

OPEN ARMS OF MINNESOTA
AUDITED FINANCIAL STATEMENTS
June 30, 2022 and 2021



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, and , 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.

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, and , and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Open Arms of Minnesota and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Open Arms of Minnesota's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing audits in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Open Arms of Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Open Arms of Minnesota'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 audits.

Harrington Langer & Associates

February 17, 2023

OPEN ARMS OF MINNESOTA
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,962,291	\$ 1,850,284
Accounts receivable	209,644	124,705
Contributions receivable	1,063,172	983,314
Inventory	145,941	176,556
Prepaid expenses	21,010	54,724
TOTAL CURRENT ASSETS	3,402,058	3,189,583
PROPERTY AND EQUIPMENT, net	6,165,374	3,627,960
OTHER ASSETS		
Contributions receivable, net of current portion and discount	81,652	139,639
Security deposit	152,090	-
TOTAL OTHER ASSETS	233,742	139,639
TOTAL ASSETS	\$ 9,801,174	\$ 6,957,182
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 222,714	\$ 297,772
Note payable, current portion	180,376	-
Accrued expenses	172,937	110,974
TOTAL CURRENT LIABILITIES	576,027	408,746
LONG-TERM LIABILITIES		
Note payable, net of current portion	1,808,014	-
TOTAL LIABILITIES	2,384,041	408,746
NET ASSETS		
Without donor restrictions	5,923,621	5,365,123
With donor restrictions	1,493,512	1,183,313
TOTAL NET ASSETS	7,417,133	6,548,436
TOTAL LIABILITIES AND NET ASSETS	\$ 9,801,174	\$ 6,957,182

See notes to financial statements

OPEN ARMS OF MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
REVENUE AND SUPPORT				
Contributions	\$ 1,867,435	\$ -	\$ 1,867,435	\$ 1,549,149
Capacity campaign contributions	435,694	1,493,512	1,929,206	754,118
Government grants and contributions	4,142,502	-	4,142,502	4,079,808
Special events, net of direct costs of \$329,290 and \$121,610, respectively	281,012	-	281,012	239,841
In-kind donations	5,983	-	5,983	10,507
Earned income	63,361	-	63,361	57,339
Service contracts	2,170,143	-	2,170,143	2,519,556
Miscellaneous	2,887	-	2,887	3,004
Impairment loss on building	-	-	-	(1,224,341)
Net assets released from restrictions	1,183,313	(1,183,313)	-	-
TOTAL REVENUE AND SUPPORT	10,152,330	310,199	10,462,529	7,988,981
EXPENSES				
Program services	8,104,259	-	8,104,259	6,370,632
Management and general	411,811	-	411,811	326,584
Fundraising	1,077,762	-	1,077,762	851,907
TOTAL EXPENSES	9,593,832	-	9,593,832	7,549,123
CHANGE IN NET ASSETS	558,498	310,199	868,697	439,858
NET ASSETS, BEGINNING OF YEAR	5,365,123	1,183,313	6,548,436	6,108,578
NET ASSETS, END OF YEAR	\$ 5,923,621	\$ 1,493,512	\$ 7,417,133	\$ 6,548,436

OPEN ARMS OF MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 1,370,149	\$ 179,000	\$ 1,549,149
Capacity campaign contributions	-	754,118	754,118
Government grants and contributions	4,079,808	-	4,079,808
Special events, net of direct costs of \$121,610	239,841	-	239,841
In-kind donations	10,507	-	10,507
Earned income	57,339	-	57,339
Service contracts	2,519,556	-	2,519,556
Miscellaneous	3,004	-	3,004
Impairment loss on building	(1,224,341)	-	(1,224,341)
Net assets released from restrictions	1,040,100	(1,040,100)	-
	8,095,963	(106,982)	7,988,981
EXPENSES			
Program services	6,370,632	-	6,370,632
Management and general	326,584	-	326,584
Fundraising	851,907	-	851,907
	7,549,123	-	7,549,123
CHANGE IN NET ASSETS	546,840	(106,982)	439,858
NET ASSETS, BEGINNING OF YEAR	4,818,283	1,290,295	6,108,578
NET ASSETS, END OF YEAR	\$ 5,365,123	\$ 1,183,313	\$ 6,548,436

OPEN ARMS OF MINNESOTA
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 868,697	\$ 439,858
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	257,919	249,458
Discount to present value	2,080	7,975
Impairment loss on building	-	1,224,341
Loss on disposal of equipment	9,123	-
(Increase) Decrease in:		
Accounts receivable	(26,952)	(21,513)
Contributions receivable	(81,938)	(386,595)
Inventory	30,615	14,704
Prepaid expenses	33,714	(38,073)
Security deposit	(152,090)	-
(Decrease) Increase in:		
Accounts payable	(75,058)	110,734
Accrued expenses	61,963	(107,253)
	928,073	1,493,636
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(816,066)	(414,853)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	-	(150,000)
Principal payments on notes payable	-	(522,150)
	-	(672,150)
INCREASE IN CASH AND CASH EQUIVALENTS	112,007	406,633
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,850,284	1,443,651
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,962,291	\$ 1,850,284
SUPPLEMENTAL CASH FLOWS DISCLOSURES		
Interest paid	\$ 14,375	\$ 18,946
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment		
Cost of property and equipment	\$ 2,804,455	\$ -
Amount financed	(1,988,389)	-
	\$ 816,066	\$ -

OPEN ARMS OF MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	Program Services	Management and General	Fundraising	Total 2022	Total 2021
Salaries and taxes	\$ 3,173,490	\$ 244,115	\$ 650,972	\$ 4,068,577	\$ 3,431,783
Benefits	414,016	29,431	78,482	521,929	403,330
Total Personnel Expenses	3,587,506	273,546	729,454	4,590,506	3,835,113
Containers and paper costs	367,452	-	-	367,452	337,437
Food and pantry	2,355,784	-	-	2,355,784	1,680,245
Furniture and equipment, rental and maintenance	129,548	7,197	7,197	143,942	156,051
Insurance	57,519	3,195	3,195	63,909	38,803
Kitchen supplies	107,679	-	-	107,679	115,315
Miscellaneous	7,990	23,973	127,854	159,817	105,153
Occupancy	259,144	17,276	11,518	287,938	121,538
Office expense	318,715	17,706	17,706	354,127	280,752
Open Farms	15,856	-	-	15,856	11,120
Shipping and Postage	268,872	18,979	28,469	316,320	231,506
Printing	36,024	3,390	2,967	42,381	36,559
Professional fees	263,294	20,183	120,183	403,660	209,435
Staff mileage and travel	5,370	298	298	5,966	4,077
Telephone and internet	92,373	5,434	10,867	108,674	124,315
Volunteer expenses	11,902	-	-	11,902	12,246
Depreciation and amortization	219,231	20,634	18,054	257,919	249,458
Special events	-	-	329,290	329,290	121,610
Total Expenses by Function	8,104,259	411,811	1,407,052	9,923,122	7,670,733
Less expenses included with revenues on the statement of activities					
Special events	-	-	(329,290)	(329,290)	(121,610)
Total expenses included in the expense section on the statement of activities	\$ 8,104,259	\$ 411,811	\$ 1,077,762	\$ 9,593,832	\$ 7,549,123

OPEN ARMS OF MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and taxes	\$ 2,676,791	\$ 205,907	\$ 549,085	\$ 3,431,783
Benefits	362,996	20,167	20,167	403,330
Total Personnel Expenses	3,039,787	226,074	569,252	3,835,113
Containers and paper costs	337,437	-	-	337,437
Food and pantry	1,680,245	-	-	1,680,245
Furniture and equipment, rental and maintenance	140,445	7,803	7,803	156,051
Insurance	34,923	1,940	1,940	38,803
Kitchen supplies	115,315	-	-	115,315
Miscellaneous	5,258	15,773	84,122	105,153
Occupancy	109,384	7,292	4,862	121,538
Office expense	252,676	14,038	14,038	280,752
Open Farms	11,120	-	-	11,120
Postage	196,780	13,890	20,836	231,506
Printing	31,075	2,925	2,559	36,559
Professional fees	82,566	10,472	116,397	209,435
Staff mileage and travel	3,669	204	204	4,077
Telephone and internet	105,667	6,216	12,432	124,315
Volunteer expenses	12,246	-	-	12,246
Depreciation and amortization	212,039	19,957	17,462	249,458
Special events	-	-	121,610	121,610
Total Expenses by Function	6,370,632	326,584	973,517	7,670,733
Less expenses included with revenues on the statement of activities				
Special events	-	-	(121,610)	(121,610)
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>

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 830,421 and 793,873 meals for the years ended June 30, 2022 and 2021, 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 \$2,904,853 and \$2,622,540 that have not been recognized at June 30, 2022 and 2021, 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, 2022 and 2021, the Organization had uninsured cash balances of approximately \$1,780,000 and \$1,620,000, respectively.

Receivables:

Bad debts are recorded on the allowance method based on historical experience and management's evaluation of outstanding receivables. At June 30, 2022 and 2021, 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. 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 February 17, 2023, the date the financial statements were available to be issued.

Reclassifications:

Certain reclassifications may have been made to the prior year's amounts to conform with current year statement presentation.

OPEN ARMS OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

New Accounting Pronouncement:

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to improve the transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. This ASU requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. In addition, this amendment requires enhanced disclosures around each category of contributed nonfinancial assets for donor-imposed restrictions, valuation techniques, description of programs or activities in which the assets were used, and if monetized, a policy about monetizing rather than utilizing the asset(s). The Organization has implemented Topic 958 and have adjusted the presentation in these financial statements accordingly. These amendments have been applied retrospectively to all periods presented, with no effect on net assets.

NOTE 2. AVAILABILITY AND LIQUIDITY

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

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 1,962,291	\$ 1,850,284
Accounts receivable	837,206	124,705
Contributions receivable	<u>517,262</u>	<u>1,122,953</u>
 Total financial assets	 3,316,759	 3,097,942
 Less amounts not available to be used within one year		
Net assets with donor restrictions	1,493,512	1,183,313
Less net assets with restrictions to be met in less than one year	<u>(1,411,860)</u>	<u>(1,043,674)</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 3,235,107</u>	 <u>\$ 2,958,303</u>

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 3. CONTRIBUTIONS RECEIVABLE

Outstanding contributions from various foundations and individuals at June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Contributions due in:		
Less than one year	\$ 435,610	\$ 983,314
One to five years	<u>96,100</u>	<u>157,916</u>
	531,710	1,141,230
Less: discount to net present value	<u>(14,448)</u>	<u>(18,277)</u>
	<u><u>\$ 517,262</u></u>	<u><u>\$ 1,122,953</u></u>

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

NOTE 4. PROPERTY AND EQUIPMENT

At June 30, 2022 and 2021, property and equipment consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 705,000	\$ 705,000
Building and building improvements	3,153,112	3,132,814
Furniture and equipment	317,392	242,415
Kitchen equipment	1,655,178	1,484,608
Vehicles	258,562	154,693
Farm equipment	31,511	31,511
Construction in progress	<u>2,503,480</u>	<u>79,438</u>
	8,624,235	5,830,479
Less: accumulated depreciation	<u>(2,458,861)</u>	<u>(2,202,519)</u>
	<u><u>\$ 6,165,374</u></u>	<u><u>\$ 3,627,960</u></u>

Depreciation expense was \$257,919 and \$249,458 for the years ended June 30, 2022 and 2021, respectively.

OPEN ARMS OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 5. INVENTORY

At June 30, 2022 and 2021, inventory consisted of the following:

	2022	2021
Food inventory	\$ 125,558	\$ 161,040
Packaging and supplies	20,383	15,516
	\$ 145,941	\$ 176,556

NOTE 6. LINE OF CREDIT

During the year ended June 30, 2021, 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 on this line of credit agreement at June 30, 2021.

NOTE 7. NOTES PAYABLE

Notes payable consisted of the following at June 30, 2022 and 2021:

	2022	2021
Note payable, Sunrise Bank, with nine monthly interest only payments at 3.65%, beginning September 17, 2022, due in monthly payments of \$24,799.80, including interest at 3.65%, secured by property, maturing November 17, 2026	\$ 1,988,390	\$ -
Less: current portion	(180,376)	-
	\$ 1,808,014	\$ -

OPEN ARMS OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 7. NOTES PAYABLE (continued)

As of June 30, 2022, future maturities of long-term debt are as follows:

Year ending June 30	Amount
2023	\$ 180,376
2024	235,519
2025	244,261
2026	253,327
2027	<u>1,074,907</u>
Total	<u>\$ 1,988,390</u>

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2022 and 2021, net assets with donor restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
Specific purpose		
Provide prepared meals to clients	\$ -	\$ 125,000
Capacity campaign	1,493,512	1,004,313
Time restricted	<u>-</u>	<u>54,000</u>
	<u>\$ 1,493,512</u>	<u>\$ 1,183,313</u>

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Specific purpose		
Capital improvements	\$ -	\$ 40,000
Provide prepared meals to clients	125,000	15,000
Capacity campaign	1,004,313	808,031
Open Farms expansion	-	75,000
Time restricted	<u>54,000</u>	<u>102,069</u>
	<u>\$ 1,183,313</u>	<u>\$ 1,040,100</u>

OPEN ARMS OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 9. MAJOR SOURCES OF SUPPORT AND REVENUE

Approximately 60% and 66% of total support and revenue at June 30, 2022 and 2021, respectively, are from three donors. The Organization had accounts receivable of approximately \$795,000 and \$215,000 at June 30, 2022 and 2021, respectively.

NOTE 10. IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following for the years ended June 30, 2022 and 2021:

	2022	2021
Food	\$ 4,374	\$ 4,035
Kitchen supplies	1,609	6,472
Special events - services	128,342	7,564
Special events - supplies	8,708	33,197
	\$ 143,033	\$ 51,268

The Organization received donated professional services for its Moveable Feast event. Donated services are recorded when there is an objective basis to measure the value of such services and the service involves specialized skill that would be purchased, if not provided by donation. Based on current market rates for these services, the Organization would have paid \$128,342 and \$7,564 in 2022 and 2021, respectively, for the services provided for the Moveable Feast event. During the years ended June 30, 2022 and 2021, the Organization received contributed supplies of \$8,708 and \$33,197, respectively, that were utilized for the Moveable Feast and recognized in an amount approximating the estimated fair market value at the time of the donation. Both the revenue and expense are reported on the statement of activities as special events revenue and expense.

The Organization recorded in-kind contributions of food and kitchen supplies at fair market value at the date of the donation. 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, 2022, management estimates approximately 3,300 volunteers worked 61,981 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, 2021, management estimates approximately 4,100 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.

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NOTES TO FINANCIAL STATEMENTS

NOTE 11. 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 \$33,360 and \$18,485 to the plan for the years ended June 30, 2022 and 2021, respectively.

NOTE 12. OPERATING LEASES

The Organization leases office equipment under operating leases that expires through December 2022. Rent expense under these leases was \$22,523 and \$25,468 for the years ended June 30, 2022 and 2021, respectively. The Organization leases office and storage space under operating leases that expire through May 2033. Rent expense under these leases was \$116,303 and \$25,4680 for the years ended June 30, 2022 and 2021, respectively.

As of June 30, 2022 , future commitments under these leases are as follows:

Year ending June 30	Amount
2023	\$ 121,222
2024	218,491
2025	243,471
2026	269,483
2027	247,764
Thereafter	<u>1,574,193</u>
Total	<u>\$2,674,624</u>