

OPEN ARMS OF MINNESOTA
AUDITED FINANCIAL STATEMENTS
June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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.

Prior Period Adjustment

As discussed in Note 15 to the financial statements, a prior period adjustment was made to remove the value of a charitable remainder trust account. Our opinion is not modified with respect to this matter.

Harrington Langer & Associates

October 20, 2021

OPEN ARMS OF MINNESOTA
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,850,284	\$ 1,443,651
Accounts receivable	124,705	110,826
Contributions receivable	983,314	604,694
Inventory	176,556	191,260
Prepaid expenses	54,724	16,651
TOTAL CURRENT ASSETS	3,189,583	2,367,082
PROPERTY AND EQUIPMENT, net	3,627,960	4,686,906
OTHER ASSETS		
Contributions receivable, net of current portion and discount	139,639	132,005
TOTAL ASSETS	\$ 6,957,182	\$ 7,185,993
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 297,772	\$ 187,038
Notes payable, current portion	-	40,831
Accrued expenses	110,974	218,227
Line of credit	-	150,000
TOTAL CURRENT LIABILITIES	408,746	596,096
LONG-TERM LIABILITIES		
Notes payable, net of current portion	-	481,319
TOTAL LIABILITIES	408,746	1,077,415
NET ASSETS		
Without donor restrictions	5,365,123	4,818,283
With donor restrictions	1,183,313	1,290,295
TOTAL NET ASSETS	6,548,436	6,108,578
TOTAL LIABILITIES AND NET ASSETS	\$ 6,957,182	\$ 7,185,993

OPEN ARMS OF MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2021</u>	<u>Total 2020</u>
REVENUE AND SUPPORT				
Contributions	\$ 1,370,149	\$ 179,000	\$ 1,549,149	\$ 2,077,931
Capacity campaign contributions	-	754,118	754,118	1,282,533
Government grants and contributions	4,079,808	-	4,079,808	1,523,508
Special events, net of direct costs of \$121,610 and \$70,758, respectively	239,841	-	239,841	187,904
In-kind donations	10,507	-	10,507	95,022
Earned income	57,339	-	57,339	96,669
Service contracts	2,519,556	-	2,519,556	1,617,595
Miscellaneous	3,004	-	3,004	2,923
Impairment loss on building	(1,224,341)	-	(1,224,341)	-
Net assets released from restrictions	1,040,100	(1,040,100)	-	-
TOTAL REVENUE AND SUPPORT	<u>8,095,963</u>	<u>(106,982)</u>	<u>7,988,981</u>	<u>6,884,085</u>
EXPENSES				
Program services	6,370,632	-	6,370,632	4,337,856
Management and general	326,584	-	326,584	232,427
Fundraising	851,907	-	851,907	643,212
TOTAL EXPENSES	<u>7,549,123</u>	<u>-</u>	<u>7,549,123</u>	<u>5,213,495</u>
CHANGE IN NET ASSETS	546,840	(106,982)	439,858	1,670,590
NET ASSETS, BEGINNING OF YEAR	<u>4,818,283</u>	<u>1,290,295</u>	<u>6,108,578</u>	<u>4,548,374</u>
NET ASSETS, END OF YEAR	<u>\$ 5,365,123</u>	<u>\$ 1,183,313</u>	<u>\$ 6,548,436</u>	<u>\$ 6,218,964</u>

OPEN ARMS OF MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 1,795,863	\$ 282,068	\$ 2,077,931
Capacity campaign contributions	274,305	1,008,228	1,282,533
Government grants and contributions	1,523,508	-	1,523,508
Special events, net of direct costs of \$70,758	187,904	-	187,904
In-kind donations	95,022	-	95,022
Earned income	96,669	-	96,669
Service contracts	1,617,595	-	1,617,595
Miscellaneous	2,923	-	2,923
Net assets released from restrictions	148,121	(148,121)	-
TOTAL REVENUE AND SUPPORT	5,741,910	1,142,175	6,884,085
EXPENSES			
Program services	4,337,856	-	4,337,856
Management and general	232,427	-	232,427
Fundraising	643,212	-	643,212
TOTAL EXPENSES	5,213,495	-	5,213,495
CHANGE IN NET ASSETS	528,415	1,142,175	1,670,590
NET ASSETS, BEGINNING OF YEAR	4,289,868	258,506	4,548,374
Prior period adjustment (see Note 15)	-	(110,386)	(110,386)
NET ASSETS, END OF YEAR	\$ 4,818,283	\$ 1,290,295	\$ 6,108,578

OPEN ARMS OF MINNESOTA
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 439,858	\$ 1,670,590
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	249,458	196,504
Discount to present value	7,975	17,995
Impairment loss on building	1,224,341	-
(Increase) Decrease in:		
Accounts receivable	(21,513)	(11,430)
Contributions receivable	(386,595)	(542,690)
Inventory	14,704	(7,021)
Prepaid expenses	(38,073)	(10,144)
(Decrease) Increase in:		
Accounts payable	110,734	40,605
Accrued expenses	(107,253)	88,409
Deferred revenue	-	(26,259)
	1,493,636	1,416,559
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(414,853)	(61,104)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	(150,000)	-
Principal payments on notes payable	(522,150)	(124,906)
	(672,150)	(124,906)
INCREASE IN CASH AND CASH EQUIVALENTS	406,633	1,230,549
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,443,651	213,102
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,850,284	\$ 1,443,651
SUPPLEMENTAL CASH FLOWS DISCLOSURES		
Interest paid	\$ 18,946	\$ 38,643
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES		
Notes payable refinanced	\$ -	\$ 529,244

OPEN ARMS OF MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Program Services	Management and General	Fundraising	Total 2021	Total 2020
Salaries and taxes	\$2,676,791	\$ 205,907	\$ 549,085	\$3,431,783	\$2,488,465
Benefits	362,996	20,167	20,167	403,330	279,867
 Total Personnel Expenses	 3,039,787	 226,074	 569,252	 3,835,113	 2,768,332
Containers and paper costs	337,437	-	-	337,437	222,902
Food and pantry	1,680,245	-	-	1,680,245	1,147,364
Furniture and equipment, rental and maintenance	140,445	7,803	7,803	156,051	163,686
Insurance	34,923	1,940	1,940	38,803	29,836
Kitchen supplies	115,315	-	-	115,315	78,547
Miscellaneous	5,258	15,773	84,122	105,153	130,082
Occupancy	109,384	7,292	4,862	121,538	90,958
Office expense	252,676	14,038	14,038	280,752	125,228
Open Farms	11,120	-	-	11,120	8,162
Shipping and Postage	196,780	13,890	20,836	231,506	15,097
Printing	31,075	2,925	2,559	36,559	22,162
Professional fees	82,566	10,472	116,397	209,435	163,861
Staff mileage and travel	3,669	204	204	4,077	13,776
Telephone and internet	105,667	6,216	12,432	124,315	18,774
Volunteer expenses	12,246	-	-	12,246	18,224
Depreciation and amortization	212,039	19,957	17,462	249,458	196,504
Special events	-	-	121,610	121,610	70,758
 Total Expenses by Function	 6,370,632	 326,584	 973,517	 7,670,733	 5,284,253
Less expenses included with revenues on the statement of activities					
Special events	-	-	(121,610)	(121,610)	(70,758)
 Total expenses included in the expense section on the statement of activities	 <u>\$6,370,632</u>	 <u>\$ 326,584</u>	 <u>\$ 851,907</u>	 <u>\$7,549,123</u>	 <u>\$5,213,495</u>

OPEN ARMS OF MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and taxes	\$ 1,941,003	\$ 149,308	\$ 398,154	\$ 2,488,465
Benefits	251,881	13,993	13,993	279,867
Total Personnel Expenses	2,192,884	163,301	412,147	2,768,332
Containers and paper costs	222,902	-	-	222,902
Food and pantry	1,147,364	-	-	1,147,364
Furniture and equipment, rental and maintenance	147,318	8,184	8,184	163,686
Insurance	26,852	1,492	1,492	29,836
Kitchen supplies	78,547	-	-	78,547
Miscellaneous	6,504	19,512	104,066	130,082
Occupancy	81,863	5,457	3,638	90,958
Office expense	112,706	6,261	6,261	125,228
Open Farms	8,162	-	-	8,162
Postage	12,832	906	1,359	15,097
Printing	18,838	1,773	1,551	22,162
Professional fees	67,475	8,193	88,193	163,861
Staff mileage and travel	12,398	689	689	13,776
Telephone and internet	15,958	939	1,877	18,774
Volunteer expenses	18,224	-	-	18,224
Depreciation and amortization	167,029	15,720	13,755	196,504
Special events	-	-	70,758	70,758
Total Expenses by Function	4,337,856	232,427	713,970	5,284,253
Less expenses included with revenues on the statement of activities				
Special events	-	-	(70,758)	(70,758)
Total expenses included in the expense section on the statement of activities	<u>\$ 4,337,856</u>	<u>\$ 232,427</u>	<u>\$ 643,212</u>	<u>\$ 5,213,495</u>

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 life threatening and critical illnesses including HIV/AIDS, cancer, End Stage Renal Disease, Cardiac Heart failure, multiple sclerosis (MS), amyotrophic lateral sclerosis (ALS) and more. The food service program provides two meals, plus a meal enhancement and some breakfast items each day, Monday through Friday, the equivalent of 14 meals per week. The Organization delivered 793,873 and 545,493 meals for the years ended June 30, 2021 and 2020, 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.

OPEN ARMS OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

Revenue Recognition:

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.

A portion of the Organization's revenue is derived from cost-reimbursable state and county contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has received cost-reimbursable grants of \$2,622,540 and \$1,537,944 that have not been recognized at 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred.

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.

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, 2021 and 2020, the Organization had uninsured cash balances of approximately \$1,620,000 and \$1,203,000, respectively.

Receivables:

Bad debts are recorded on the allowance method based on historical experience and management's evaluation of outstanding receivables. At June 30, 2021 and 2020, management considered all outstanding amounts to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

Inventories:

Inventories are valued at the lower of cost or net realizable value. 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.

Periodically, management reviews property and equipment for impairment whenever events or circumstances indicate that the carrying value of the asset is not recoverable and exceeds fair value. Recently, the Organization had an appraisal of its building conducted. The results of the appraisal lead the Organization to record an impairment loss of \$1,224,341 on its building during the year ended June 30, 2021.

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.

Subsequent Events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 20, 2021, the date the financial statements were available to be issued.

OPEN ARMS OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 2. AVAILABILITY AND LIQUIDITY

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

	<u>2021</u>	<u>2020</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 1,850,284	\$ 1,443,651
Accounts receivable	124,705	110,826
Contributions receivable	<u>1,122,953</u>	<u>604,694</u>
 Total financial assets	 3,097,942	 2,159,171
 Less amounts not available to be used within one year		
Net assets with donor restrictions	1,183,313	1,290,295
Less net assets with restrictions to be met in less than one year	<u>(1,043,674)</u>	<u>(1,158,290)</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 2,958,303</u>	 <u>\$ 2,027,166</u>

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

NOTE 3. CONTRIBUTIONS RECEIVABLE

Outstanding contributions from various foundations and individuals at June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Contributions due in:		
Less than one year	\$ 983,314	\$ 604,694
One to five years	<u>157,916</u>	<u>150,000</u>
	1,141,230	754,694
Less: discount to net present value	<u>(18,277)</u>	<u>(17,995)</u>
	<u>\$ 1,122,953</u>	<u>\$ 736,699</u>

The present value of contributions receivable has been calculated using an interest rate of 5.50%, which approximates the Organization borrowing rate.

OPEN ARMS OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 4. INVENTORY

At June 30, 2021 and 2020, inventory consisted of the following:

	2021	2020
Food inventory	\$ 161,040	\$ 156,315
Packaging and supplies	15,516	34,945
	\$ 176,556	\$ 191,260

NOTE 5. PROPERTY AND EQUIPMENT

At June 30, 2021 and 2020, property and equipment consisted of the following:

	2021	2020
Land	\$ 705,000	\$ 705,000
Building and building improvements	3,132,815	4,271,075
Furniture and equipment	242,415	178,665
Kitchen equipment	1,484,608	1,419,736
Vehicles	154,693	52,668
Farm equipment	31,511	12,823
Construction in progress	79,438	-
	5,830,480	6,639,967
Less: accumulated depreciation	(2,202,519)	(1,953,061)
	\$ 3,627,961	\$ 4,686,906

Depreciation expense was \$249,458 and \$195,967 for the years ended June 30, 2021 and 2020, respectively.

Reclassifications of previously reported property and equipment amounts have been made to the above table to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets

OPEN ARMS OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LINE OF CREDIT

During the years ended June 30, 2021 and 2020, the Organization had a \$150,000 line of credit agreement with the Propel Nonprofits which expired April 30, 2021. Advances on the line of credit were subject to interest at 5.50% per annum. The Organization had outstanding amounts of \$0 and \$150,000 on this line of credit agreement at June 30, 2021 and 2020, respectively.

NOTE 7. 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 \$0 and \$537 for the years ended June 30, 2021 and 2020, respectively.

NOTE 8. NOTES PAYABLE

Notes payable consisted of the following at June 30, 2021 and 2020:

	2021	2020
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 was paid off in February 2021 and was secured by land and a building.	\$ -	\$ 447,101
 Note payable, Propel Nonprofit, interest only at 6.5%, with a final installment of \$75,000 due in April 2021. This note was secured by assets of the organization.	-	75,000
 Less: current portion	-	522,101 (40,831)
	\$ -	\$ 481,270

OPEN ARMS OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 9. PPP FUNDING

On April 9, 2020, the Organization received loan funds in the amount of \$466,300 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act, provides loans to qualifying businesses. The loans and accrued interest are forgivable after twenty-four weeks if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

The Organization met the PPP’s eligibility criteria and therefore, concluded that the PPP loan represents, in substance, a grant that was expected to be forgiven. As a result, the Organization accounted for the PPP loan in accordance with ASC 958-605 as a conditional contribution. Therefore, the Organization recognized the entire loan amount as contribution revenue in the accompanying financial statements. The Organization received confirmation that the loan has been forgiven.

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2021 and 2020, net assets with donor restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Specific purpose		
Provide prepared meals to clients	\$ 125,000	\$ 15,000
Capacity campaign	1,004,313	1,058,228
Open Farms expansion	-	75,000
Time restricted	<u>54,000</u>	<u>142,067</u>
	<u>\$ 1,183,313</u>	<u>\$ 1,290,295</u>

OPEN ARMS OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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 years ended June 30, 2021 and 2020:

	2021	2020
Specific purpose		
Capital improvements	\$ 40,000	\$ 10,000
Provide prepared meals to clients	15,000	30,000
Capacity campaign	808,031	20,000
Open Farms expansion	75,000	69,121
Time restricted	102,069	19,000
	\$ 1,040,100	\$ 148,121

NOTE 11. MAJOR SOURCES OF SUPPORT AND REVENUE

Approximately 66% and 34% of total support and revenue at June 30, 2021 and 2020, respectively, are from three and two donors, respectively.

NOTE 12. 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 contributions of \$18,485 and \$2,875 to the plan for the years ended June 30, 2021 and 2020, respectively.

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 years ended June 30, 2021 and 2020:

	2021	2020
Food	\$ -	\$ 77,522
Supplies	10,507	17,500
	\$ 10,507	\$ 95,022

OPEN ARMS OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 13. IN-KIND CONTRIBUTIONS (continued)

During the years ended June 30, 2021 and 2020, the Organization received in-kind contributions for a special event of \$40,761 and \$8,497, 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 year ended June 30, 2021, management estimates approximately 6,600 volunteers worked 62,412 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 June 30, 2020, management estimates approximately 5,755 volunteers worked 60,105 hours in kitchen meal prep work, meal deliveries, and administrative volunteer services, which translates to approximately 29 FTE's (Full Time Equivalent staff positions).

NOTE 14. OPERATING LEASES

The Organization leases office equipment under operating leases that expire in December 2022. Rent expense under these leases was \$25,468 and \$25,074 for the years ended June 30, 2021 and 2020, respectively.

Future maturities under these leases are as follows:

Year ending June 30	Amount
2022	\$ 9,069
2023	4,535
Total	<u>\$ 13,604</u>

NOTE 15. PRIOR PERIOD ADJUSTMENT

During the year ending June 30, 2021, the Organization was notified that they had been removed as the beneficiary of a charitable remainder trust in a previous year. As a result, the 2020 beginning net assets decreased by \$110,386. In addition, the change in the value of the beneficial remainder trust during the year ended June 30, 2020 has been restated and is no longer reflected in the accompanying prior year's financial statements, which resulted in a decrease in the 2020 change in net assets of \$1,108.