

**MATTER AND SUBSIDIARY
ST. LOUIS PARK, MINNESOTA**

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**



MATTER AND SUBSIDIARY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
MATTER and Subsidiary
Minneapolis, Minnesota

We have audited the accompanying consolidated financial statements of MATTER and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of MATTER and Subsidiary as of December 31, 2023, 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 Consolidated Financial Statements section of our report. We are required to be independent of MATTER and Subsidiary 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MATTER and Subsidiary'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 Consolidated 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.

MATTER and Subsidiary

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Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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 consolidated 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 consolidated 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 and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MATTER and Subsidiary'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 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 5, 2023. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2022, 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 24, 2024

MATTER AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

ASSETS	2023	2022
Current Assets		
Cash and cash equivalents	\$ 945,811	\$ 1,825,853
Certificate of deposit	257,956	-
Contributions receivable	424,061	248,937
Other receivable	27,105	-
Notes receivable	114,613	-
Inventory	10,499,435	10,746,717
Prepaid expenses	18,328	20,621
Total Current Assets	12,287,309	12,842,128
Property and Equipment, net	547,001	746,674
TOTAL ASSETS	\$ 12,834,310	\$ 13,588,802

See Notes to Consolidated Financial Statements

LIABILITIES AND NET ASSETS	2023	2022
Current Liabilities		
Obligation under line of credit agreement	\$ -	\$ -
Current portion of long-term debt	22,007	-
Current portion of operating lease liability	190,235	181,769
Current portion of finance lease liability	13,327	12,200
Accounts payable	130,557	87,492
Accrued payroll and payroll taxes	105,463	135,854
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Total Current Liabilities	461,589	417,315
Long-Term Liabilities		
Long-term debt, net	239,078	150,000
Operating lease liability, net	371,335	561,570
Finance lease liability, net	31,849	45,176
	<hr/>	<hr/>
Total Long-Term Liabilities	642,262	756,746
Total Liabilities	<hr/>	<hr/>
	1,103,851	1,174,061
Net Assets		
Without donor restrictions	11,202,308	11,206,058
With donor restrictions	528,151	1,208,683
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Total Net Assets	11,730,459	12,414,741
TOTAL LIABILITIES AND NET ASSETS	<hr/>	<hr/>
	\$ 12,834,310	\$ 13,588,802

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MATTER AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2023

With Comparative Totals for the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2023	2022
Support and Revenues				
Noncash donations, gifts in-kind	\$ 28,320,514	\$ -	\$ 28,320,514	\$ 35,801,774
Contributions	3,788,715	94,336	3,883,051	5,674,013
MATTER 360 Repurposing	2,981,430	-	2,981,430	2,318,640
Event revenue, net of direct benefit to donors of \$17,626 in 2023 and \$23,121 in 2022	281,384	-	281,384	122,039
Program service revenue	384,612	-	384,612	301,406
Interest income	35,544	-	35,544	15,466
Net Assets Released From Restrictions				
	774,868	(774,868)	-	-
Total Support and Revenues	36,567,067	(680,532)	35,886,535	44,233,338
Functional Expenses				
Program services	34,694,471	-	34,694,471	38,847,942
General and administrative	958,142	-	958,142	834,376
Fundraising	918,204	-	918,204	950,176
Total Functional Expenses	36,570,817	-	36,570,817	40,632,494
Increase (Decrease) in Net Assets	(3,750)	(680,532)	(684,282)	3,600,844
NET ASSETS, BEGINNING OF YEAR	11,206,058	1,208,683	12,414,741	8,813,897
NET ASSETS, END OF YEAR	\$ 11,202,308	\$ 528,151	\$ 11,730,459	\$ 12,414,741

See Notes to Consolidated Financial Statements

MATTER AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

	Program Services					
	You Matter	MatterPro	Innovation Hub	Matter 360	Hospitals and Clinics	Healthy Food
Donations to beneficiaries	\$ 63,220	\$ -	\$ -	\$ 26,732	\$ 28,132,703	\$ 631,080
Grants, public relations, and office expense	315,121	201,791	643,775	14,380	193,900	6,028
Payroll and payroll taxes	47,910	140,104	148,190	822,997	187,928	287,918
Transportation	9,478	60,378	-	409,211	320,654	81,352
Program supplies	60,886	342,233	148,432	46,891	231,332	-
Warehouse expense	1,075	-	-	48,477	-	66
Employee benefits	5,195	16,296	19,636	74,096	23,384	12,615
Travel	8,430	18,070	14,197	4,438	18,289	1,246
Professional services	-	12,000	-	11,474	1,692	3,202
Special event fundraising	7,079	8,675	-	-	-	122
Depreciation	-	-	-	-	-	-
Insurance	-	79	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	27	-	494	30	10
Telephone and internet	-	-	-	-	-	-
Total Functional Expenses	518,394	799,653	974,230	1,459,190	29,109,912	1,023,639
Special event - direct benefit to donor	-	-	-	-	-	-
TOTAL FUNCTIONAL EXPENSES, NET DIRECT BENEFIT TO DONORS	\$ 518,394	\$ 799,653	\$ 974,230	\$ 1,459,190	\$ 29,109,912	\$ 1,023,639

See Notes to Consolidated Financial Statements

Program Services (Continued)			General &		
Agriculture	Warehouse	Total	Administrative	Fundraising	Totals
\$ -	\$ -	\$ 28,853,735	\$ 62,085	\$ 17,370	\$ 28,933,190
149,336	939	1,525,270	156,381	547,698	2,229,349
66,975	205,146	1,907,168	450,473	240,780	2,598,421
-	18,513	899,586	66	-	899,652
15,801	-	845,575	2,000	5,653	853,228
-	318,235	367,853	-	-	367,853
7,758	4,201	163,181	62,830	23,774	249,785
13,419	32	78,121	52,334	26,884	157,339
9,000	-	37,368	85,532	-	122,900
-	-	15,876	3,800	71,162	90,838
-	-	-	34,139	-	34,139
-	-	79	31,684	-	31,763
-	-	-	14,168	-	14,168
98	-	659	1,744	2,509	4,912
-	-	-	906	-	906
262,387	547,066	34,694,471	958,142	935,830	36,588,443
-	-	-	-	(17,626)	(17,626)
\$ 262,387	\$ 547,066	\$ 34,694,471	\$ 958,142	\$ 918,204	\$ 36,570,817

MATTER AND SUBSIDIARY

CONSOLIDATED 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	-
Warehouse expense	-	-	-	19,449	-	526
Employee benefits	-	7,731	7,650	32,433	33,162	22,293
Travel	7,954	356,929	23,719	1,616	24,376	1,248
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	-	-	-	-	-	-
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 Consolidated Financial Statements

Program Services (Continued)			General &		
Agriculture	Warehouse	Total	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
-	296,793	316,768	2,228	-	318,996
3,893	3,911	111,073	64,465	33,171	208,709
14,997	34	430,873	23,795	100,174	554,842
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 AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Change in net assets	\$ (684,282)	\$ 3,600,844
Adjustments to reconcile change in net assets to net cash from operations:		
Contributed inventory	(27,899,987)	(35,801,774)
Inventory donated to beneficiaries	28,512,663	32,640,414
Depreciation	34,139	39,253
Noncash rent adjustment	(16,235)	4,045
Net investment return retained in certificate of deposit	(7,956)	-
(Increase) Decrease in:		
Contributions receivable	(175,124)	(14,817)
Other receivable	(27,105)	-
Purchased inventory	(365,394)	(248,627)
Prepaid expenses	2,293	(20,621)
Increase (Decrease) in:		
Accounts payable	43,065	16,121
Accrued profit sharing contribution	-	(43,506)
Accrued payroll and payroll taxes	(30,391)	32,998
Net Cash Provided By (Used In) Operating Activities	<u>(614,314)</u>	<u>204,330</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	-	9,639
Purchase of property and equipment	-	(32,724)
Net (increase) in notes receivable	(114,613)	-
Purchase of certificate of deposit	(250,000)	-
Net Cash (Used In) Investing Activities	<u>(364,613)</u>	<u>(23,085)</u>

See Notes to Consolidated Financial Statements

<i>Continued</i>	2023	2022
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	118,000	-
(Payments) on long-term debt	(6,915)	-
(Payments on) finance lease agreement	(12,200)	(11,168)
	<hr/>	<hr/>
Net Cash Provided By (Used In) Investing Activities	98,885	(11,168)
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(880,042)	170,077
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,825,853	1,655,776
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CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 945,811	\$ 1,825,853
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SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

Cash paid during the year for:		
Interest	\$ 14,168	\$ 6,914
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 191,246	\$ 170,966

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MATTER AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Organization and Summary of Significant Accounting Policies

Description of Organization

MATTER and Subsidiary (the Organization) is a Minnesota-based nonprofit organization that helps people launch projects that improve communities. Internationally, the Organization expands access to health by giving hospitals the tools they need to care for the sick and injured in dignified ways, and be designing solutions to create diversified and resilient farms. Locally, the Organization activates healthy eating for kids and families with the MATTERbox, an innovative solution to healthy food access and nutrition education.

The hospitals and clinics program provides hospitals and clinics around the world with the tools they need to care for the sick and injured with dignity. The Organization sources, allocates, and ships life-saving medical supplies and equipment to 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.

YOU MATTER projects bring together donors, partners and MATTER subject experts to launch a project that will improve communities. People dream of making their contribution to the world and leaving a positive impact. The Organization helps turn those dreams into reality, from ideation to implementation, designing human-centered solutions that create a better world. This is a project-based approach with an intention to explore the frontier of undiscovered solutions and to try things that might fail.

MATTER AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

Principles of Consolidation

The consolidated financial statements include the financial statements of MATTER and Expired Medical Supplies (EMS). EMS was created in 2023 specifically to sell expired medical supplies that cannot be donated. All significant intercompany accounts and transactions have been eliminated in consolidation.

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.

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.

MATTER AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

Cash and Cash Equivalents

For purposes of the consolidated 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.

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 consolidated statements 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 consolidated 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, 2023 and 2022 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.

MATTER AND SUBSIDIARY

NOTES TO CONSOLIDATED 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 consolidated statements of financial position. Finance leases are included in property and equipment, current liabilities, and long-term liabilities on the consolidated 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 AND SUBSIDIARY

NOTES TO CONSOLIDATED 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 equipment, 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 consolidated 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 consolidated statement of activities as net assets released from restrictions.

MATTER AND SUBSIDIARY

NOTES TO CONSOLIDATED 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 consolidated financial statements.

Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the consolidated 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, 2023 and 2022, the Organization had cash and cash equivalent balances of approximately \$910,000 and \$1,197,000, 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 AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

Functional Allocation of Expenses

The consolidated 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 consolidated 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 consolidated statement of functional expenses.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 24, 2024, the date the consolidated financial statements were available to be issued.

MATTER AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Liquidity and Availability

The following reflects the Organization's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general use because of donor restrictions or other contractual considerations within one year of the consolidated statement of financial position date.

	<u>2023</u>	<u>2022</u>
Financial assets, end of year	\$ 1,769,546	\$ 2,074,790
Less those unavailable for general expenditures within one year due to:		
Restrictions due to purpose or time	<u>528,151</u>	<u>1,208,683</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,241,395</u>	<u>\$ 866,107</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 could be drawn 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 AND SUBSIDIARY

NOTES TO CONSOLIDATED 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, 2023.

Certificates of Deposit: Certificates of deposits are value based on comparisons to certificates of deposit with similar yields and maturities as reported by the Organization's financial institutions.

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 AND SUBSIDIARY

NOTES TO CONSOLIDATED 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, 2023:

	As of December 31, 2023			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Certificate of deposit	\$ 257,956	\$ -	\$ 257,956	\$ -

4. Concentrations

The Organization had contributions receivable of approximately \$424,000 and \$249,000 at December 31, 2023 and 2022, respectively. One donor comprised 22% of the Organization's contributions receivable at December 31, 2023. Two donors comprised 41% of the Organization's contributions receivable at December 31, 2022.

5. Purchased and Donated Inventory

Inventory as of December 31, 2023 and 2022 consisted of the following:

	2023	2022
Purchased Inventory		
Food	\$ 32,494	\$ 47,060
Donated Inventory		
Medical supplies	10,466,941	10,699,657
Total Inventory	<u>\$ 10,499,435</u>	<u>\$ 10,746,717</u>

MATTER AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Property and Equipment

Property and equipment as of December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 121,477	\$ 121,477
Machinery and equipment	29,831	29,831
Vehicles	106,158	106,158
Furniture and fixtures	48,858	48,858
Total	<u>306,324</u>	<u>306,324</u>
Less: Accumulated Depreciation	<u>243,617</u>	<u>209,478</u>
Property and Equipment, net of depreciation	62,707	96,846
Operating lease right-of-use asset	<u>484,294</u>	<u>649,828</u>
Property and equipment, net	<u>\$ 547,001</u>	<u>\$ 746,674</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$34,139 and \$39,253, respectively.

7. Long-Term Debt

The Organization's long-term debt as of December 31, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
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
Notes payable, due in monthly payments ranging from \$159 to \$1,216 including interest rates ranging from 6.38% to 7.10%, secured by substantially all of the Organization's assets.	<u>111,085</u>	<u>-</u>
Total	261,085	150,000
Less: Current portion	<u>22,007</u>	<u>-</u>
Long-Term Debt, Net	<u>\$ 239,078</u>	<u>\$ 150,000</u>

MATTER AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt

Maturities of long-term debt as of December 31, 2023, were as follows:

<u>Year Ending December 31,</u>	<u>Amounts</u>
2024	\$ 22,007
2025	23,889
2026	28,715
2027	30,516
2028	17,522
Thereafter	<u>138,436</u>
Total	<u>\$ 261,085</u>

8. Line of Credit Agreements

The Organization had a revolving line of credit agreement with its bank, under which it was able to borrow up to \$50,000. The line, which matured on December 23, 2023 and was not renewed, charged interest at 1.00% over the Prime Rate as published by the Wall Street Journal, but not less than 4.25%.

The Organization had a second revolving line of credit agreement with its bank, under which it was able to borrow up to \$150,000. The line, which matured on December 31, 2023 and was not renewed, charged interest at 0.5% over the Prime Rate as published by the Wall Street Journal, but not less than 5.00%.

The Organization has a revolving line of credit agreement with its bank, under which it may borrow up to \$200,000. The line, which matures on January 26, 2025, bears interest at the Prime Rate as published by the Wall Street Journal (8.50% as of December 31, 2023), but not less than 4.25%. The note is secured by substantially all of the Organization's assets.

The Organization had no outstanding draws on any of its lines of credit as of December 31, 2023 and 2022.

MATTER AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Net Assets

Net assets with donor restrictions as of December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Innovation hub	\$ 232,123	\$ 508,007
Hospitals & Clinics	117,965	130,082
You Matter	83,457	36,835
Agriculture	43,144	15,432
Senegal project	31,462	511,677
Insight Trips	20,000	-
MATTER360	-	6,650
	<u> </u>	<u> </u>
Total Net Assets With Donor Restrictions	<u>\$ 528,151</u>	<u>\$ 1,208,683</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, 2023 and 2022 and consisted of the following:

	<u>2023</u>	<u>2022</u>
Senegal project	\$ 480,216	\$ -
Innovation hub	275,885	-
Hospitals & Clinics	12,117	70,352
MATTER360	6,650	17,825
Agriculture	-	36,794
	<u> </u>	<u> </u>
Total Net Assets Released from Restrictions	<u>\$ 774,868</u>	<u>\$ 124,971</u>

MATTER AND SUBSIDIARY

NOTES TO CONSOLIDATED 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, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 175,011	\$ 175,011
Variable operating lease costs	<u>120,668</u>	<u>104,654</u>
Total Rent Expense	<u>\$ 295,679</u>	<u>\$ 279,665</u>

The weighted average remaining lease term for operating leases as of December 31, 2023 and 2022 was 2.8 years and 3.8 years, respectively. The weighted average discount rate for operating leases as of December 31, 2023 and 2022 was 1.47%.

Future minimum commitments for payment of rent under the operating lease are as follows at December 31, 2023:

<u>Year Ending December 31,</u>	<u>Totals</u>
2024	\$ 196,976
2025	202,886
2026	<u>173,280</u>
Total	573,142
Less: imputed interest	<u>11,572</u>
Total	<u>\$ 561,570</u>

MATTER AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Leases (Continued)

Finance Lease

The Organization's finance lease obligations as of December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Truck lease, payable in monthly installments of \$1,400, including interest at 8.868%, to January 2027	\$ 45,176	\$ 57,376
Less: Current portion	<u>13,327</u>	12,200
Long-Term Finance Lease Obligation, net	<u>\$ 31,849</u>	<u>\$ 45,176</u>

The weighted average remaining lease term for finance leases as of December 31, 2023 and 2022 was 3.1 years and 4.1 years, respectively. The weighted average discount rate for operating leases as of December 31, 2023 and 2022 was 8.87%.

Future minimum lease payments for the finance lease obligation as of December 31, 2023 were as follows:

<u>Year Ending December 31,</u>	<u>Amounts</u>
2024	\$ 16,800
2025	16,800
2026	16,800
2027	<u>1,400</u>
Total lease payments	51,800
Less: Amounts representing interest	<u>6,624</u>
Subtotal	45,176
Less: Current portion	<u>13,327</u>
Long-Term Finance Lease Obligation, net	<u>\$ 31,849</u>

MATTER AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Leases (Continued)

Finance Lease (continued)

Property held under finance lease as of December 31, 2023 and 2022, included in property and equipment in the accompanying consolidated statements of financial position was as follows:

	2023	2022
Vehicles	\$ 77,950	\$ 77,950
Less: Accumulated depreciation	<u>43,089</u>	<u>27,499</u>
Property and Equipment Under Finance Lease, net	<u>\$ 34,861</u>	<u>\$ 50,451</u>

Amortization expense related to finance leases, included in depreciation expense, for each of the years ended December 31, 2023 and 2022, was \$15,590.

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 \$127,916 and \$117,169 to its retirement plans for the benefit of employees for the years ended December 31, 2023 and 2022, respectively.

12. Gifts In-Kind

The Organization received gifts-in-kind (primarily medical equipment and supplies) for the years ended December 31, 2023 and 2022 of approximately \$28,300,000 and \$35,802,000, 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, 2023 and 2022. The Organization monetized contributed nonfinancial assets in the amount of \$2,981,430 and \$2,318,640 during the years ended December 31, 2023 and 2022, respectively.

MATTER AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Gifts In-Kind (Continued)

Included in donations to beneficiaries expense are donations to beneficiaries in foreign countries totaling approximately \$28,133,000 and \$32,418,000 during the years ended December 31, 2023 and 2022, 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 \$380,000 and \$222,000 during the years ended December 31, 2023 and 2022, respectively.

Although there has been a decrease in in-kind donations to beneficiaries in foreign countries, the reduction is primarily attributed to increased sales and repurposing activity through MATTER360's social enterprise initiatives, rather than direct distribution of in-kind donations to projects. It is important to note that, despite this decrease, the Organization's impact and scale of operations have not diminished. Instead, a sizable portion of in-kind donations has been repurposed via resales and recycling, funding the Organization's operations and covering the majority of overhead expenses. This strategic reallocation of resources underscores MATTER's commitment to sustainable resource management. By leveraging social enterprise initiatives, MATTER aims to generate revenue streams that not only support the Organization's projects but also contribute to the overall sustainability of the Organization.

The Organization receives significant contributions in the form of donated services. These services include assistance with programs, administrative tasks, and fundraising events. During the year ended December 31, 2023, the Organization recognized approximately \$61,000 of donated services. During the year ended December 31, 2022, 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, 2023 and 2022, was approximately \$296,000 and \$280,000, respectively, all of which is with the related company and which includes lease operating costs (executory costs) of approximately \$121,000 and \$105,000, respectively.

During the years ended December 31, 2023 and 2022, the Organization received contributions from board members of approximately \$181,000 and \$905,000, respectively.

MATTER AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Revenue and Contract Balances

Performance obligations satisfied at a point in time totaled \$3,366,042 and \$2,620,046 for the years ended December 31, 2023 and 2022, respectively.

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