

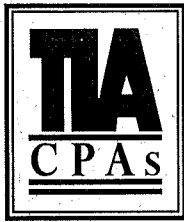
**OPEN YOUR HEART TO THE
HUNGRY AND HOMELESS**

FINANCIAL STATEMENTS

December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
OPEN YOUR HEART TO THE HUNGRY AND HOMELESS
Minneapolis, Minnesota

Introductory

We have audited the accompanying financial statements of OPEN YOUR HEART TO THE HUNGRY AND HOMELESS, which comprise the statement of financial position as of December 31, 2016, and the related statement of activities and changes in net assets, statement of cash flows and statement of functional expenses 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OPEN YOUR HEART TO THE HUNGRY AND HOMELESS as of December 31, 2016, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Thomas Lewis & Associates P.A.

THOMAS LEWIS & ASSOCIATES, P.A.
July 17, 2017



OPEN YOUR HEART TO THE HUNGRY AND HOMELESS
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

ASSETS

	2016			2015
	Unrestricted	Temporarily Restricted	Total	
CURRENT ASSETS				
Cash and cash equivalents	\$ 142,140	\$ -	\$ 142,140	\$ 144,648
Unconditional promises to give, net of allowance for uncollectible pledges of \$26,083 and \$29,580, respectively	-	607,687	607,687	638,626
Prepaid expenses	1,224	-	1,224	1,379
Total current assets	143,364	607,687	751,051	784,653
PROPERTY AND EQUIPMENT				
Furniture, fixtures & equipment - at cost	9,895	-	9,895	7,877
Less, accumulated depreciation	7,469	-	7,469	7,123
Net property and equipment	2,426	-	2,426	754
OTHER ASSETS				
Security deposit	1,200	-	1,200	1,758
	<u>\$ 146,990</u>	<u>\$ 607,687</u>	<u>\$ 754,677</u>	<u>\$ 787,165</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 7,194	\$ -	\$ 7,194	\$ 7,957
Grants payable	-	-	-	8,399
Total current liabilities	7,194	-	7,194	16,356
NET ASSETS	139,796	607,687	747,483	770,809
	<u>\$ 146,990</u>	<u>\$ 607,687</u>	<u>\$ 754,677</u>	<u>\$ 787,165</u>

See independent auditor's report and notes to financial statements

OPEN YOUR HEART TO THE HUNGRY AND HOMELESS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2016 and 2015

	2016			2015
	Unrestricted	Temporarily Restricted	Total	
SUPPORT AND REVENUE				
Contributions and grants	\$ 220,415	\$ 580,735	\$ 801,150	\$ 865,835
Cancellations and refunds of grants made	20,924	-	20,924	-
Investment income	3,660	-	3,660	865
Total support and revenue	244,999	580,735	825,734	866,700
NET ASSETS RELEASED FROM RESTRICTIONS	611,674	(611,674)	-	-
EXPENSES				
Program services	779,692	-	779,692	802,612
Supporting services:				
Management and general	45,064	-	45,064	56,302
Fundraising	24,304	-	24,304	25,374
Total expenses	849,060	-	849,060	884,288
CHANGE IN NET ASSETS	7,613	(30,939)	(23,326)	(17,588)
NET ASSETS, beginning of year	132,183	638,626	770,809	788,397
NET ASSETS, end of year	<u>\$ 139,796</u>	<u>\$ 607,687</u>	<u>\$ 747,483</u>	<u>\$ 770,809</u>

See independent auditor's report and notes to financial statements

OPEN YOUR HEART TO THE HUNGRY AND HOMELESS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (23,326)	\$ (17,588)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	347	312
Changes in operating assets and liabilities		
Unconditional promises to give, net	30,938	82,373
Prepaid expenses	155	(1,379)
Security deposit	558	-
Accounts payable and accrued expenses	(763)	(356)
Grants payable	<u>(8,399)</u>	<u>(63,236)</u>
Net cash provided (used) by operating activities	<u>(490)</u>	<u>126</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(2,018)</u>	<u>-</u>
Net cash used by operating activities	<u>(2,018)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,508)	126
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>144,648</u>	<u>144,522</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 142,140</u></u>	<u><u>\$ 144,648</u></u>

See independent auditor's report and notes to financial statements

OPEN YOUR HEART TO THE HUNGRY AND HOMELESS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	2016			Total
	Program Expenses	Management and General	Fundraising	
Salaries, taxes and benefits	\$ 135,674	\$ 28,220	\$ 17,004	\$ 180,898
Food and shelter grants	508,371	-	-	508,371
Outreach grants	9,220	-	-	9,220
Education grants	74,870	-	-	74,870
Campaign expenses	3,007	-	-	3,007
Event and fundraising expenses	-	-	1,896	1,896
Program expense for travel and education	5,746	-	-	5,746
Insurance	1,622	338	204	2,164
Professional fees	1,205	8,306	-	9,511
Occupancy	15,603	3,246	1,956	20,805
Postage	618	128	77	823
Printing and publications	9,933	2,066	1,245	13,244
Office and computer expense	7,623	1,586	955	10,164
Telephone	1,473	400	233	2,106
Bank and processing fees	-	673	673	1,346
Dues and memberships	450	-	-	450
Special projects	3,790	-	-	3,790
Miscellaneous	227	47	28	302
Total expenses before depreciation	779,432	45,010	24,271	848,713
Depreciation	260	54	33	347
Total expenses	\$ 779,692	\$ 45,064	\$ 24,304	\$ 849,060

See independent auditor's report and notes to financial statements

OPEN YOUR HEART TO THE HUNGRY AND HOMELESS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	2015			Total
	Program Expenses	Management and General	Fundraising	
Salaries, taxes and benefits	\$ 134,850	\$ 36,654	\$ 21,414	\$ 192,918
Food and shelter grants	509,357	-	-	509,357
Outreach grants	36,500	-	-	36,500
Education grants	74,873	-	-	74,873
Campaign expenses	3,744	-	-	3,744
Program expense for travel and education	6,354	-	-	6,354
Insurance	729	198	116	1,043
Professional fees	4,250	8,213	-	12,463
Occupancy	15,388	4,183	2,444	22,015
Postage	715	194	113	1,022
Printing and publications	4,371	-	-	4,371
Office and computer expense	6,629	1,802	1,052	9,483
Telephone	1,263	343	200	1,806
Bank and processing fees	-	2,000	-	2,000
Dues and memberships	400	-	-	400
Special projects	2,657	2,656	-	5,313
Miscellaneous	314	-	-	314
Total expenses before depreciation	802,394	56,243	25,339	883,976
Depreciation	218	59	35	312
Total expenses	\$ 802,612	\$ 56,302	\$ 25,374	\$ 884,288

See independent auditor's report and notes to financial statements

OPEN YOUR HEART TO THE HUNGRY AND HOMELESS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Open Your Heart to the Hungry and Homeless (the "Organization") is a 30 year old 501 (c) 3 non-profit dedicated to providing direct support to hunger, homeless, and domestic violence organizations throughout Minnesota. The Organization's primary focus is on front-line emergency services including homeless and domestic violence shelters, supportive housing programs, and food shelves. The Organization partners with and provides support to more than 200 different non-profits annually in urban, suburban, and rural areas across Minnesota. The Organization provides support to broad based coalitions dedicated to raising awareness of hunger and homeless issues through conferences and special events.

Examples of the Organization's focus areas and community impact includes:

- ***Homelessness.*** It is critical that the most basic of services, warm and safe shelter in times of crisis, is available for families and individuals who, for whatever reason, find themselves in crisis. For homeless shelters and supportive living centers across the state, the Organization has purchased beds, linens, kitchen equipment, remodeled bathrooms and showers, upgraded food service and laundry facilities, installed security systems, repaired roofs, and dozens of other projects. The Organization's focus has not only centered on helping add capacity to meet needs, but improve existing facilities to ensure a safe and dignified environment for families, youth, and adults. From this place of safety and support, agencies can help stabilize those who are homeless and help focus on critical next steps in escaping a homeless life.
- ***Domestic Violence.*** For too long, victims of domestic violence had few options other than to stay in an abusive situation or flee to face an uncertain future. But across Minnesota, in cities, small towns, and reservations, domestic violence shelters opened to provide a safe and supportive place for those facing desperate situations. The Organization is committed to ensuring that no Minnesotan is compelled to stay in a dangerous environment and that victims of domestic violence have a safe and welcoming place to begin to make positive change.
- ***Hunger Issues.*** Understanding that those who benefit from food shelves, primarily children, need more fresh produce and other nutritious food, the Organization focuses on investing in infrastructure to allow food shelves throughout the state to update and increase their capacity. The Organization assists in the purchase of new coolers, freezers, storage capacity, equipment, and transport. These investments have greatly improved the quality and quantity of nutritious food available for distribution. In addition,

OPEN YOUR HEART TO THE HUNGRY AND HOMELESS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the **Open Your Heart Summer Challenge** provides leverage to boost monetary donations to food shelves when they need it most; in the summer, when school is out and food shelf donations are traditionally lower. Families with children who rely on free and reduced breakfast and lunch programs have more meals to provide, and as a result, food shelf visits increase dramatically.

- **Education for Homeless Children.** For children, fitting in with their peers and school mates is important. But for those who are homeless, it is sometimes hard to hide the fact that they are living in shelters or in other temporary living situations. The Organization provides annual education grants to agencies and schools to purchase backpacks, school supplies, winter clothes, pay for activity fees, tutoring material, graduation expenses etc., in order to ensure homeless children have the same necessities and resources as all other students.

Basis of Presentation

The financial statements have been prepared in conformity with the disclosure requirements of the U.S. generally accepted accounting principles for not-for-profit organizations. Under these provisions, net assets and revenues, expenses, gains and losses are classified on the existence or absence of donor-imposed restrictions.

Accordingly, the Organization's net assets and changes thereto are classified and reported as follows:

Unrestricted Net Assets - This classification contains net assets that the Board of Directors has discretionary control over.

Temporarily Restricted Net Assets - Includes net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization with the passage of time.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and highly liquid investments with maturities of three months or less.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period the promise is received and as assets, decreases of liabilities or expenses when fair market value is determinable. Conditional promises to give are recognized only when the condition has been met. The Organization uses the allowance method for accounts receivable deemed uncollectible.

OPEN YOUR HEART TO THE HUNGRY AND HOMELESS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Acquisitions of long-lived assets (those with useful lives greater than one year) are capitalized and recorded at cost. Depreciation is provided on a straight-line basis over estimated useful lives of five to ten years.

Grants Payable

Grants authorized but unpaid at year end are reported as liabilities in accordance with U.S. generally accepted accounting principles. All grants payable at December 31, 2016 and 2015 were payable in less than one year.

Unrestricted, Temporarily Restricted and Permanently Restricted Support and Revenue

Contributions are recorded at fair value at the date the promise is received and are classified as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as restricted support and then released from restriction. The Organization currently has no permanently restricted net assets.

Temporarily restricted net assets are available for the following purposes at December 31, 2016 and 2015:

	2016	2015
Time restrictions to be used for operations	\$607,687	\$638,626
Total	\$607,687	\$638,626

Support and Revenues

Annual campaigns are conducted each fall to obtain donations and pledges for distributions to charitable organizations in the subsequent calendar year. Accordingly, a receivable is recorded at year-end for outstanding campaign pledges, net of an allowance for amounts estimated to be uncollectible. Substantially all pledges receivable at December 31, 2016 and 2015 are from individual contributors from employees of state and local agencies and corporations. The Organization maintains an allowance for potential uncollectible pledges which, in the aggregate, have not exceeded Management's expectations. In April of the subsequent year, uncollected campaign pledges are written off. Donations, grants, contributions, and all other forms of revenue are considered unrestricted use unless specifically restricted by the donor.

OPEN YOUR HEART TO THE HUNGRY AND HOMELESS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Materials and Services

Donated materials and services are recorded as contributions when received, at fair market value, if significant and measurable.

Refunds of Prior Year Grants

Unexpended balances of grants awarded by the Organization are required to be returned to the Organization. Grant refunds to the Organization are recorded when the amount of the refund due becomes known.

Functional Expenses

Operating expenses directly identifiable with a functional area are charged to that area and where expenses affect more than one area, they are allocated on the basis of ratios determined by Management.

Income Taxes

The Organization is exempt from federal and state income taxes as organizations described under Section 501(c)(3) of the Internal Revenue Code and section 290.05 of the Minnesota Statute. The Organization's open audit periods are the years ended December 31, 2013 through 2016.

The Organization has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2016.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for tax return years prior to the year ended December 31, 2013.

The Organization's policy is to classify any income tax related interest and penalties in interest expense and other expenses, respectively.

OPEN YOUR HEART TO THE HUNGRY AND HOMELESS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Reclassifications

Certain 2015 amounts have been reclassified in order to conform to the 2016 financial statement presentation.

Subsequent Events

Management has evaluated subsequent events through July 17, 2017, which is the date the financial statements were available to be issued.

NOTE B – OPERATING LEASE

The Organization leases its offices under an operating lease dated October 1, 2016, commencing on October 1, 2016 and effective through September 30, 2017, with two one year renewals. Total rent expense under this lease and prior lease was \$20,805 for the year ended December 31, 2016. Future minimum lease payments for the year ending December 31, 2016 are \$14,400.

NOTE C – PENSION PLAN

The Organization established a defined contribution pension plan which covers all employees who are expected to earn at least \$5,000 in compensation during the current year. Eligible employees may elect to defer a portion of their compensation up to an amount determined by Internal Revenue Service regulations. The Organization matches employee contributions up to three percent of the employee's compensation. These matching contributions totaled \$4,607 and \$3,927 during the years ended December 31, 2016 and 2015, respectively.

NOTE D – RELATED PARTIES

The Board of Directors recognizes the benefit that the Organization receives by having its Board members serve in various capacities in entities that may receive grants from the Organization. Those Board members abstain from voting on motions and resolutions related to the entities they serve.

OPEN YOUR HEART TO THE HUNGRY AND HOMELESS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE E - COMMITMENTS AND CONTINGENCIES

Concentrations

The Organization relies upon individual contributions from employees of a small number of government agencies and corporations for a majority of its support and revenues. These sources also make up a majority of the Organization's unconditional promises to give. The current economic downturn could have a negative impact on the ability to raise funds from these sources and to collect the promises to give. Management expects its fundraising efforts, including efforts to increase workplace giving sites, to mitigate these effects.

The Federal Deposit Insurance Corporation insures checking and savings account balances up to \$250,000 per financial institution. From time to time, balances may exceed this amount. At December 31, 2016 and 2015, there were no balances in excess of the insured amounts.