

**OPEN YOUR HEART TO THE HUNGRY AND HOMELESS
MINNEAPOLIS, MINNESOTA**

**FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, 2020, 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.

To the Board of Directors

Open Your Heart to the Hungry and Homeless

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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, 2020, 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' 2019 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated June 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Schafu and Associates, Ltd.

Minneapolis, Minnesota

June 21, 2021

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OPEN YOUR HEART TO THE HUNGRY AND HOMELESS

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

ASSETS	2020	2019
Current Assets		
Cash and cash equivalents	\$ 247,533	\$ 151,549
Unconditional promises to give, net	453,489	456,047
Prepaid expenses	2,455	2,540
	<hr/>	<hr/>
Total Current Assets	703,477	610,136
Property and Equipment, net	<hr/>	<hr/>
	1,804	2,638
TOTAL ASSETS	<hr/> <hr/>	<hr/> <hr/>
	\$ 705,281	\$ 612,774
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued payroll and payroll taxes	\$ 13,642	\$ 8,507
	<hr/>	<hr/>
Net Assets		
Without donor restrictions	238,150	148,220
With donor restrictions	453,489	456,047
	<hr/>	<hr/>
Total Net Assets	691,639	604,267
TOTAL LIABILITIES AND NET ASSETS	<hr/> <hr/>	<hr/> <hr/>
	\$ 705,281	\$ 612,774

See Notes to Financial Statements

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STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2020

With Comparative Totals for the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
Support and Revenues				
Contributions and grants	\$ 361,250	\$ 447,144	\$ 808,394	\$ 688,604
Interest income	383	-	383	345
Total	361,633	447,144	808,777	688,949
Net Assets Released From Restrictions				
	449,702	(449,702)	-	-
Total Support and Revenues	811,335	(2,558)	808,777	688,949
Functional Expenses				
Program services	645,047	-	645,047	637,115
General and administrative	85,579	-	85,579	45,473
General fundraising	29,379	-	29,379	29,592
Total Functional Expenses	760,005	-	760,005	712,180
Non-Operating Activities				
Other income	38,600	-	38,600	-
Increase (Decrease) in Net Assets	89,930	(2,558)	87,372	(23,231)
NET ASSETS, BEGINNING OF YEAR				
	148,220	456,047	604,267	627,498
NET ASSETS, END OF YEAR	\$ 238,150	\$ 453,489	\$ 691,639	\$ 604,267

See Notes to Financial Statements

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STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	Program Services	General & Administrative	Fundraising	Totals
Food and shelter grants	\$ 421,401	\$ -	\$ -	\$ 421,401
Salaries and benefits	126,591	53,405	17,802	197,798
Education grants	34,000	-	-	34,000
Special project grants	30,000	-	-	30,000
Rent	13,956	5,888	1,963	21,807
Professional fees	-	15,776	-	15,776
Office expenses	5,628	2,374	791	8,793
Grant management	4,238	4,238	-	8,476
Non-campaign expenses	-	-	6,118	6,118
Printing	2,647	1,117	372	4,136
Travel	2,151	907	302	3,360
Bank fees	1,554	656	219	2,429
Insurance	1,055	446	149	1,650
Direct campaign expenses	-	-	1,405	1,405
Telephone	788	332	111	1,231
Depreciation expense	534	225	75	834
Postage	433	183	61	677
Miscellaneous	71	32	11	114
Dues and memberships	-	-	-	-
FUNCTIONAL EXPENSES	\$ 645,047	\$ 85,579	\$ 29,379	\$ 760,005

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

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STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Increase (Decrease) in net assets	\$ 87,372	\$ (23,231)
Adjustments to reconcile change in net assets to net cash from operations:		
Depreciation	834	689
Provision for bad debts	(109)	(2,545)
(Increase) decrease in:		
Unconditional promises to give	2,667	68,026
Prepaid expenses	85	614
Increase (decrease) in:		
Accounts payable	-	(13,533)
Accrued payroll and payroll taxes	5,135	254
	<u>95,984</u>	<u>30,274</u>
Net Cash Provided By Operating Activities		
	<u>95,984</u>	<u>30,274</u>
Cash Flows From Investing Activities		
Expenditures for property and equipment	-	(2,151)
	<u>-</u>	<u>(2,151)</u>
Net Increase in Cash and Cash Equivalents	95,984	28,123
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	151,549	123,426
	<u>151,549</u>	<u>123,426</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 247,533	\$ 151,549
	<u>\$ 247,533</u>	<u>\$ 151,549</u>

See Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS

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.

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).

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.

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NOTES TO FINANCIAL STATEMENTS

1. Description of Organization and Summary of Significant Accounting Policies

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.

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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.

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. As of December 31, 2020, there were approximately \$37,000 in cash balances in excess of the federally insured limit. The Organization did not have cash balances in excess of the federally insured limit at December 31, 2019.

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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 2019 financial statements to conform with the presentation in the 2020 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, 2020 and 2019.

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.

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through June 21, 2021, the date the financial statements were available to be issued.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Liquidity and Availability

Financial assets as of December 31, 2020 and 2019, available for general expenditure within one year of the statement of financial position date consisted of cash and cash equivalents of \$247,533 and \$151,549, 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 \$453,489 and \$456,047, 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, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Unconditional promises to give	\$ 472,120	\$ 474,787
Less: Allowance for uncollectible accounts	<u>18,631</u>	<u>18,740</u>
Unconditional Promises to Give, net	<u>\$ 453,489</u>	<u>\$ 456,047</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Property and Equipment

Property and equipment as of December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Furniture, fixtures and equipment	\$ 5,972	\$ 5,972
Less: Accumulated Depreciation	4,168	3,334
Property and Equipment, net	<u>\$ 1,804</u>	<u>\$ 2,638</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$834 and \$689, respectively.

5. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the amounts restricted for time of \$453,489 and \$456,047 as of December 31, 2020 and 2019, respectively.

Net assets in the amount of \$449,702 and \$515,231 were released from restriction for the years ended December 31, 2020 and 2019, 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 2021, with annual increases thereafter.

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

<u>Year Ending December 31,</u>	<u>Totals</u>
2021	\$ 21,807
2022	25,201
Total	<u>\$ 47,009</u>

Rent expense consisted of minimum rental payments for the years ended December 31, 2020 and 2019 of \$21,807 and \$21,650, 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 \$4,537 and \$4,386 to the SIMPLE IRA plan for the years ended December 31, 2020 and 2019, respectively.

9. Paycheck Protection Program Loan

In April 2020, the Company received a Paycheck Protection Program (PPP) loan under the Coronavirus Aid, Relief and Economic Society (CARES) Act. The loan was to be used to pay employee payroll and related costs, rent and utilities. The loan was uncollateralized and was fully guaranteed by the Federal government. During the year ended December 31, 2020 the Company received forgiveness of the loan, and recorded income of \$38,600, which is included in other income on the statements of activities and changes in net assets and represents the full amount of the Organization's PPP loan.
