OPEN YOUR HEART TO THE HUNGRY AND HOMELESS
MINNEAPOLIS, MINNESOTA

FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

SMITH•SCHAFER
& ASSOCIATES, LTD.
Certified Public Accountants and Consultants

OPEN YOUR HEART TO THE HUNGRY AND HOMELESS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Open Your Heart to the Hungry and Homeless
Minneapolis, Minnesota

We have audited the accompanying financial statements of Open Your Heart to the Hungry and Homeless (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 of 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 on the previous page present fairly, in all material respects, the financial position of Open Your Heart to the Hungry and Homeless as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Open Your Heart to the Hungry and Homeless' 2018 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated May 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Schafer and Associates, Ltd.

Minneapolis, Minnesota
June 10, 2020

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STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

ASSETS	**2019**	2018
Current Assets		
Cash and cash equivalents	**$ 151,549**	$ 123,426
Unconditional promises to give, net	**456,047**	521,528
Prepaid expenses	**2,540**	3,154
Total Current Assets	**610,136**	648,108
Property and Equipment, net	**2,638**	1,176
TOTAL ASSETS	**$ 612,774**	$ 649,284

LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	**$ -**	$ 13,533
Accrued payroll and payroll taxes	**8,507**	8,253
Total Current Liabilities	**8,507**	21,786
Net Assets		
Without donor restrictions	**148,220**	105,970
With donor restrictions	**456,047**	521,528
Total Net Assets	**604,267**	627,498
TOTAL LIABILITIES AND NET ASSETS	**$ 612,774**	$ 649,284

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STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Totals 2019	Totals 2018
Support and Revenues				
Contributions and grants	$ 238,854	$ 449,750	$ 688,604	$ 752,606
Interest income	345	-	345	392
Total	239,199	449,750	688,949	752,998
Net Assets Released From Restrictions	515,231	(515,231)	-	-
Total Support and Revenues	754,430	(65,481)	688,949	752,998
Functional Expenses				
Program services	637,115	-	637,115	681,987
General and administrative	45,473	-	45,473	57,731
General fundraising	29,592	-	29,592	49,380
Total Functional Expenses	712,180	-	712,180	789,098
Increase (Decrease) in Net Assets	42,250	(65,481)	(23,231)	(36,100)
NET ASSETS, BEGINNING OF YEAR	105,970	521,528	627,498	663,598
NET ASSETS, END OF YEAR	$ 148,220	$ 456,047	$ 604,267	$ 627,498

See Notes to Financial Statements

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STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services	General & Administrative	Fundraising	Totals
Food and shelter grants	$ 353,378	$ -	$ -	**$ 353,378**
Salaries and benefits	144,555	24,405	18,773	**187,733**
Special project grants	64,983	-	-	**64,983**
Education grants	35,500	-	-	**35,500**
Rent	16,670	2,815	2,165	**21,650**
Professional fees	-	10,343	-	**10,343**
Grant management	4,500	4,501	-	**9,001**
Office expenses	6,483	1,095	842	**8,420**
Travel	2,923	493	380	**3,796**
Direct campaign expenses	-	-	3,341	**3,341**
Printing	2,492	421	324	**3,237**
Non-campaign expenses	-	-	3,036	**3,036**
Bank fees	1,552	262	202	**2,016**
Insurance	1,456	246	189	**1,891**
Telephone	1,135	191	147	**1,473**
Postage	826	139	107	**1,072**
Depreciation expense	530	90	69	**689**
Dues and memberships	-	450	-	**450**
Miscellaneous	132	22	17	**171**
FUNCTIONAL EXPENSES	$ 637,115	$ 45,473	$ 29,592	**$ 712,180**

See Notes to Financial Statements

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

	Program Services	General & Administrative	Fundraising	Totals
Food and shelter grants	$ 341,132	$ -	$ -	**$ 341,132**
Salaries and benefits	196,810	37,744	35,048	**269,602**
Special project grants	40,000	-	-	**40,000**
Education grants	66,300	-	-	**66,300**
Rent	13,346	2,559	2,377	**18,282**
Professional fees	-	8,646	-	**8,646**
Grant management	4,519	4,519	-	**9,038**
Office expenses	9,203	1,765	1,639	**12,607**
Travel	3,600	690	641	**4,931**
Direct campaign expenses	-	-	4,807	**4,807**
Printing	1,863	357	332	**2,552**
Non-campaign expenses	-	-	3,606	**3,606**
Bank fees	1,003	193	179	**1,375**
Insurance	1,428	274	255	**1,957**
Telephone	1,390	267	248	**1,905**
Postage	882	169	157	**1,208**
Depreciation expense	390	75	69	**534**
Dues and memberships	-	450	-	**450**
Miscellaneous	121	23	22	**166**
FUNCTIONAL EXPENSES	$ 681,987	$ 57,731	$ 49,380	**$ 789,098**

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STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
(Decrease) in net assets	$ (23,231)	$ (36,100)
Adjustments to reconcile change in		
net assets to net cash from operations:		
Depreciation	689	534
Provision for bad debts	(2,545)	(322)
(Increase) decrease in:		
Unconditional promises to give	68,026	18,792
Prepaid expenses	614	(2,042)
Increase (decrease) in:		
Accounts payable	(13,533)	13,533
Accrued payroll and payroll taxes	254	(3,959)
Net Cash Provided By (Used In) Operating Activities	30,274	(9,564)
Cash Flows From Investing Activities		
Security deposit	-	1,200
Expenditures for property and equipment	(2,151)	-
Net Cash Provided By (Used In) Investing Activities	(2,151)	1,200
Net Increase (Decrease) in Cash and Cash Equivalents	28,123	(8,364)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	123,426	131,790
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 151,549	$ 123,426

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1. Description of Organization and Summary of Significant Accounting Policies

Description of Organization

Open Your Heart to the Hungry and Homeless (the Organization) is a nonprofit organization that provides direct support to hunger, homeless and domestic violence organizations throughout Minnesota. The Organization partners with and provides funding and support to more than 200 different non-profits annually in urban, suburban and rural areas across Minnesota. The Organization distributes educational grants to support shelters and programs serving children and youth experiencing homelessness and helps children succeed in school. Special projects help to raise awareness and respond to needs and challenges faced by food shelves, homeless shelters and supporting living centers.

Change in Accounting Principles

During 2019, the Organization early adopted FASB Accounting Standards Update (ASU) No. 2014-09, ASC 606, *Revenue from Contracts with Customers* which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance within accounting principles generally accepted in the United States of America. The core principle of the guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Organization does not expect the adoption of the new revenue standard to have a material impact on its operations on an ongoing basis, nor did it result in a material change in the current year financial statements.

During 2019, the Organization also adopted FASB Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard aims to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not for profit organizations. The standard defines characterizations of grants as reciprocal exchanges or contributions by determining if the resource provider is receiving value in return for the resources transferred to the not for profit organization. ASU No. 2018-08 also requires organizations to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and the right of return of assets transferred or release of a promisor's obligation to transfer assets. The Organization used the modified prospective transition method and, accordingly, the accounting change has not been retrospectively applied. The Organization does not expect the adoption of the new standard to have a material impact on its operations on an ongoing basis, nor did it result in a material change in the current year financial statements.

Basis of Accounting and Support and Revenue Recognition

The Organization's policy is to prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). All income and expenses are recorded as they are earned or incurred.

1. Description of Organization and Summary of Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows FASB ASC 958. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities, based on the existence or absence of donor imposed restrictions as either:

> *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.
>
> *Net Assets With Donor Restrictions* – Net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents.

Unconditional Promises to Give

Unconditional promises to give are stated at the amount management expects to collect from balances outstanding at year-end. Management provides for probable uncollectible amounts through a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to unconditional promises to give. All unconditional promises to give are expected to be collected within one year of the statement of financial position date.

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

Property and Equipment

Property and equipment are stated at cost if purchased or fair value at the date of donation and are being depreciated using the straight-line method over the estimated useful lives of the assets, five years. The Organization's policy is to capitalize and depreciate property and equipment purchased or obtained which has a cost in excess of $1,000 and an estimated useful life of at least one year.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is nonreciprocal, does not contain a barrier that must be overcome, and there is no right of return of assets transferred or release of a promisor's obligation to transfer assets present.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

All other contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As a result, the Organization does not pay federal income tax. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

The Organization's federal informational returns are subject to examination by the IRS, generally for three years after they were filed.

Fair Value of Financial Instruments

The carrying amount for substantially all assets and liabilities approximates fair value due to the immediate or short-term maturity of these financial instruments.

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

Concentration of Credit Risks

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and grants receivable. The Organization keeps its cash with a high quality financial institution. At times, balances maintained at this financial institution may exceed the federally insured limit. The Organization did not have cash balances in excess of the federally insured limit at December 31, 2019 and 2018.

Management routinely assesses the financial strength of its donors and customers and as a consequence, believes that accounts and pledges receivable credit risk exposure is limited.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassification

Certain reclassifications have been made to the 2018 financial statements to conform with the presentation in the 2019 financial statements. There were no changes to total net assets or changes in net assets as a result of the reclassifications for the years ended December 31, 2019 and 2018.

Accounting Pronouncements Issued But Not Yet Effective

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding twelve months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Organization for the year ending December 31, 2022. Early adoption is permitted. The impact of the adoption of this pronouncement has not yet been determined.

2. Liquidity and Availability

Financial assets as of December 31, 2019 and 2018, available for general expenditure within one year of the statement of financial position date consisted of cash and cash equivalents of $151,549 and $123,426, respectively. Financial assets are considered available for general expenditure if there are no restrictions limiting their use within one year of the statement of financial position date.

When considering which assets are available to meet current needs, the availability of our net assets and the financial flexibility of our Organization would be under estimated without including certain assets with donor restrictions in the total available. Financial assets available and estimated to be released for the program activities within one year of the statement of financial position were $456,047 and $521,528, respectively.

As part of the Organization's liquidity management plan, financial assets are structured to be available as its general expenditures, liabilities and other obligations come due.

3. Unconditional Promises to Give

Unconditional promises to give as of December 31, 2019 and 2018 consisted of the following:

	2019	2018
Unconditional promises to give	**$ 474,787**	$ 542,813
Less: Allowance for uncollectible accounts	**18,740**	21,285
Unconditional Promises to Give, net	**$ 456,047**	$ 521,528

4. Property and Equipment

Property and equipment as of December 31, 2019 and 2018 consisted of the following:

	2019	2018
Furniture, fixtures and equipment	$ 5,972	$ 6,122
Less: Accumulated Depreciation	3,334	4,946
Property and Equipment, net	$ 2,638	$ 1,176

Depreciation expense for the years ended December 31, 2019 and 2018 was $689 and $534, respectively.

5. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the amounts restricted for time of $456,047 and $521,528 as of December 31, 2019 and 2018, respectively.

Net assets in the amount of $515,231 and $529,303 were released from restriction for the years ended December 31, 2019 and 2018, respectively, by meeting the donor’s time restriction requirements.

6. Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses were allocated on the basis of estimates of time and effort.

7. Lease Commitments

Office Lease

The Organization leases its office location pursuant to a non-cancelable lease through December 2022 requiring base monthly rents of $1,817, through December 2020, with annual increases thereafter.

The minimum rental commitments under the non-cancelable operating lease are as follows:

Year Ending December 31,	Totals
2020	$ 21,807
2021	23,443
2022	25,201
Total	$ 70,452

Rent expense consisted of minimum rental payments for the years ended December 31, 2019 and 2018 of $21,650 and $18,282, respectively.

8. Retirement Plan

The Organization maintains a SIMPLE IRA retirement plan. The plan covers all of the Organization's employees who have met certain eligibility requirements. Under a SIMPLE IRA plan, employees may make contributions to traditional Individual Retirement Arrangements (IRA's), subject to certain statutory limits. The Organization matches its employees' contributions, dollar-for-dollar up to 3% of each participating employee's salary. The Organization contributed $4,386 and $6,467 to the SIMPLE IRA plan for the years ended December 31, 2019 and 2018, respectively.

9. Subsequent Event

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 24, 2020, the date the financial statements were available to be issued. Subsequent to year end, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a pandemic. The extent and duration of the impact of COVID-19 on the Organization's operations and financial performance depends on future developments that are uncertain and unpredictable, including the duration and spread of the pandemic. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Organization's business.

9. Subsequent Event (Continued)

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law in response to COVID-19. Under the CARES Act, the Company qualified for a Paycheck Protection Program (PPP) loan of approximately $39,000. The PPP loan provides the Organization with money to pay employee payroll and related costs, rent and utilities. The Organization's plan is to use the loan proceeds for qualified expenses in order to have the loan fully forgiven by the federal government. In the event any portion of the loan is not forgiven, the loan accrues interest at one percent with principal and interest payments over an 18-month period.