

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

**CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**





## **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, 2024, 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, 2024, 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.

**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 2023 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated July 24, 2024. In our opinion, the summarized comparative consolidated financial information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Smith, Schaff and Associates, Ltd.*

Minneapolis, Minnesota

April 30, 2025

**MATTER AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

December 31, 2024 and 2023

<b>ASSETS</b>	<b>2024</b>	<b>2023</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,129,896	\$ 945,811
Certificate of deposit	307,526	257,956
Contributions receivable	493,474	424,061
Accounts receivable	92,202	27,105
Notes receivable	141,931	114,613
Inventory	18,573,750	10,499,435
Prepaid expenses	24,325	18,328
Total Current Assets	20,763,104	12,287,309
 <b>Property and Equipment, net</b>	 418,186	 547,001
 <b>TOTAL ASSETS</b>	 <u>\$ 21,181,290</u>	 <u>\$ 12,834,310</u>

See Notes to Consolidated Financial Statements

<b>LIABILITIES AND NET ASSETS</b>	<b>2024</b>	<b>2023</b>
<b>Current Liabilities</b>		
Obligation under line of credit agreements	\$ 370,000	\$ -
Current portion of long-term debt	23,889	22,007
Current portion of operating lease liability	199,007	190,235
Current portion of finance lease liability	27,371	13,327
Accounts payable	187,420	130,557
Accrued payroll and payroll taxes	95,639	105,463
Total Current Liabilities	903,326	461,589
<b>Long-Term Liabilities</b>		
Long-term debt, net	213,924	239,078
Operating lease liability, net	172,328	371,335
Finance lease liability, net	65,246	31,849
Total Long-Term Liabilities	451,498	642,262
Total Liabilities	1,354,824	1,103,851
<b>Net Assets</b>		
Without donor restrictions	18,905,748	11,202,308
With donor restrictions	920,718	528,151
Total Net Assets	19,826,466	11,730,459
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 21,181,290</b>	<b>\$ 12,834,310</b>

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# MATTER AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2024

With Comparative Totals for the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2024	2023
<b>Support and Revenues</b>				
Noncash donations, gifts in-kind	\$ 47,582,685	\$ -	\$ 47,582,685	\$ 28,320,514
Contributions	3,094,975	475,369	3,570,344	3,883,051
MATTER 360 Repurposing	3,671,410	-	3,671,410	2,981,430
Event revenue, net of direct benefit to donors of \$49,856 in 2024 and \$17,626 in 2023	226,506	-	226,506	281,384
Program service revenue	262,337	-	262,337	384,612
Interest income	41,735	-	41,735	35,544
<b>Net Assets Released From Restrictions</b>	82,802	(82,802)	-	-
Total Support and Revenues	54,962,450	392,567	55,355,017	35,886,535
<b>Functional Expenses</b>				
Program services	45,150,897	-	45,150,897	34,694,471
General and administrative	1,159,451	-	1,159,451	958,142
Fundraising	948,662	-	948,662	918,204
Total Functional Expenses	47,259,010	-	47,259,010	36,570,817
<b>Increase (Decrease) in Net Assets</b>	7,703,440	392,567	8,096,007	(684,282)
<b>NET ASSETS, BEGINNING OF YEAR</b>	11,202,308	528,151	11,730,459	12,414,741
<b>NET ASSETS, END OF YEAR</b>	\$ 18,905,748	\$ 920,718	\$ 19,826,466	\$ 11,730,459

See Notes to Consolidated Financial Statements

# **MATTER AND SUBSIDIARY**

## **CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2024**

	Program Services					
	You Matter	MatterPro	Innovation Hub	Matter 360	Hospitals and Clinics	Healthy Food
Donations to beneficiaries	\$ 3,924,692	\$ -	\$ -	\$ 35,535,381	\$ -	\$ 92,000
Payroll and payroll taxes	130,346	124,440	139,577	1,237,000	-	332,769
Grants, public relations, and office expense	71,028	846	940,023	131,254	-	1,934
Transportation	199,877	4,542	950	558,016	-	76,400
Warehouse expense	-	-	-	79,095	-	-
Program supplies	100,158	41,574	103,770	68,943	-	-
Employee benefits	11,380	17,455	15,252	136,733	-	22,169
Professional services	375	5,500	-	32,646	-	580
Travel	2,495	10,257	41,259	30,080	-	3,768
Special event fundraising	6,824	10,075	2,500	90	-	2,559
Insurance	-	-	-	139	-	-
Depreciation	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Donor expense	-	-	-	277	-	-
Telephone and internet	-	-	-	-	-	-
Miscellaneous	10	-	-	115	-	27
Volunteer time	-	-	-	6	-	-
Gain on sale of property and equipment	-	-	-	-	-	-
<b>Total Functional Expenses</b>	<b>4,447,185</b>	<b>214,689</b>	<b>1,243,331</b>	<b>37,809,775</b>	<b>-</b>	<b>532,206</b>
Special event - direct benefit to donor	-	-	-	-	-	-
<b>TOTAL FUNCTIONAL EXPENSES, NET DIRECT BENEFIT TO DONORS</b>	<b>\$ 4,447,185</b>	<b>\$ 214,689</b>	<b>\$ 1,243,331</b>	<b>\$ 37,809,775</b>	<b>\$ -</b>	<b>\$ 532,206</b>

**See Notes to Consolidated Financial Statements**

Program Services (Continued)			General &		
Agriculture	Warehouse	Total	Administrative	Fundraising	Totals
\$ -	\$ -	\$ 39,552,073	\$ 177,120	\$ 72,440	\$ 39,801,633
70,709	208,911	2,243,752	420,382	222,761	2,886,895
105,712	298	1,251,095	254,681	504,955	2,010,731
1,782	16,744	858,311	1,519	1,317	861,147
-	364,133	443,228	-	-	443,228
68,915	-	383,360	-	38,178	421,538
8,126	4,148	215,263	71,721	20,759	307,743
33,000	-	72,101	112,297	9,200	193,598
23,061	1	110,921	23,750	32,820	167,491
-	-	22,048	-	92,991	115,039
-	-	139	39,635	158	39,932
-	-	-	29,097	-	29,097
-	-	-	27,772	-	27,772
-	-	277	9	2,540	2,826
-	-	-	1,034	-	1,034
133	38	323	434	210	967
-	-	6	-	189	195
-	(2,000)	(2,000)	-	-	(2,000)
311,438	592,273	45,150,897	1,159,451	998,518	47,308,866
-	-	-	-	(49,856)	(49,856)
\$ 311,438	\$ 592,273	\$ 45,150,897	\$ 1,159,451	\$ 948,662	\$ 47,259,010

# 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
Payroll and payroll taxes	47,910	140,104	148,190	822,997	187,928	287,918
Grants, public relations, and office expense	315,121	201,791	643,775	14,380	193,900	6,028
Transportation	9,478	60,378	-	409,211	320,654	81,352
Warehouse expense	1,075	-	-	48,477	-	66
Program supplies	60,886	342,233	148,432	46,891	231,332	-
Employee benefits	5,195	16,296	19,636	74,096	23,384	12,615
Professional services	-	12,000	-	11,474	1,692	3,202
Travel	8,430	18,070	14,197	4,438	18,289	1,246
Special event fundraising	7,079	8,675	-	-	-	122
Insurance	-	79	-	-	-	-
Depreciation	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Donor expense	-	-	-	-	-	-
Telephone and internet	-	-	-	-	-	-
Miscellaneous	-	27	-	494	30	10
Volunteer time	-	-	-	-	-	-
Gain on sale of property and equipment	-	-	-	-	-	-
<b>Total Functional Expenses</b>	<b>518,394</b>	<b>799,653</b>	<b>974,230</b>	<b>1,459,190</b>	<b>29,109,912</b>	<b>1,023,639</b>
Special event - direct benefit to donor	-	-	-	-	-	-
<b>TOTAL FUNCTIONAL EXPENSES, NET DIRECT BENEFIT TO DONORS</b>	<b>\$ 518,394</b>	<b>\$ 799,653</b>	<b>\$ 974,230</b>	<b>\$ 1,459,190</b>	<b>\$ 29,109,912</b>	<b>\$ 1,023,639</b>

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
66,975	205,146	1,907,168	450,473	240,780	2,598,421
149,336	939	1,525,270	156,381	547,698	2,229,349
-	18,513	899,586	66	-	899,652
-	318,235	367,853	-	-	367,853
15,801	-	845,575	2,000	5,653	853,228
7,758	4,201	163,181	62,830	23,774	249,785
9,000	-	37,368	85,532	-	122,900
13,419	32	78,121	52,334	26,884	157,339
-	-	15,876	3,800	71,162	90,838
-	-	79	31,684	-	31,763
-	-	-	34,139	-	34,139
-	-	-	14,168	-	14,168
-	-	-	-	-	-
-	-	-	906	-	906
98	-	659	1,744	2,509	4,912
-	-	-	-	-	-
-	-	-	-	-	-
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 STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2024 and 2023

	2024	2023
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 8,096,007	\$ (684,282)
Adjustments to reconcile change in net assets to net cash from operations:		
Contributed inventory	(43,470,444)	(27,899,987)
Inventory donated to beneficiaries	35,689,392	28,512,663
Depreciation	29,097	34,139
Noncash rent adjustment	(21,965)	(16,235)
Net investment return retained in certificate of deposit	(10,305)	(7,956)
(Increase) Decrease in:		
Contributions receivable	(69,413)	(175,124)
Accounts receivable	(65,097)	(27,105)
Purchased inventory	(293,263)	(365,394)
Prepaid expenses	(5,997)	2,293
Increase (Decrease) in:		
Accounts payable	56,863	43,065
Accrued payroll and payroll taxes	(9,824)	(30,391)
Net Cash (Used In) Operating Activities	(74,949)	(614,314)
<b>Cash Flows From Investing Activities</b>		
Net (increase) in notes receivable	(27,318)	(114,613)
Purchase of certificate of deposit	(39,265)	(250,000)
Net Cash (Used In) Investing Activities	(66,583)	(364,613)

See Notes to Consolidated Financial Statements

*Continued***2024****2023****Cash Flows From Financing Activities**

Net increase in obligation under line of credit agreement	<b>370,000</b>	-
Proceeds from issuance of long-term debt	-	118,000
Principal payments on finance lease agreement	<b>(21,111)</b>	(12,200)
Principal payments on long-term debt	<b>(23,272)</b>	(6,915)

Net Cash Provided By Investing Activities	<b>325,617</b>	98,885
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<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>184,085</b>	(880,042)
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<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>945,811</b>	1,825,853
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<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,129,896</b>	<b>\$ 945,811</b>
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**SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION**

Cash paid during the year for:

Interest	<b>\$ 27,773</b>	\$ 14,168
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Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	<b>\$ 196,976</b>	\$ 191,246
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Right-of-use assets obtained in exchange for lease obligations

Finance lease	<b>\$ 68,552</b>	\$ -
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## MATTER AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 1. Description of Organization and Summary of Significant Accounting Policies

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##### 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 4<sup>th</sup> 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)

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

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##### 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, MATTER 360 repurposing, and special events, 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)

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

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##### 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.

##### Accounts Receivable

Accounts receivable are carried at their outstanding principal amounts, less an allowance for credit losses. All accounts receivable are expected to be collected within one year of the consolidated statement of financial position date.

##### Notes Receivable

The organization has notes receivable from other nonprofit organizations located primarily in Africa. The notes are stated at unpaid principal balances, are generally unsecured, and charge interest at 6.38%.

## MATTER AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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##### Allowance for Credit Losses

The allowance for credit losses under the current expected credit loss (CECL) methodology is determined using the loss rate approach and is measured on a collective (pool) basis when similar risk characteristics exist. The loss rate percentages used are based on the history of credit loss expense, the aging of accounts and notes receivable, and the expectation of payments, with adjustments for current economic conditions and forecasts of future economic conditions. Where receivables do not share risk characteristics, they are evaluated on an individual basis. Amounts are deemed past due when they exceed the payment terms agreed to by the customer or borrower. The Organization has determined its estimate of expected losses over the remaining contractual life of its receivables is not significant to the financial statements. Based on this an allowance for credit losses is not considered necessary as of December 31, 2024 and 2023.

##### 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, 2024 and 2023 are recorded as inventory at the lower of their approximate current fair value or their approximate fair value at the date of the contribution. The Organization believes that this approximates the lower of cost or net realizable value in the market. Donated inventories are expected to be distributed in the following year. The value of the donated inventory represents a significant estimate which could change in the near term. Purchased inventory is stated at the lower of cost or net realizable value. Purchased inventory consists primarily of food.

##### Property and Equipment

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

##### 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.

## MATTER AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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##### Leases (continued)

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)

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

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##### 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)

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

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##### 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 (including certificates of deposit) 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, 2024 and 2023, the Organization had cash and cash equivalent balances of approximately \$1,109,000 and \$910,000, 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)

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

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##### 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 consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 30, 2025, the date the consolidated financial statements were available to be issued.



## MATTER AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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#### 2. Liquidity and Availability

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The following reflects the Organization's financial assets as of December 31, 2024 and 2023, 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.

	2024	2023
Financial assets, end of year	<b>\$ 2,165,029</b>	\$ 1,769,546
Less those unavailable for general expenditures within one year due to:		
Restrictions due to purpose or time	<b>920,718</b>	528,151
Financial assets available to meet cash needs for general expenditures within one year	<b><u>\$ 1,244,311</u></b>	<b><u>\$ 1,241,395</u></b>

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.

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#### 3. Fair Value Measurements

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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)

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#### 3. Fair Value Measurements (Continued)

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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, 2024.

**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 following table reflects the Organization's investments within the fair value hierarchy at December 31, 2024 and 2023:

	As of December 31, 2024			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Certificate of deposit	\$ 307,526	\$ -	\$ 307,526	\$ -

  

	As of December 31, 2024			
	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 \$494,000 and \$424,000 at December 31, 2024 and 2023, respectively. One donor comprised 29% and 22% of the Organization's contributions receivable at December 31, 2024 and 2023, respectively.

#### 5. Purchased and Donated Inventory

Inventory as of December 31, 2024 and 2023 consisted of the following:

	2024	2023
Purchased Inventory		
Food	\$ 83,778	\$ 32,494
Innovation Hub supplies	77,478	-
Donated Inventory		
Medical supplies	18,412,494	10,466,941
Total Inventory	<u>\$ 18,573,750</u>	<u>\$ 10,499,435</u>

## MATTER AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 6. Property and Equipment

Property and equipment as of December 31, 2024 and 2023 consisted of the following:

	2024	2023
Leasehold improvements	\$ 121,477	\$ 121,477
Machinery and equipment	29,831	29,831
Vehicles	174,710	106,158
Furniture and fixtures	48,858	48,858
Total	374,876	306,324
Less: Accumulated Depreciation	272,714	243,617
Property and Equipment, net of depreciation	102,162	62,707
Operating lease right-of-use asset	316,024	484,294
Property and equipment, net	\$ 418,186	\$ 547,001

Depreciation expense for the years ended December 31, 2024 and 2023 was \$29,097 and \$34,139, respectively.

#### 7. Long-Term Debt

The Organization's long-term debt as of December 31, 2024 and 2023 was as follows:

	2024	2023
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.	\$ 148,673	\$ 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.	89,140	111,085
Total	237,813	261,085
Less: Current portion	23,889	22,007
Long-Term Debt, Net	\$ 213,924	\$ 239,078

## MATTER AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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#### 7. Long-Term Debt (Continued)

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Maturities of long-term debt as of December 31, 2024, were as follows:

<u>Year Ending December 31,</u>	<u>Amounts</u>
2025	\$ 23,889
2026	28,715
2027	30,516
2028	17,584
2029	3,934
Thereafter	<u>133,175</u>
Total	<u>\$ 237,813</u>

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#### 8. Line of Credit Agreements

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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, 2026, bears interest at the Prime Rate as published by the Wall Street Journal (7.50% as of December 31, 2024), but not less than 5.00%. The note is secured by substantially all of the Organization's assets.

The Organization has a second revolving line of credit agreement with its bank, under which it may borrow up to \$370,000. The line, which matures on July 31, 2027, bears interest at the Prime Rate as published by the Wall Street Journal (7.50% as of December 31, 2024) less 0.75%. The note is guaranteed by a donor of the Organization.

The Organization had outstanding draws on all lines of credit of \$370,000 as of December 31, 2024. The Organization had no outstanding draws on any of its lines of credit as of December 31, 2023.

## MATTER AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 9. Net Assets

Net assets with donor restrictions as of December 31, 2024 and 2023 consisted of the following:

	2024	2023
Innovation hub	\$ 416,853	\$ 232,123
Hospitals and clinics	75,470	117,965
You Matter	209,647	83,457
Agriculture	26,390	43,144
Senegal project	7,910	31,462
Insight trips	37,784	20,000
MATTER loans	50,000	-
MATTERbox	40,000	-
GHI - Binga	56,664	-
Total Net Assets With Donor Restrictions	<u>\$ 920,718</u>	<u>\$ 528,151</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, 2024 and 2023 and consisted of the following:

	2024	2023
Hospitals and clinics	\$ 42,495	\$ 12,117
Senegal project	23,552	480,216
Agriculture	16,755	-
Innovation hub	-	275,885
MATTER360	-	6,650
Total Net Assets Released from Restrictions	<u>\$ 82,802</u>	<u>\$ 774,868</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, 2024 and 2023 were as follows:

	2024	2023
Operating lease cost	\$ 175,011	\$ 175,011
Variable operating lease costs	152,083	120,668
Total Rent Expense	<u>\$ 327,094</u>	<u>\$ 295,679</u>

The weighted average remaining lease term for the operating lease as of December 31, 2024 and 2023 was 1.8 years and 2.8 years, respectively. The weighted average discount rate for the operating lease as of December 31, 2024 and 2023 was 1.47%.

Future minimum commitments for payment of rent under the operating lease are as follows at December 31, 2024:

Year Ending December 31,	Totals
2025	\$ 202,886
2026	173,280
Total	376,166
Less: imputed interest	4,831
Total	<u>\$ 371,335</u>

## MATTER AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 10. Leases (Continued)

##### Finance Leases

The Organization's finance lease obligations as of December 31, 2024 and 2023 consisted of the following:

	<b>2024</b>	<b>2023</b>
Truck lease, payable in monthly installments of \$1,400, including interest at 8.868%, to January 2027	<b>\$ 31,849</b>	\$ 45,176
Forklift lease, payable in monthly installments of \$1,013 including interest at 4.81%, to April 2029	<b>47,653</b>	-
Forklift lease, payable in monthly installments of \$269 including interest at 4.72%, to June 2029	<b>13,115</b>	-
Total	<b>92,617</b>	45,176
Less: Current portion	<b>27,371</b>	13,327
Long-Term Finance Lease Obligation, net	<b>\$ 65,246</b>	\$ 31,849

The weighted average remaining lease term for finance leases as of December 31, 2024 and 2023 was 3.6 years and 3.1 years, respectively. The weighted average discount rate for finance leases as of December 31, 2024 and 2023 was 6.19% and 8.87%, respectively.



## MATTER AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 10. Leases (Continued)

##### Finance Leases (continued)

Future minimum lease payments for the finance lease obligations as of December 31, 2024 were as follows:

<u>Year Ending December 31,</u>	<u>Amounts</u>
2025	\$ 32,184
2026	32,184
2027	16,784
2028	15,384
2029	<u>5,666</u>
Total lease payments	102,202
Less: Amounts representing interest	<u>9,585</u>
Subtotal	92,617
Less: Current portion	<u>27,371</u>
Long-Term Finance Lease Obligation, net	<u><u>\$ 65,246</u></u>

Property and equipment held under finance lease obligations as of December 31, 2024 and 2023, included in property and equipment in the accompanying consolidated statements of financial position, was as follows:

	<u>2024</u>	<u>2023</u>
Vehicles	\$ 146,502	\$ 77,950
Less: Accumulated depreciation	<u>67,339</u>	<u>43,089</u>
Property and Equipment Under Finance Leases, net	<u><u>\$ 79,163</u></u>	<u><u>\$ 34,861</u></u>

Depreciation expense related to finance leases for the years ended December 31, 2024 and 2023 was \$24,250 and \$15,590, 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 \$146,128 and \$127,916 to its retirement plans for the benefit of employees for the years ended December 31, 2024 and 2023, respectively.

## **MATTER AND SUBSIDIARY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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#### **12. Gifts In-Kind**

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The Organization received gifts-in-kind (primarily medical equipment and supplies) for the years ended December 31, 2024 and 2023 of approximately \$47,600,000 and \$28,300,000, respectively. 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, 2024 and 2023.

The Organization has donated or plans to donate a large portion of these gifts-in-kind to other beneficiaries. Donations to beneficiaries include medical equipment donated to beneficiaries in foreign countries and clothing, food, and household items distributed primarily to other nonprofit organizations in Minnesota. Donations to beneficiaries expense totaled approximately \$39,802,000 and \$28,933,000 for the years ended December 31, 2024 and 2023, respectively.

In addition, a 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 monetized contributed nonfinancial assets of approximately \$3,671,000 and \$2,981,000 during the years ended December 31, 2024 and 2023, respectively.

The Organization typically 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, 2024 and 2023, the Organization recognized approximately \$19,000 and \$61,000, respectively, of donated services.

## **MATTER AND SUBSIDIARY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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#### **13. Related Party Transactions**

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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, 2024 and 2023, was approximately \$327,000 and \$296,000, respectively, all of which is with the related company and which includes lease operating costs (executory costs) of approximately \$152,000 and \$121,000, respectively.

During the years ended December 31, 2024 and 2023, the Organization received contributions from board members of approximately \$82,000 and \$181,000, respectively.

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#### **14. Revenue and Contract Balances**

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Performance obligations satisfied at a point in time totaled \$3,933,747 and \$3,366,042 for the years ended December 31, 2024 and 2023, respectively.

Revenue from performance obligations satisfied at a point in time consists of registrations for a mission trip, MATTER 360 Repurposing, and the Organization's special events.