	-	222,107
-	36,800	25,528	6,900	69,228
97	40,842	2,149	33,343	76,334
-	18,313	47,237	1,000	66,550
-	8,330	-	51,115	59,445
-	-	27,160	-	27,160
-	-	26,713	-	26,713
-	-	14	89	103
-	513	2,063	134	2,710
-	4,852	2,443	555	7,850
-	-	-	-	-
212,253	36,098,321	567,685	270,770	36,936,776
-	(5,275)	-	(3,571)	(8,846)
\$ 212,253	\$ 36,093,046	\$ 567,685	\$ 267,199	\$ 36,927,930

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STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 3,198,638	\$(1,345,878)
Adjustments to reconcile change in net assets to net cash from operations:		
Contributed inventory	(41,013,527)	(31,232,450)
Inventory donated to beneficiaries	38,414,277	33,356,427
Paycheck Protection Program loan forgiveness	-	(237,649)
Depreciation	30,032	27,160
(Gain) on disposal of equipment	(13,389)	-
Interest income retained in investments	(9,639)	-
(Increase) Decrease in:		
Contributions receivable	(53,351)	(135,773)
Other receivable	18,586	(18,586)
Purchased inventory	(143,693)	(302,679)
Prepaid expenses	3,608	(3,608)
Increase (Decrease) in:		
Accounts payable	(19,202)	(14,674)
Accrued profit sharing contribution	43,506	-
Accrued payroll and payroll taxes	69,629	19,256
Accrued rent	105	(5,797)
Net Cash Provided By Operating Activities	<u>525,580</u>	<u>105,749</u>
Cash Flows From Investing Activities		
Proceeds from disposal of equipment	14,000	-
Purchase of property and equipment	(9,407)	-
Net Cash Provided By Investing Activities	<u>4,593</u>	<u>-</u>

See Notes to Financial Statements

<i>Continued</i>	2021	2020
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	-	387,649
(Payments on) capital lease agreement	(9,406)	-
	<hr/>	<hr/>
Net Cash Provided By (Used In) Financing Activities	(9,406)	387,649
	<hr/>	<hr/>
Net Increase in Cash and Cash Equivalents	520,767	493,398
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,135,009	641,611
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CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,655,776	\$ 1,135,009
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SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

Cash paid during the year for:

Interest	\$ 10,481	\$ 104
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Noncash Investing and Financing Activities:

Property and equipment financed with capital lease obligations	\$ 77,950	\$ -
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MATTER

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.

The Organization's education program looks to address systemic issues in educational organizations preventing all students' success, particularly didactic instructional practices, passive engagement, substitutional level of technology use, and the lack of personalization. The Matter Innovation Hubs model student-centric learning to emphasize the importance of creative thinking, problem solving and creativity. These efforts support the concepts of the 4th Industrial Revolution: People anywhere, with access to quality internet and transformational technology, can learn anything and apply that knowledge towards skills that contribute to society while making a living wage.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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.

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).

For contracts that are within the scope of FASB ASC 606, *Revenue from Contracts with Customers*, the Organization performs the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the Organization satisfies a performance obligation.

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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. The Organization holds certain cryptocurrency deposits that are highly liquid and have a stated value of one dollar per share. These deposits are considered to be cash equivalents.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair value in the statement of financial position.

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.

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, 2021 and 2020 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.

MATTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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.

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.

MATTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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. As of December 31, 2021 and 2020, the Organization had cash and cash equivalent balances of approximately \$998,000 and \$730,000, 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 4 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. See Note 3 for further discussion on the fair value of the Organization's investments.

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.

MATTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Functional Allocation of Expenses (Continued)

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 2020 financial statements to conform with the presentation in the 2021 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, 2021 and 2020.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 27, 2022, 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.

MATTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Accounting Pronouncements Issued But Not Yet Effective (Continued)

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-For Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency around contributed nonfinancial assets, also known as in-kind gifts, including how those gifts are used and valued by the Organization. This update does not change existing recognition and measurement requirements but requires additional presentation and disclosure requirements related to contributed nonfinancial assets. This update requires the Organization to present contributed nonfinancial assets as a separate line in the statement of activities, apart from contributions of cash or financial assets. Disclosure requirements include; disaggregation of the amount of nonfinancial assets recognized within the statement of activities, qualitative detail and policy on if the contributed nonfinancial assets were monetized or utilized, description of programs that utilized contributed nonfinancial assets, donor restrictions on contributed nonfinancial assets, and detail on the valuation techniques used to arrive at a fair value of contributed nonfinancial assets. This update is effective for the Organization for the year ending December 31, 2022 and should be applied on a retrospective basis. Early adoption is permitted. The impact of the adoption of this pronouncement has not yet been determined.

2. Liquidity and Availability

The following reflects the Organization's financial assets as of December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Financial assets, end of year	<u>\$1,899,535</u>	\$1,334,364
Less those unavailable for general expenditures within one year due to:		
Restrictions due to purpose or time	<u>740,223</u>	<u>554,472</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,159,312</u>	<u>\$ 779,892</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 9, the Organization has a line of credit agreement, which the Organization could draw upon in the event of an unanticipated liquidity need.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Fair Value Measurements

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021.

Bitcoin: Fair value represents the quoted market value of the shares held at year end as reported by valuation sources using prices as traded on an open market.

The methods described above may produce fair values that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Fair Value Measurements (Continued)

The following table reflects the Organization's investments within the fair value hierarchy at December 31, 2021:

	As of December 31, 2021			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Bitcoin	\$ 9,639	\$ 9,639	\$ -	\$ -

4. Concentrations

During the year ended December 31, 2021, the Organization received approximately \$301,000 of net contribution revenue from its annual banquet, which represented 92% of total special events revenue. 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.

The Organization had contributions receivable of approximately \$234,000 and \$181,000 at December 31, 2021 and 2020, respectively. Two donors comprised 42% of the Organization's contributions receivable at December 31, 2021. Two donors comprised 80% of the Organization's contributions receivable at December 31, 2020.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Purchased and Donated Inventory

Inventory as of December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Purchased Inventory		
Food	<u>\$ 20,815</u>	<u>\$ 38,594</u>
Donated Inventory		
Medical supplies	7,315,915	4,546,485
Machinery	-	8,708
Total donated inventory	<u>7,315,915</u>	<u>4,555,193</u>
 Total inventory	 <u><u>\$ 7,336,730</u></u>	 <u><u>\$ 4,593,787</u></u>

6. Property and Equipment

Property and equipment as of December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	<u>\$ 106,653</u>	<u>\$ 106,653</u>
Machinery and equipment	29,831	29,831
Vehicles	88,258	58,212
Furniture and fixtures	48,858	48,858
Total	<u>273,600</u>	<u>243,554</u>
Less: Accumulated Depreciation	<u>170,225</u>	<u>196,893</u>
 Property and equipment, net	 <u><u>\$ 103,375</u></u>	 <u><u>\$ 46,661</u></u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$30,032 and \$27,160, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt

The Organization's long term debt as of December 31, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Note payable, due in monthly payments of \$641 beginning in December 2022, through June 2050, including interest at 2.75%, secured by substantially all of the Organization's assets.	\$ 150,000	\$ 150,000
Less: Current portion	<u>641</u>	<u>2,386</u>
Long-Term Debt, Net	<u>\$ 149,359</u>	<u>\$ 147,614</u>

In June 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. Payments on the loan were originally deferred until June 2021. During 2021, the payments were deferred again and are now scheduled to start in December 2022.

Maturities of long-term debt as of December 31, 2021, were as follows:

<u>Year Ending December 31,</u>	<u>Amounts</u>
2022	\$ 641
2023	3,351
2024	3,444
2025	3,540
2026	3,639
Thereafter	<u>135,385</u>
Total	<u>\$ 150,000</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Government Assistance

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.

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, 2022, bears interest at 1.00% over the Prime Rate as published by the Wall Street Journal (3.25% as of December 31, 2021), but not less than 4.25%. The note contains certain restrictive covenants. The Organization was in compliance with all covenants as of December 31, 2021. The note is secured by substantially all of the Organization's assets. The Organization had no outstanding draws as of December 31, 2021 and 2020.

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, 2022, bears interest at 0.5% over the Prime Rate as published by the Wall Street Journal (3.25% as of December 31, 2021), but not less than 5.00%. The note contains certain restrictive covenants. The Organization was in compliance with all covenants as of December 31, 2021. The note is secured by substantially all of the Organization's assets. The Organization had no outstanding draws as of December 31, 2021 and 2020.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Net Assets

With Donor Restrictions

Net assets with donor restrictions as of December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Innovation hub	\$ 369,322	\$ 319,100
Hospitals & Clinics	200,435	63,042
Senegal project	93,766	116,207
Agriculture	52,226	51,400
Matter360	24,474	-
Luol Deng project	-	4,723
	<hr/>	<hr/>
Total Net Assets With Donor Restrictions	<u>\$ 740,223</u>	<u>\$ 554,472</u>

Net assets were released from donor restrictions by meeting the donor purpose requirements or the expiration of time for the years ended December 31, 2021 and 2020 and consisted of the following:

	<u>2021</u>	<u>2020</u>
Senegal project	\$ 22,442	\$ 22,073
Luol Deng project	4,723	-
Hospitals & Clinics	-	58,877
Healthy food program, including funds for MATTERbox events	-	13,000
Insight Trips	-	5,400
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Total Net Assets Released from Restrictions	<u>\$ 27,165</u>	<u>\$ 99,350</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Leases

Operating Leases

The Organization leases a warehouse space from a related party company as discussed in Note 14. The lease requires payments ranging from \$10,341 to \$10,584 through October 2023. 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, 2021 and 2020. 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 are as follows at December 31, 2021:

<u>Year Ending December 31,</u>	<u>Totals</u>
2022	\$ 124,574
2023	<u>105,841</u>
Total	<u>\$ 230,415</u>

Capital Lease Obligations

The Organization's capital lease obligations as of December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Truck lease, payable in monthly installments of \$1,400, including interest at 8.868%, to January 2027	\$ 68,544	\$ -
Less: Current portion	<u>11,168</u>	-
Long-Term Capital Lease Obligation, net	<u>\$ 57,376</u>	<u>\$ -</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Leases (Continued)

Capital Leases (continued)

Future minimum lease payments for the capital lease obligation as of December 31, 2021 was as follows:

<u>Year Ending December 31,</u>	<u>Amounts</u>
2022	\$ 16,800
2023	16,800
2024	16,800
2025	16,800
2026	16,800
Thereafter	<u>1,400</u>
Total lease payments	85,400
Less: Amounts representing interest	<u>16,856</u>
Subtotal	68,544
Less: Current portion	<u>11,168</u>
Long-Term Capital Lease Obligation, net	<u><u>\$ 57,376</u></u>

Property held under capital lease as of December 31, 2021 and 2020, included in property and equipment in the accompanying statement of financial position was as follows:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 77,950	\$ -
Less: Accumulated depreciation	<u>11,909</u>	<u>-</u>
Equipment Under Capital Lease, net	<u><u>\$ 66,041</u></u>	<u><u>\$ -</u></u>

Amortization expense related to capital leases, included in depreciation expense, for the year ended December 31, 2021 was \$11,909.

12. Retirement Plans

The Organization maintains a retirement plan for all of the Organization's employees who have met certain eligibility requirements. The Organization contributed \$125,341 and \$27,751 to its retirement plans for the benefit of employees for the years ended December 31, 2021 and 2020, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. Gifts In-Kind

The Organization received gifts-in-kind (primarily medical supplies) for the years ended December 31, 2021 and 2020 of approximately \$41,014,000 and \$31,232,000, respectively, which the Organization donated or plans to donate to beneficiaries in foreign countries. 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 \$38,244,000 and \$32,931,000 during the years ended December 31, 2021 and 2020, 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 \$170,000 and \$426,000 during the years ended December 31, 2021 and 2020, 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, 2021 and 2020 the organization received no donated professional services.

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, 2021 and 2020, was approximately \$204,000 and \$222,000, respectively, all of which is with the related company and which includes lease operating costs (executory costs) of approximately \$88,000 and \$110,000, respectively.

During the years ended December 31, 2021 and 2020, the Organization received contributions from board members of approximately \$210,000 and \$183,000, respectively.

15. Revenue and Contract Balances

Performance obligations satisfied at a point in time totaled \$1,967,987 and \$1,234,652 for the years ended December 31, 2021 and 2020, respectively.

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