

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

**FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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

Opinion

We have audited the financial statements of Open Your Heart to the Hungry and Homeless, which comprise the statement of financial position as of December 31, 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Open Your Heart to the Hungry and Homeless as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Your Heart to the Hungry and Homeless and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Your Heart to the Hungry and Homeless' ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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.

Auditor’s Responsibilities for the Audit of the Financial Statements (Continued)

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 an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit 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 Your Heart to the Hungry and Homeless’ 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 Your Heart to the Hungry and Homeless’ 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 audit.

Report on Summarized Comparative Information

We have previously audited Open Your Heart to the Hungry and Homeless’ 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 21, 2021. In our opinion, the summarized comparative financial 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
July 19, 2022

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OPEN YOUR HEART TO THE HUNGRY AND HOMELESS

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

ASSETS	2021	2020
Current Assets		
Cash and cash equivalents	\$ 292,997	\$ 247,533
Unconditional promises to give, net	469,493	453,489
Prepaid expenses	4,181	2,455
	<hr/>	<hr/>
Total Current Assets	766,671	703,477
Property and Equipment, net	<hr/>	<hr/>
	1,003	1,804
TOTAL ASSETS	<hr/> <hr/>	<hr/> <hr/>
	\$ 767,674	\$ 705,281
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued payroll and payroll taxes	\$ 9,067	\$ 13,642
	<hr/>	<hr/>
Net Assets		
Without donor restrictions	289,114	238,150
With donor restrictions	469,493	453,489
	<hr/>	<hr/>
Total Net Assets	758,607	691,639
TOTAL LIABILITIES AND NET ASSETS	<hr/> <hr/>	<hr/> <hr/>
	\$ 767,674	\$ 705,281

See Notes to Financial Statements

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STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2021

With Comparative Totals for the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
Support and Revenues				
Contributions and grants	\$ 304,572	\$ 466,890	\$ 771,462	\$ 808,394
Interest income	596	-	596	383
Total	305,168	466,890	772,058	808,777
Net Assets Released From Restrictions				
	450,886	(450,886)	-	-
Total Support and Revenues	756,054	16,004	772,058	808,777
Functional Expenses				
Program services	623,171	-	623,171	645,047
General and administrative	61,892	-	61,892	85,579
General fundraising	20,027	-	20,027	29,379
Total Functional Expenses	705,090	-	705,090	760,005
Non-Operating Activities				
Other income	-	-	-	38,600
Increase (Decrease) in Net Assets	50,964	16,004	66,968	87,372
NET ASSETS, BEGINNING OF YEAR				
	238,150	453,489	691,639	604,267
NET ASSETS, END OF YEAR	\$ 289,114	\$ 469,493	\$ 758,607	\$ 691,639

See Notes to Financial Statements

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STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Program Services	General & Administrative	Fundraising	Totals
Food and shelter grants	\$ 404,018	\$ -	\$ -	\$ 404,018
Salaries and benefits	108,479	36,691	14,358	159,528
Education grants	53,025	-	-	53,025
Rent	14,828	5,016	1,963	21,807
Special project grants	20,000	-	-	20,000
Grant management	5,009	5,010	-	10,019
Office expenses	6,365	2,153	842	9,360
Professional fees	-	9,151	-	9,151
Travel	3,827	1,295	507	5,629
Printing	2,464	834	326	3,624
Bank fees	2,460	832	326	3,618
Insurance	1,083	366	143	1,592
Telephone	750	254	99	1,103
Non-campaign expenses	-	-	1,024	1,024
Depreciation expense	545	184	72	801
Postage	273	92	36	401
Direct campaign expenses	-	-	325	325
Miscellaneous	45	14	6	65
FUNCTIONAL EXPENSES	\$ 623,171	\$ 61,892	\$ 20,027	\$ 705,090

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
Rent	13,956	5,888	1,963	21,807
Special project grants	30,000	-	-	30,000
Grant management	4,238	4,238	-	8,476
Office expenses	5,628	2,374	791	8,793
Professional fees	-	15,776	-	15,776
Travel	2,151	907	302	3,360
Printing	2,647	1,117	372	4,136
Bank fees	1,554	656	219	2,429
Insurance	1,055	446	149	1,650
Telephone	788	332	111	1,231
Non-campaign expenses	-	-	6,118	6,118
Depreciation expense	534	225	75	834
Postage	433	183	61	677
Direct campaign expenses	-	-	1,405	1,405
Miscellaneous	71	32	11	114
FUNCTIONAL EXPENSES	\$ 645,047	\$ 85,579	\$ 29,379	\$ 760,005

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STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Increase in net assets	\$ 66,968	\$ 87,372
Adjustments to reconcile change in net assets to net cash from operations:		
Depreciation	801	834
Provision for bad debts	823	(109)
(Increase) decrease in:		
Unconditional promises to give	(16,827)	2,667
Prepaid expenses	(1,726)	85
Increase (decrease) in:		
Accrued payroll and payroll taxes	(4,575)	5,135
Net Cash Provided By Operating Activities	<u>45,464</u>	<u>95,984</u>
Net Increase in Cash and Cash Equivalents	45,464	95,984
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>247,533</u>	<u>151,549</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 292,997</u></u>	<u><u>\$ 247,533</u></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 (CONTINUED)

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

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 and unconditional promises to give. 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, 2021 and 2020, there were approximately \$64,000 and \$37,000 in cash balances in excess of the federally insured limit, respectively.

Management routinely assesses the financial strength of its donors and as a consequence, believes that unconditional promises to give 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 2020 financial statements to conform with the presentation in the 2021 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, 2021 and 2020.

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 July 19, 2022, 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, 2021 and 2020, available for general expenditure within one year of the statement of financial position date consisted of cash and cash equivalents of \$292,997 and \$247,533, 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 the net assets and the financial flexibility of the 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 \$469,493 and \$453,489, 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, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Unconditional promises to give	\$ 488,947	\$ 472,120
Less: Allowance for uncollectible accounts	<u>19,454</u>	<u>18,631</u>
Unconditional Promises to Give, net	<u>\$ 469,493</u>	<u>\$ 453,489</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Property and Equipment

Property and equipment as of December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Furniture, fixtures and equipment	\$ 5,972	\$ 5,972
Less: Accumulated Depreciation	<u>4,969</u>	<u>4,168</u>
Property and Equipment, net	<u>\$ 1,003</u>	<u>\$ 1,804</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$801 and \$834, respectively.

5. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the amounts restricted for time of \$469,493 and \$453,489 as of December 31, 2021 and 2020, respectively.

Net assets in the amount of \$450,886 and \$449,702 were released from restriction for the years ended December 31, 2021 and 2020, 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.

OPEN YOUR HEART TO THE HUNGRY AND HOMELESS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Lease Commitments

Office Lease

The Organization leases its office location pursuant to a non-cancelable lease through June 2022 requiring base monthly rents of \$2,100.

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

<u>Year Ending December 31,</u>	<u>Totals</u>
2022	\$ 12,600

Rent expense consisted of minimum rental payments for each the years ended December 31, 2021 and 2020 of \$21,807.

Starting July 1, 2022, the Organization will have access to office space and related services for \$500 a month through June 30, 2023.

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 \$3,710 and \$4,537 to the SIMPLE IRA plan for the years ended December 31, 2021 and 2020, 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 Security (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.
