OPEN YOUR HEART TO THE HUNGRY AND HOMELESS
ST. PAUL, MINNESOTA

FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Open Your Heart to the Hungry and Homeless
St. Paul, 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, 2018, 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.

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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, 2018, 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

The financial statements of Open Your Heart to the Hungry and Homeless as of and for the year ended December 31, 2017 were audited by other auditors whose report dated September 28, 2018, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Schafer and Associates, Ltd.

Minneapolis, Minnesota
May 7, 2019

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STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

ASSETS	2018	2017
Current Assets		
Cash and cash equivalents	$ 123,426	$ 131,790
Unconditional promises to give, net	521,528	539,998
Prepaid expenses	3,154	1,112
Total Current Assets	648,108	672,900
Property and Equipment, net	1,176	1,710
Other Assets		
Security deposit	-	1,200
TOTAL ASSETS	$ 649,284	$ 675,810
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 13,533	$ -
Accrued payroll and payroll taxes	8,253	12,212
Total Current Liabilities	21,786	12,212
Net Assets		
Without donor restrictions	105,970	123,600
With donor restrictions	521,528	539,998
Total Net Assets	627,498	663,598
TOTAL LIABILITIES AND NET ASSETS	$ 649,284	$ 675,810

See Notes to Financial Statements

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STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2018
with Comparative Totals for the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Totals 2018	Totals 2017
Support and Revenues				
Contributions and grants	$ 241,773	$ 510,833	$ 752,606	$ 686,899
Investment income	392	-	392	457
Total	242,165	510,833	752,998	687,356
Net Assets Released From Restrictions	529,303	(529,303)	-	-
Total Support and Revenues	771,468	(18,470)	752,998	687,356
Functional Expenses				
Program services	681,987	-	681,987	680,139
General and administrative	57,731	-	57,731	45,818
General fundraising	49,380	-	49,380	45,284
Total Functional Expenses	789,098	-	789,098	771,241
(Decrease) in Net Assets	(17,630)	(18,470)	(36,100)	(83,885)
NET ASSETS, BEGINNING OF YEAR	123,600	539,998	663,598	747,483
NET ASSETS, END OF YEAR	$ 105,970	$ 521,528	$ 627,498	$ 663,598

See Notes to Financial Statements

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STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018
With Comparartive Totals For the Year Ended December 31, 2017

	Program Services	General & Administrative	Fundraising	Totals	2017
Food and shelter grants	$ 341,132	$ -	$ -	**$ 341,132**	$ 370,947
Salaries and benefits	196,810	37,744	35,048	**269,602**	256,407
Education grants	66,300	-	-	**66,300**	58,800
Special project grants	40,000	-	-	**40,000**	15,000
Rent	13,346	2,559	2,377	**18,282**	14,400
Office expenses	9,203	1,765	1,639	**12,607**	11,796
Grant management	4,519	4,519	-	**9,038**	9,873
Professional fees	-	8,646	-	**8,646**	8,414
Travel	3,600	690	641	**4,931**	5,556
Direct campaign expenses	-	-	4,807	**4,807**	2,880
Non-campaign expenses	-	-	3,606	**3,606**	1,468
Printing	1,863	357	332	**2,552**	5,543
Insurance	1,429	274	255	**1,958**	2,961
Telephone	1,389	267	248	**1,904**	2,991
Bank fees	1,003	193	179	**1,375**	1,218
Postage	882	169	157	**1,208**	1,379
Depreciation expense	390	75	69	**534**	716
Dues and memberships	-	450	-	**450**	627
Miscellaneous	121	23	22	**166**	265
FUNCTIONAL EXPENSES	$ 681,987	$ 57,731	$ 49,380	**$ 789,098**	$ 771,241

See Notes to Financial Statements

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STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program Services	General & Administrative	Fundraising	Totals
Food and shelter grants	$ 370,947	$ -	$ -	$ 370,947
Salaries and benefits	194,869	26,923	34,615	256,407
Education grants	58,800	-	-	58,800
Special project grants	15,000	-	-	15,000
Rent	10,944	1,512	1,944	14,400
Office expenses	8,965	1,239	1,592	11,796
Grant management	4,936	4,937	-	9,873
Professional fees	-	8,414	-	8,414
Travel	4,223	583	750	5,556
Printing	4,213	582	748	5,543
Telephone	2,273	314	404	2,991
Insurance	2,250	311	400	2,961
Direct campaign expenses	-	-	2,880	2,880
Non-campaign expenses	-	-	1,468	1,468
Postage	1,048	145	186	1,379
Bank fees	926	128	164	1,218
Depreciation expense	544	75	97	716
Dues and memberships	-	627	-	627
Miscellaneous	201	28	36	265
FUNCTIONAL EXPENSES	$ 680,139	$ 45,818	$ 45,284	$ 771,241

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STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities		
(Decrease) in net assets	**$ (36,100)**	$ (83,885)
Adjustments to reconcile change in net assets to net cash from operations:		
Depreciation	**534**	716
Allowance for uncollectible accounts	**(322)**	(2,590)
(Increase) decrease in:		
Unconditional promises to give	**18,792**	70,279
Prepaid expenses	**(2,042)**	112
Increase (decrease) in:		
Accounts payable	**13,533**	-
Accrued payroll and payroll taxes	**(3,959)**	5,018
Net Cash (Used In) Operating Activities	**(9,564)**	(10,350)
Cash Flows From Investing Activities		
Security Deposit	**1,200**	-
Net (Decrease) in Cash and Cash Equivalents	**(8,364)**	(10,350)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**131,790**	142,140
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 123,426**	$ 131,790

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 Presentation

The Organization has adopted FASB Accounting Standards Update (ASU) No. 2016-14, Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities.* The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. 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.

1. Description of Organization and Summary of Significant Accounting Policies

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. All income and expenses are recorded as they are earned or incurred.

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.

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

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. 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 without donor restrictions or net assets with 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, 2018 and 2017.

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.

Prior-Year Summarized Comparative Information

The financial statements include certain prior-year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 7, 2019, the date the financial statements were available to be issued.

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

Reclassification

Certain reclassifications have been made to the 2017 financial statements to conform with the presentation in the 2018 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, 2018 and 2017.

Accounting Pronouncements Issued But Not Yet Effective

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. However, contribution revenue is not included in the scope of the guidance. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is currently effective for the Organization for the year ending December 31, 2019. The guidance permits the use of either a retrospective or cumulative effect transition method. The impact of the adoption of this pronouncement has not yet been determined.

In June 2018, the FASB issued ASU No. 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which 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. ASU No. 2018-08 is effective for the Organization for the year ending December 31, 2019. The amendments in this ASU will only be applied to the portion of revenue or expense that has not yet been recognized before the effective date. The impact of the adoption of this pronouncement has not yet been determined.

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

Accounting Pronouncements Issued But Not Yet Effective (Continued)

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, 2020. 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, 2018 and 2017, available for general expenditure within one year of the statement of financial position date consisted of cash and cash equivalents of $123,426 and $131,790, 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 $521,528 and $539,998, 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, 2018 and 2017 consisted of the following:

	2018	2017
Unconditional promises to give	$ 542,813	$ 561,605
Less: Allowance for uncollectible accounts	21,285	21,607
Unconditional Promises to Give, net	$ 521,528	$ 539,998

4. Property and Equipment

Property and equipment as of December 31, 2018 and 2017 consisted of the following:

	2018	2017
Furniture, fixtures and equipment	$ 6,122	$ 9,895
Less: Accumulated Depreciation	4,946	8,185
Property and Equipment, net	$ 1,176	$ 1,710

Depreciation expense for the years ended December 31, 2018 and 2017 was $534 and $716, respectively.

5. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the amounts restricted for time of $521,528 and $539,998 as of December 31, 2018 and 2017, respectively.

Net assets in the amount of $529,303 and $623,996 were released from restriction for the years ended December 31, 2018 and 2017, respectively, by expending funds for the purpose specified by the donor or 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. The expenses that are allocated include salaries and benefits, rent, grant management, travel, printing, telephone, insurance, postage, bank fees, depreciation and miscellaneous, which are 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 requiring base monthly rents of $1,765, through March 2020.

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

Year Ending December 31,	Totals
2019	$ 21,650
2020	5,452

Rent expense consisted of minimum rental payments for the years ended December 31, 2018 and 2017 of $18,282 and $14,400, 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 $6,467 and $5,498 to the SIMPLE IRA plan for the years ended December 31, 2018 and 2017, respectively.