

OPEN ARMS OF MINNESOTA
AUDITED FINANCIAL STATEMENTS
June 30, 2019 and December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
Open Arms of Minnesota
Minneapolis, Minnesota

We have audited the accompanying financial statements of Open Arms of Minnesota (a non-profit organization), which comprise the statements of financial position as of June 30, 2019 and December 31, 2018, and the related statements of activities, cash flows, and functional expenses for the fiscal years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Open Arms of Minnesota as of June 30, 2019 and December 31, 2018, and the changes in its net assets and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Hamington Langer & Associates

October 10, 2019

OPEN ARMS OF MINNESOTA
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and December 31, 2018

	6/30/19	12/31/18
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 213,102	\$ 302,111
Grants and contributions receivable	216,241	112,312
Accounts receivable	76,039	81,263
Inventory	184,239	175,614
Prepaid expenses	6,507	7,183
TOTAL CURRENT ASSETS	696,128	678,483
PROPERTY AND EQUIPMENT, net	4,820,722	4,898,337
OTHER ASSETS		
Beneficial interest in charitable remainder trust	110,387	108,205
Pledges receivable, net of current portion, and discount	19,121	-
TOTAL OTHER ASSETS	129,508	108,205
TOTAL ASSETS	\$ 5,646,358	\$ 5,685,025

	<u>6/30/19</u>	<u>12/31/18</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 146,434	\$ 169,859
Notes payable, current portion	645,473	62,535
Accrued expenses	129,818	122,638
Line of credit	150,000	150,000
Deferred revenue	26,259	50,150
	<u>1,097,984</u>	<u>555,182</u>
TOTAL CURRENT LIABILITIES		
	<u>1,097,984</u>	<u>555,182</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion	-	539,083
Less loan origination fees, net	-	(1,342)
	<u>-</u>	<u>(1,342)</u>
TOTAL LONG-TERM LIABILITIES		
	<u>-</u>	<u>537,741</u>
TOTAL LIABILITIES		
	<u>1,097,984</u>	<u>1,092,923</u>
NET ASSETS		
Without donor restrictions	4,289,868	4,347,897
With donor restrictions	258,506	244,205
	<u>4,548,374</u>	<u>4,592,102</u>
TOTAL NET ASSETS		
	<u>4,548,374</u>	<u>4,592,102</u>
TOTAL LIABILITIES AND NET ASSETS		
	<u>\$ 5,646,358</u>	<u>\$ 5,685,025</u>

OPEN ARMS OF MINNESOTA
STATEMENT OF ACTIVITIES
For the Six Months Ended June 30, 2019
(With Comparative Totals for the Year ended December 31, 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 6/30/19</u>	<u>Total 12/31/18</u>
REVENUE AND SUPPORT				
Grants and contributions	\$ 586,581	\$ 128,119	\$ 714,700	\$ 1,432,780
Program service fees	412,017	-	412,017	786,744
Special events, net of direct costs of \$145,608 and \$252,251, respectively	334,486	-	334,486	581,836
In-kind donations	5,744	-	5,744	26,508
Earned income	51,680	-	51,680	125,439
Service contract	716,119	-	716,119	1,338,467
Miscellaneous	894	-	894	21,293
Change in value of beneficial interest in charitable remainder trust	-	2,182	2,182	2,139
Net assets released from restrictions	116,000	(116,000)	-	-
TOTAL REVENUE AND SUPPORT	<u>2,223,521</u>	<u>14,301</u>	<u>2,237,822</u>	<u>4,315,206</u>
EXPENSES				
Program services	1,936,611	-	1,936,611	3,789,267
Management and general	101,422	-	101,422	212,393
Fundraising	243,517	-	243,517	489,041
TOTAL EXPENSES	<u>2,281,550</u>	<u>-</u>	<u>2,281,550</u>	<u>4,490,701</u>
CHANGE IN NET ASSETS	(58,029)	14,301	(43,728)	(175,495)
NET ASSETS, BEGINNING OF YEAR	<u>4,347,897</u>	<u>244,205</u>	<u>4,592,102</u>	<u>4,767,597</u>
NET ASSETS, END OF YEAR	<u>\$ 4,289,868</u>	<u>\$ 258,506</u>	<u>\$ 4,548,374</u>	<u>\$ 4,592,102</u>

OPEN ARMS OF MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 1,296,780	\$ 136,000	\$ 1,432,780
Program service fees	786,744	-	786,744
Special events, net of direct costs of \$252,251	581,836	-	581,836
In-kind donations	26,508	-	26,508
Earned income	125,439	-	125,439
Service contract	1,338,467	-	1,338,467
Miscellaneous	21,293	-	21,293
Change in value of beneficial interest in charitable remainder trust	-	2,139	2,139
Net assets released from restrictions	8,500	(8,500)	-
	4,185,567	129,639	4,315,206
TOTAL REVENUE AND SUPPORT			
EXPENSES			
Program services	3,789,267	-	3,789,267
Management and general	212,393	-	212,393
Fundraising	489,041	-	489,041
	4,490,701	-	4,490,701
TOTAL EXPENSES			
CHANGE IN NET ASSETS	(305,134)	129,639	(175,495)
NET ASSETS, BEGINNING OF YEAR	4,653,031	114,566	4,767,597
NET ASSETS, END OF YEAR	\$ 4,347,897	\$ 244,205	\$ 4,592,102

OPEN ARMS OF MINNESOTA
STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2019 and
Year Ended December 31, 2018

	6/30/19	12/31/18
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (43,728)	\$ (175,495)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	97,168	188,688
Loss on disposal of equipment	-	14,710
Change in value of beneficial interest in charitable remainder trust	(2,182)	(2,139)
(Increase) Decrease in:		
Grants and contribution receivable	(103,929)	1,601
Accounts receivable	(13,897)	-
Inventory	(8,625)	(50,604)
Prepaid expenses	676	(544)
(Decrease) Increase in:		
Accounts payable	(23,425)	49,483
Accrued expenses	7,180	(10,270)
Deferred revenue	(23,891)	(43,575)
	<u>(114,653)</u>	<u>(28,145)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(18,748)	(103,888)
	<u>(18,748)</u>	<u>(103,888)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	75,000	-
Principal payments on notes payable	(30,608)	(9,228)
	<u>44,392</u>	<u>(9,228)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
	<u>(89,009)</u>	<u>(141,261)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>302,111</u>	<u>443,372</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 213,102</u>	<u>\$ 302,111</u>
SUPPLEMENTAL CASH FLOWS DISCLOSURES		
Interest paid	\$ 21,891	\$ 43,760

OPEN ARMS OF MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
For the Six Months Ended June 30, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	Program Services	Management and General	Fundraising	Total 6/30/19	Total 12/31/18
Salaries and taxes	\$ 839,838	\$ 64,603	\$ 172,274	\$1,076,715	\$2,095,716
Benefits	112,543	6,252	6,252	125,047	261,477
Total Personnel Expenses	952,381	70,855	178,526	1,201,762	2,357,193
Containers and paper costs	96,979	-	-	96,979	182,114
Food and pantry	519,214	-	-	519,214	1,072,887
Furniture and equipment, rental and maintenance	46,017	2,557	2,557	51,131	96,538
Insurance	12,700	706	706	14,112	27,728
Kitchen supplies	34,968	-	-	34,968	82,749
Loss on disposal of equipment	-	-	-	-	14,710
Miscellaneous	2,778	8,333	44,442	55,553	130,893
Occupancy	53,797	3,587	2,391	59,775	111,766
Office expense	28,556	1,586	1,586	31,728	91,873
Open Farms	7,245	-	-	7,245	13,020
Postage	7,733	546	819	9,098	13,002
Printing	19,098	1,797	1,573	22,468	28,943
Professional fees	53,649	2,981	2,981	59,611	33,086
Staff mileage and travel	4,829	268	268	5,365	22,954
Telephone and internet	7,364	433	866	8,663	14,538
Volunteer expenses	6,710	-	-	6,710	8,019
Depreciation and amortization	82,593	7,773	6,802	97,168	188,688
Special events	-	-	145,608	145,608	252,251
Total Expenses by Function	1,936,611	101,422	389,125	2,427,158	4,742,952
Less expenses included with revenues on the statements of activities					
Special events	-	-	(145,608)	(145,608)	(252,251)
Total expenses included in the expense section on the statement of activities	\$1,936,611	\$ 101,422	\$ 243,517	\$2,281,550	\$4,490,701

OPEN ARMS OF MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services	Management and General	Fundraising	Total
Salaries and taxes	\$ 1,634,658	\$ 125,743	\$ 335,315	\$ 2,095,716
Benefits	235,329	13,074	13,074	261,477
Total Personnel Expenses	1,869,987	138,817	348,389	2,357,193
Containers and paper costs	182,114	-	-	182,114
Food and pantry	1,072,887	-	-	1,072,887
Furniture and equipment, rental and maintenance	86,884	4,827	4,827	96,538
Insurance	24,956	1,386	1,386	27,728
Kitchen supplies	82,749	-	-	82,749
Loss on disposal of equipment	-	14,710	-	14,710
Miscellaneous	6,545	19,634	104,714	130,893
Occupancy	100,589	6,706	4,471	111,766
Office expense	82,685	4,594	4,594	91,873
Open Farms	13,020	-	-	13,020
Postage	11,052	780	1,170	13,002
Printing	24,602	2,315	2,026	28,943
Professional fees	29,778	1,654	1,654	33,086
Staff mileage and travel	20,658	1,148	1,148	22,954
Telephone and internet	12,357	727	1,454	14,538
Volunteer expenses	8,019	-	-	8,019
Depreciation and amortization	160,385	15,095	13,208	188,688
Special events	-	-	252,251	252,251
Total Expenses by Function	3,789,267	212,393	741,292	4,742,952
Less expenses included with revenues on the statements of activities Special events	-	-	(252,251)	(252,251)
Total expenses included in the expense section on the statement of activities	\$ 3,789,267	\$ 212,393	\$ 489,041	\$ 4,490,701

OPEN ARMS OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Mission: With open arms we nourish body, mind, and soul.

Vision: We see a world of abundance where people won't go hungry.

Nature of Activities:

Open Arms of Minnesota (the Organization) accomplishes its mission by preparing and delivering safe, healthy, delicious, and nutritious meals to people living with chronic and progressive diseases including HIV/AIDS, breast cancer, multiple sclerosis (MS) and amyotrophic lateral sclerosis (ALS). The food service program provides two meals, plus a meal enhancement and some breakfast items each day, Monday through Friday, the equivalent of 12 meals per week. The Organization delivered 251,954 and 624,787 meals for the six months ended June 30, 2019 and year ended December 31, 2018, respectively. Clients are referred to the Organization through a doctor, caseworker, or social worker. The Organization serves people living with disease along with their dependent children and/or affected caregivers throughout the Twin Cities metropolitan area.

Basis of Presentation:

The financial statements of Open Arms of Minnesota have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities.

Year End Change:

During 2019, the Organization changed its fiscal year end from December 31 to June 30.

OPEN ARMS OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

**NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Revenue Recognition and Expenses:

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

The Organization recognizes revenue from exchange transactions, primarily meal delivery, event income, facilities rental, catering and food product sales, as the goods and services are provided to the client or customer.

The Organization periodically hosts fundraising events. The funds raised from these events are used for the Organization's primary activity and general operations.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

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 reported amounts and disclosures in these financial statements. Actual results could differ from those estimates.

OPEN ARMS OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

**NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Tax-Exempt Status:

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar Minnesota Statutes, except to the extent it has taxable income that is not related to its tax-exempt purpose. Unrelated business income is taxed at federal and state corporate income tax rates. The receipt from income from non-exempt rentals, other food and catering items are subject to taxation as unrelated business income. The Organization did not incur any income tax from unrelated business income.

The Organization has been classified as an Organization that is not a private foundation under the IRC and charitable contributions by donors are tax deductible.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) for uncertain position that more likely than not would not be sustained upon examination by the applicable tax authorities. Federal and state tax authorities generally have the right to examine the current and three previous years of income tax returns. The Organization is not currently under examination by any taxing jurisdiction.

Cash and Cash Equivalents:

For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash balances at a financial institution insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2019 and December 31, 2018, the Organization had no uninsured cash balances.

Grants and Pledges Receivable:

Bad debts are recorded on the allowance method based on historical experience and management's evaluation of outstanding receivables. At June 30, 2019 and December 31, 2018, management considered all outstanding amounts to be fully collectible. Accordingly, there was no allowance for doubtful accounts. Receivables at June 30, 2019 and December 31, 2018 were all due in less than one year.

Inventories:

Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out method.

OPEN ARMS OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Property and Equipment:

All major expenditures for property and equipment are capitalized at cost. Equipment and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair market values at the date they are received. Depreciation is provided on the straight-line method over the estimated useful lives of the assets of 3-39 years. Whenever assets are retired or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in the financial statements for the period. The cost of maintenance and repairs is charged to expense as incurred.

Deferred Revenue:

Deferred revenue represents special event fees which have been received, but for which the prescribed services have not yet been completed. These fees will be recognized as income when these services are provided.

Government Grants and Contracts:

Government grants and contract funds are recorded as revenue when earned as an exchange transaction. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time assessment is made.

Functional Expenses:

Expenses are charged to program services based on direct expenditures incurred whenever possible. Any expenditures not directly chargeable are allocated to program services based on management's analysis and estimates of direct personnel hours and labor-related costs. These estimates are revised by management, as necessary, to reflect the current state of the Organization and to provide accurate expense allocations.

OPEN ARMS OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

New Accounting Pronouncement:

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update affects all entities that enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. Revenue is recognized when the entity satisfies a performance obligation by transferring promised goods or services to customers (which is when the customer obtains control of the goods or services). Adoption of this ASU had not effect on amounts previously reported.

Subsequent Events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 10, 2019, the date the financial statements were available to be issued.

NOTE 2. PLEDGES RECEIVABLE

Outstanding pledge contributions from various foundations and individuals at June 30, 2019 and December 31, 2018 were as follows:

	<u>6/30/19</u>	<u>12/31/18</u>
Pledges due in:		
Less than one year	\$ 80,000	\$ -
One to five years	<u>25,000</u>	<u>-</u>
	105,000	-
Less: discount to net present value	<u>(5,879)</u>	<u>-</u>
	<u><u>\$ 99,121</u></u>	<u><u>\$ -</u></u>

The present value of pledges receivable has been calculated using an interest rate of 5.50%, which approximates the Federal Reserve five-year Treasury bill. At June 30, 2019 and December 31, 2018, management considered all outstanding amounts to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

OPEN ARMS OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVENTORY

At June 30, 2019 and December 31, 2018, inventory consisted of the following:

	6/30/19	12/31/18
Food items	\$ 54,735	\$ 47,712
Packaged meals	129,504	127,902
	\$ 184,239	\$ 175,614

NOTE 4. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets available for general expenditure within one year.

	6/30/19	12/31/18
Financial assets at year-end		
Cash and cash equivalents	\$ 213,102	\$ 302,111
Grants receivable	212,280	193,575
Pledges receivable	80,000	-
Total financial assets	505,382	495,686
Less amounts not available to be used within one year		
Net assets with donor restrictions	258,506	244,205
Less net assets with restrictions to be met in less than one year	(258,506)	(244,205)
Financial assets available to meet general expenditures within one year	\$ 505,382	\$ 495,686

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses.

OPEN ARMS OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 5. BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

The Organization has been named as one of three beneficiaries of a charitable remainder trust. This trust will terminate and the principal will be distributed upon the death of the donor. This is an irrevocable trust recorded at net present value. The recordable interest is as follows at June 30, 2019 and December 31, 2018:

	6/30/19	12/31/18
Principal value of trust	\$ 155,000	\$ 155,000
Less: discount at 4%	(44,613)	(46,795)
Present value of trust	\$ 110,387	\$ 108,205

NOTE 6. PROPERTY AND EQUIPMENT

At June 30, 2019 and December 31, 2018, property and equipment consisted of the following:

	6/30/19	12/31/18
Land	\$ 705,000	\$ 705,000
Building and building improvements	5,408,468	5,397,526
Furniture and equipment	155,461	152,608
Kitchen equipment	244,443	239,488
Vehicles	52,668	52,668
Farm equipment	12,823	12,823
	6,578,863	6,560,113
Less: accumulated depreciation	(1,758,141)	(1,661,776)
	\$4,820,722	\$4,898,337

Depreciation expense was \$96,363 and \$187,077 for the six months ended June 30, 2019 and year ended December 31, 2018, respectively.

OPEN ARMS OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 7. INVESTMENTS

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

When available, the Plan measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for when Level 1 inputs are not available. Level 3 inputs would only be used if Level 1 or Level 2 inputs were not available.

Investments are stated at fair market value, which is based on quoted market prices at June 30, 2019 and December 31, 2018. All investments are Level 3 assets.

The table below presents information about the changes in the beneficial interest in charitable remainder trust which is measured at fair value on a recurring basis using significant unobservable inputs. These unobservable inputs include an estimated discount rate of 4%, as well as an estimated life expectancy of the donor, which is derived from the Social Security Administration actuarial life expectancy table.

	Amount
Balance, January 1, 2018	\$ 106,066
Change in value in beneficial trust	2,139
Balance, January 1, 2019	108,205
Change in value in beneficial trust	2,182
Balance, June 30, 2019	\$ 110,387

NOTE 8. LOAN ORIGINATION FEES

The Organization incurred loan origination fees of \$8,055, which consist of loan costs covering interest and costs incurred securing the loan. These fees are amortized equally over the term of the loan and, for financial statement purposes, are netted against the related loan amount. Amortization expense was \$805 and \$1,611 for the six months ended June 30, 2019 and year ended December 31, 2018, respectively. There is estimated future amortization expense of \$537 for the year ending June 30, 2020.

OPEN ARMS OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 9. LINE OF CREDIT

During the six months ended June 30, 2019 and year ended December 31, 2018, the Organization has a \$150,000 line of credit agreement with the Propel Nonprofits which expires February 29, 2020. Advances on the line of credit are subject to interest at 5.50% per annum. The Organization had outstanding amounts of \$150,000 on this line of credit agreement at both June 30, 2019 and December 31, 2018.

NOTE 10. NOTES PAYABLE

Notes payable consisted of the following at June 30, 2019 and December 31, 2018:

	6/30/19	12/31/18
Note payable, Propel Nonprofit, in monthly installments of \$2,850 and a final installment of \$442,187, including a fixed interest rate of 5.5%. The note matures February 29, 2020 and is secured by land and a building.	\$ 447,101	\$ 451,618
 Note payable, Propel Nonprofit, in monthly installments of \$5,000 and a final installment of \$92,442, including a fixed interest rate of 5.5%. The note matures February 29, 2020 and is secured by land and a building.	 123,909	 150,000
 Note payable, Propel Nonprofit, interest only at 6.5%, with a final installment of \$75,000 due in July 2019. This note is secured by assets of the organization	 <u>75,000</u>	 <u>-</u>
	 646,010	 601,618
Less: current portion	(645,473)	(62,535)
Less: loan origination fees, net	<u>(537)</u>	<u>(1,342)</u>
	 <u>\$ -</u>	 <u>\$ 537,741</u>

The Organization has future maturities of \$645,473 on this long-term debt due during the year ending June 30, 2020. The Organization expects the loans maturing in February 2020 to be refinanced on similar terms for a period of at least five years, as the relationship with Propel Nonprofit is excellent, and all payments on the current note have been made timely.

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NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2019 and December 31, 2018, net assets with donor restrictions consisted of the following:

	6/30/19	12/31/18
Specific Purpose		
Capital improvements	\$ 10,000	\$ 10,000
Provide prepared meals to clients	30,000	26,000
Health care program	-	10,000
Capacity	20,000	20,000
Open Farm expansion	69,119	-
Time restricted	129,387	178,205
	\$ 258,506	\$ 244,205

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the six months ended June 30, 2019 and year ended December 31, 2018:

	6/30/19	12/31/18
Specific Purpose		
Dan Wu volunteer lounge	\$ -	\$ 8,500
Provide prepared meals to clients	26,000	-
Health care program	10,000	-
Capacity	10,000	-
Time restricted	70,000	-
	\$ 116,000	\$ 8,500

NOTE 12. OPERATING LEASES

The Organization leases office equipment under operating leases that expire in November 2019. There are future rent commitments of \$3,226 on these leases for the year ending June 30, 2020. Rent expense under these leases was \$5,352 and \$19,497 for the six months ended June 30, 2019 and year ended December 31, 2018, respectively.

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NOTE 13. IN-KIND CONTRIBUTIONS

The Organization records in-kind contributions at fair market value at the date of the donation. In-kind contributions included the following for the six months ended June 30, 2019 and year ended December 31, 2018:

	6/30/19	12/31/18
Food	\$ 5,744	\$ 20,077
Supplies	-	6,431
	\$ 5,744	\$ 26,508

During the six months ended June 30, 2019 and year ended December 31, 2018, the Organization received in-kind contributions for a special event of \$34,518 and \$60,731, respectively. Both the revenue and expense are reported on the statements of activities as special events revenue and expense. The Organization's home-delivered meals program is performed primarily by volunteers. The value of these volunteer hours are not reflected in the financial statements because they are not amenable to objective measurement. For the six months ended June 30, 2019, management estimates approximately 2,023 volunteers worked 31,782 hours in kitchen meal prep work, meal deliveries, and administrative volunteer services, which translates to approximately 30 FTE's (Full Time Equivalent staff positions). For the year ended December 31, 2018, management estimates approximately 7,540 volunteers worked 70,421 hours in kitchen meal prep work, meal deliveries, and administrative volunteer services, which translates to approximately 34 FTE's (Full Time Equivalent staff positions).

NOTE 14. EMPLOYEE BENEFIT PLAN

The Organization has a 403(b) Retirement Plan. The plan covers those employees who meet certain eligibility requirements as defined in the plan. Employer contributions are discretionary. The Organization made no contributions to the plan for the years ended June 30, 2019 and December 31, 2018.