

MATTER
ST. LOUIS PARK, MINNESOTA

FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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, 2022, 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, 2022, 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.

Basis for Opinion

We conducted our audit 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 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 27, 2022. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Schepke and Associates, Ltd.

Minneapolis, Minnesota

September 5, 2023

LIABILITIES AND NET ASSETS	2022	2021
Current Liabilities		
Obligation under line of credit agreement	\$ -	\$ -
Current portion of long-term debt	-	641
Current portion of operating lease liability	181,769	158,891
Current portion of finance lease liability	12,200	11,168
Accounts payable	87,492	71,371
Accrued profit sharing contribution	-	43,506
Accrued payroll and payroll taxes	135,854	102,856
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Total Current Liabilities	417,315	388,433
Long-Term Liabilities		
Long-term debt, net	150,000	149,359
Operating lease liability, net	561,570	743,339
Finance lease liability, net	45,176	57,376
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Total Long-Term Liabilities	756,746	950,074
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Total Liabilities	1,174,061	1,338,507
Net Assets		
Without donor restrictions	11,206,058	8,073,674
With donor restrictions	1,208,683	740,223
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Total Net Assets	12,414,741	8,813,897
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TOTAL LIABILITIES AND NET ASSETS	\$ 13,588,802	\$ 10,152,404
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MATTER

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2022

With Comparative Totals for the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
Support and Revenues				
Noncash donations, gifts in-kind	\$ 35,801,774	\$ -	\$ 35,801,774	\$41,013,527
Contributions	5,080,582	593,431	5,674,013	2,849,562
MATTER 360 Repurposing	2,318,640	-	2,318,640	1,590,084
Event revenue, net of direct benefit to donors of \$23,121 in 2022 and \$12,837 in 2021	122,039	-	122,039	314,989
Program service revenue	301,406	-	301,406	377,903
Interest income	15,466	-	15,466	17,227
Net Assets Released From Restrictions				
	124,971	(124,971)	-	-
Total Support and Revenues	43,764,878	468,460	44,233,338	46,163,292
Functional Expenses				
Program services	38,847,942	-	38,847,942	41,798,723
General and administrative	834,376	-	834,376	613,632
Fundraising	950,176	-	950,176	612,735
Total Functional Expenses	40,632,494	-	40,632,494	43,025,090
Other Income				
Insurance proceeds	-	-	-	1,375
Increase in Net Assets	3,132,384	468,460	3,600,844	3,139,577
NET ASSETS, BEGINNING OF YEAR	8,073,674	740,223	8,813,897	5,674,320
NET ASSETS, END OF YEAR	\$ 11,206,058	\$ 1,208,683	\$ 12,414,741	\$ 8,813,897

See Notes to Financial Statements

MATTER

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Program Services					
	You Matter	MatterPro	Innovation Hub	Matter 360	Hospitals and Clinics	Healthy Food
Donations to beneficiaries	\$ -	\$ -	\$ -	\$ -	\$ 31,567,381	\$ 1,073,033
Grants, public relations, and office expense	652,573	678,258	396,923	56,662	482,038	2,295
Payroll and payroll taxes	-	56,226	93,870	625,338	304,199	337,245
Transportation	-	63,531	16,753	269,441	303,933	61,072
Program supplies	46,314	13,828	255,211	373	298,875	-
Travel	7,954	356,929	23,719	1,616	24,376	1,248
Warehouse rent	-	-	-	19,449	-	526
Employee benefits	-	7,731	7,650	32,433	33,162	22,293
Professional services	-	-	850	12,654	3,884	1,060
Special event fundraising	-	10,074	10,146	-	-	360
Depreciation	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	122	10	980	-	-
Telephone and internet	-	-	-	-	-	-
Gain on sale of property and equipment	-	-	-	-	-	-
Total Functional Expenses	706,841	1,186,699	805,132	1,018,946	33,017,848	1,499,132
Special event - direct benefit to donor	-	-	-	-	-	-
TOTAL FUNCTIONAL EXPENSES, NET DIRECT BENEFIT TO DONORS	\$ 706,841	\$ 1,186,699	\$ 805,132	\$ 1,018,946	\$ 33,017,848	\$ 1,499,132

See Notes to Financial Statements

Program Services (Continued)					
Agriculture	Warehouse	Total	General & Administrative	Fundraising	Totals
\$ -	\$ -	\$ 32,640,414	\$ -	\$ -	\$ 32,640,414
106,971	474	2,376,194	182,566	447,677	3,006,437
33,613	124,833	1,575,324	415,477	321,551	2,312,352
-	16,588	731,318	21	-	731,339
2,516	-	617,117	-	17,799	634,916
14,997	34	430,873	23,795	100,174	554,842
-	296,793	316,768	2,228	-	318,996
3,893	3,911	111,073	64,465	33,171	208,709
7,000	1,566	27,014	71,761	-	98,775
-	-	20,580	-	52,075	72,655
-	-	-	39,253	-	39,253
-	-	-	25,528	-	25,528
-	-	-	6,914	-	6,914
101	54	1,267	942	850	3,059
-	-	-	1,426	-	1,426
-	-	-	-	-	-
169,091	444,253	38,847,942	834,376	973,297	40,655,615
-	-	-	-	(23,121)	(23,121)
\$ 169,091	\$ 444,253	\$ 38,847,942	\$ 834,376	\$ 950,176	\$ 40,632,494

MATTER

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

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

See Notes to Financial Statements

Program Services (Continued)			General &		
Agriculture	Warehouse	Total	Administrative	Fundraising	Totals
\$ 8,708	\$ -	\$ 38,414,277	\$ -	\$ -	\$ 38,414,277
166,553	174	965,105	97,486	209,124	1,271,715
33,182	115,882	1,046,375	296,872	300,382	1,643,629
-	25,996	375,642	1,478	156	377,276
9,448	-	544,369	323	16,295	560,987
8,468	89	57,448	44,429	17,368	119,245
-	259,359	262,558	235	-	262,793
4,206	3,664	108,484	52,749	24,158	185,391
-	-	17,821	60,378	-	78,199
-	-	7,097	-	57,285	64,382
-	-	-	30,032	-	30,032
-	-	-	27,183	-	27,183
-	-	-	10,481	-	10,481
42	-	(643)	2,951	747	3,055
7	23	190	2,424	57	2,671
-	-	-	(13,389)	-	(13,389)
230,614	405,187	41,798,723	613,632	625,572	43,037,927
-	-	-	-	(12,837)	(12,837)
\$ 230,614	\$ 405,187	\$ 41,798,723	\$ 613,632	\$ 612,735	\$ 43,025,090

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STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Increase in net assets	\$ 3,600,844	\$ 3,139,577
Adjustments to reconcile change in net assets to net cash from operations:		
Contributed inventory	(35,801,774)	(41,013,527)
Inventory donated to beneficiaries	32,640,414	38,414,277
Depreciation	39,253	30,032
Noncash rent expense	4,045	59,061
(Gain) on sale of property and equipment	-	(13,389)
Interest income retained in investments	-	(9,639)
(Increase) Decrease in:		
Contributions receivable	(14,817)	(53,351)
Other receivable	-	18,586
Purchased inventory	(248,627)	(143,693)
Prepaid expenses	(20,621)	3,608
Increase (Decrease) in:		
Accounts payable	16,121	(19,202)
Accrued profit sharing contribution	(43,506)	43,506
Accrued payroll and payroll taxes	32,998	69,629
Accrued rent	-	105
Net Cash Provided By Operating Activities	<u>204,330</u>	<u>525,580</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	9,639	-
Proceeds from sale of property and equipment	-	14,000
Purchase of property and equipment	(32,724)	(9,407)
Net Cash Provided By (Used In) Investing Activities	<u>(23,085)</u>	<u>4,593</u>

See Notes to Financial Statements

<i>Continued</i>	2022	2021
Cash Flows From Financing Activities		
(Payments on) finance lease agreement	<u>(11,168)</u>	<u>(9,406)</u>
Net Increase in Cash and Cash Equivalents	170,077	520,767
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,655,776</u>	<u>1,135,009</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,825,853</u>	<u>\$ 1,655,776</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

Cash paid during the year for:		
Interest	\$ 6,914	\$ 10,481
Noncash Investing and Financing Activities:		
Property and equipment financed through finance lease obligations	\$ -	\$ 77,950
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 170,966	\$ 115,950
Right-of-use assets obtained in exchange for lease obligations		
Operating lease	\$ -	\$ 973,829

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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)

Change in Accounting Principles

During 2022, the Organization adopted FASB Accounting Standards Update (ASU) No 2016-02, ASC 842 *Leases* which requires the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position and replaces existing lease guidance within accounting principles generally accepted in the United States of America. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted ASU 2016-02 with a date of initial application of January 1, 2021, and recognized and measured leases existing at, or entered into after, using a modified retrospective method, with certain practical expedients available.

The Organization elected the available practical expedients to account for existing leases as either finance leases or operating leases, under the new guidance, without reassessing (a) whether the contract contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2021 an operating lease liability of \$1,004,234 which represented the present value of the remaining operating lease payments of \$1,051,304 discounted using the risk free rate of 1.47%. The Organization also recognized a right-of-use asset of \$973,829, which has been adjusted for existing deferred rent of \$30,405. For the year ended December 31, 2021, the adoption resulted in additional rent expense of \$59,061. Those amounts are included in the Organization's restated financial statements as of and for the year ended December 31, 2021.

The standard had a significant impact on the Organization's statements of financial position, but did not have a significant impact on the statements of activities and changes in net assets, statements of functional expenses or statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for finance leases remained substantially unchanged.

Also during the year ended December 31, 2022, the Organization adopted FASB Accounting Standards Update (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 of in-kind gifts but requires additional presentation and disclosures related to contributed nonfinancial assets.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Change in Accounting Principles (continued)

This update requires the Organization to present contributed nonfinancial assets as a separate line in the statement of activities and changes in net assets, apart from contributions of cash or financial assets. Disclosure requirements include disaggregation of the amount of nonfinancial assets recognized within the statement of activities and changes in net assets, 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. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure, and has been applied retrospectively.

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.

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Basis of Accounting and Support and Revenue Recognition (continued)

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. 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, 2022 and 2021 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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.

Leases

When, at inception of an agreement, it is concluded an agreement includes a lease component, the Organization records an operating lease or finance lease based on the agreement. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Operating leases are included in property and equipment as operating lease right-of-use (ROU) assets and current and long-term operating lease liabilities on the statements of financial position. Finance leases are included in property and equipment, current liabilities, and long-term liabilities on the statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The operating lease ROU asset also includes any lease payment made prior to the commencement date and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Organization has elected to use the rate implicit in the lease or the risk-free rate based on information available at the commencement date for the lease term when determining the present value of lease payments.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The lease agreements have lease and non-lease components, which are generally accounted for separately. The amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

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. 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.

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.

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, 2022 and 2021, the Organization had cash and cash equivalent balances of approximately \$1,197,000 and \$998,000, 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, long-term debt and lease obligations 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.

MATTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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 2021 financial statements to conform with the presentation in the 2022 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, 2022 and 2021.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 5, 2023, the date the financial statements were available to be issued.

MATTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Liquidity and Availability

The following reflects the Organization's financial assets as of December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Financial assets, end of year	\$2,074,790	\$1,899,535
Less those unavailable for general expenditures within one year due to:		
Restrictions due to purpose or time	<u>1,208,683</u>	<u>740,223</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 866,107</u>	<u>\$1,159,312</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. 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).

MATTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Fair Value Measurements (Continued)

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, 2022.

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.

MATTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Fair Value Measurements (Continued)

The Organization did not hold any investments as of December 31, 2022. 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, 2022, the Organization received approximately \$145,000 of net contribution revenue from its annual banquet, which represented 100% of total special events revenue. 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.

The Organization had contributions receivable of approximately \$249,000 and \$234,000 at December 31, 2022 and 2021, respectively. Two donors comprised 41% of the Organization's contributions receivable at December 31, 2022. Two donors comprised 42% of the Organization's contributions receivable at December 31, 2021.

5. Purchased and Donated Inventory

Inventory as of December 31, 2022 and 2021 consisted of the following:

	2022	2021
Purchased Inventory		
Food	\$ 47,060	\$ 20,815
Donated Inventory		
Medical supplies	10,699,657	7,315,915
Total Inventory	<u>\$ 10,746,717</u>	<u>\$ 7,336,730</u>

MATTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Property and Equipment

Property and equipment as of December 31, 2022 and 2021 consisted of the following:

	2022	2021
Leasehold improvements	\$ 121,477	\$ 106,653
Machinery and equipment	29,831	29,831
Vehicles	106,158	88,258
Furniture and fixtures	48,858	48,858
Total	306,324	273,600
Less: Accumulated Depreciation	209,478	170,225
Property and Equipment, net of depreciation	96,846	103,375
Operating lease right-of-use asset	649,828	812,764
Property and equipment, net	<u>\$ 746,674</u>	<u>\$ 916,139</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$39,253 and \$30,032, respectively.

7. Long-Term Debt

The Organization's long term debt as of December 31, 2022 and 2021 was as follows:

	2022	2021
Note payable, due in monthly payments of \$641 beginning in January 2023, through June 2050, including interest at 2.75%, secured by substantially all of the Organization's assets.	\$ 150,000	\$ 150,000
Less: Current portion	-	641
Long-Term Debt, Net	<u>\$ 150,000</u>	<u>\$ 149,359</u>

MATTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt

As described further on the previous page, 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 were scheduled to start in January 2023.

Maturities of long-term debt as of December 31, 2022, were as follows:

<u>Year Ending December 31,</u>	<u>Amounts</u>
2023	\$ -
2024	-
2025	389
2026	3,623
2027	3,724
Thereafter	<u>142,264</u>
Total	<u>\$ 150,000</u>

8. 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, 2023, bears interest at 1.00% over the Prime Rate as published by the Wall Street Journal (7.50% as of December 31, 2022), but not less than 4.25%. The note contains certain restrictive covenants. The Organization was in compliance with all covenants as of December 31, 2022. The note is secured by substantially all of the Organization's assets. The Organization had no outstanding draws as of December 31, 2022 and 2021.

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, 2023, bears interest at 0.5% over the Prime Rate as published by the Wall Street Journal (7.50% as of December 31, 2022), but not less than 5.00%. The note contains certain restrictive covenants. The Organization was in compliance with all covenants as of December 31, 2022. The note is secured by substantially all of the Organization's assets. The Organization had no outstanding draws as of December 31, 2022 and 2021.

MATTER**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

9. Net Assets

Net assets with donor restrictions as of December 31, 2022 and 2021 consisted of the following:

	2022	2021
Senegal project	\$ 511,677	\$ 93,766
Innovation hub	508,007	369,322
Hospitals & Clinics	130,082	200,435
You Matter	36,835	-
Agriculture	15,432	52,226
Matter360	6,650	24,474
	<hr/>	<hr/>
Total Net Assets With Donor Restrictions	<u>\$1,208,683</u>	<u>\$ 740,223</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, 2022 and 2021 and consisted of the following:

	2022	2021
Hospitals & Clinics	\$ 70,352	\$ -
Agriculture	36,794	-
Matter360	17,825	-
Senegal project	-	22,442
Luol Deng project	-	4,723
	<hr/>	<hr/>
Total Net Assets Released from Restrictions	<u>\$ 124,971</u>	<u>\$ 27,165</u>

MATTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Leases

Operating Lease

The Organization leases office and warehouse space from a related party company as discussed in Note 13. The lease requires payments ranging from \$15,858 to \$17,328 through October 2026. The Organization is obligated to pay costs of insurance, taxes, repairs, and utilities pursuant to the terms of the lease. The components of rent expense for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Operating lease cost	\$ 170,966	\$ 115,950
Variable operating lease costs	108,699	129,757
Total Rent Expense	<u>\$ 279,665</u>	<u>\$ 245,707</u>

The weighted average remaining lease term for operating leases as of December 31, 2022 and 2021 was 3.8 years and 4.8 years, respectively. The weighted average discount rate for operating leases as of December 31, 2022 and 2021 was 1.47%.

Future minimum commitments for payment of rent under the operating lease are as follows at December 31, 2022:

<u>Year Ending December 31,</u>	<u>Totals</u>
2023	\$ 191,246
2024	196,976
2025	202,886
2026	<u>173,280</u>
Total	764,388
Less: imputed interest	<u>21,049</u>
Total	<u>\$ 743,339</u>

MATTER**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****10. Leases (Continued)***Finance Lease*

The Organization's finance lease obligations as of December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Truck lease, payable in monthly installments of \$1,400, including interest at 8.868%, to January 2027	\$ 57,376	\$ 68,544
Less: Current portion	<u>12,200</u>	<u>11,168</u>
Long-Term Finance Lease Obligation, net	<u>\$ 45,176</u>	<u>\$ 57,376</u>

The weighted average remaining lease term for finance leases as of December 31, 2022 and 2021 was 4.1 years and 5.1 years, respectively. The weighted average discount rate for operating leases as of December 31, 2022 and 2021 was 8.87%.

Future minimum lease payments for the finance lease obligation as of December 31, 2022 was as follows:

<u>Year Ending December 31,</u>	<u>Amounts</u>
2023	\$ 16,800
2024	16,800
2025	16,800
2026	16,800
2027	<u>1,400</u>
Total lease payments	68,600
Less: Amounts representing interest	<u>11,224</u>
Subtotal	57,376
Less: Current portion	<u>12,200</u>
Long-Term Finance Lease Obligation, net	<u>\$ 45,176</u>

MATTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Leases (Continued)

Finance Lease (continued)

Property held under finance lease as of December 31, 2022 and 2021, included in property and equipment in the accompanying statement of financial position was as follows:

	2022	2021
Equipment	\$ 77,950	\$ 77,950
Less: Accumulated depreciation	27,499	11,909
Equipment Under Finance Lease, net	<u>\$ 50,451</u>	<u>\$ 66,041</u>

Amortization expense related to finance leases, included in depreciation expense, for the years ended December 31, 2022 and 2021, was \$15,590 and \$11,909, respectively.

11. Retirement Plans

The Organization maintains a retirement plan for all of the Organization's employees who have met certain eligibility requirements. The Organization contributed \$117,169 and \$125,341 to its retirement plans for the benefit of employees for the years ended December 31, 2022 and 2021, respectively.

12. Gifts In-Kind

The Organization received gifts-in-kind (primarily medical supplies) for the years ended December 31, 2022 and 2021 of approximately \$35,802,000 and \$41,014,000, 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.

No contributed nonfinancial assets were restricted by donors during the years ended December 31, 2022 and 2021. The Organization monetized contributed nonfinancial assets in the amount of \$2,318,640 and \$1,590,084 during the years ended December 31, 2022 and 2021, respectively.

MATTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Gifts In-Kind (Continued)

Included in donations to beneficiaries expense are donations to beneficiaries in foreign countries totaling approximately \$32,418,000 and \$38,244,000 during the years ended December 31, 2022 and 2021, 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 \$222,000 and \$170,000 during the years ended December 31, 2022 and 2021, 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, 2022 and 2021 the Organization received no donated professional services.

13. Related Party Transactions

The Organization is related to the company which leases space to the Organization as described in Note 10. 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 10, for the years ended December 31, 2022 and 2021, was approximately \$280,000 and \$246,000, respectively, all of which is with the related company and which includes lease operating costs (executory costs) of approximately \$109,000 and \$130,000, respectively.

During the years ended December 31, 2022 and 2021, the Organization received contributions from board members of approximately \$905,000 and \$210,000, respectively.

14. Revenue and Contract Balances

Performance obligations satisfied at a point in time totaled \$2,620,046 and \$1,967,987 for the years ended December 31, 2022 and 2021, respectively.

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