

**KAREN ORGANIZATION OF MINNESOTA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

# KAREN ORGANIZATION OF MINNESOTA

## FINANCIAL STATEMENTS

For the Year Ended December 31, 2020  
(With Comparative Totals for 2019)

### TABLE OF CONTENTS

|                                   | <u>Page</u> |
|-----------------------------------|-------------|
| Independent Auditor's Report      | 1           |
| Financial Statements:             |             |
| Statement of Financial Position   | 3           |
| Statement of Activities           | 4           |
| Statement of Functional Expenses  | 5           |
| Statement of Cash Flows           | 6           |
| Notes to the Financial Statements | 7           |



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Karen Organization of Minnesota  
Roseville, Minnesota

We have audited the accompanying financial statements of Karen Organization of Minnesota (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

(Continued)

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Karen Organization of Minnesota 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 Karen Organization of Minnesota's 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated August 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2021, on our consideration of Karen Organization of Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Karen Organization of Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Karen Organization of Minnesota's internal control over financial reporting and compliance.

*Mahoney Ulbrich  
Christiansen Russ P.A.*

July 14, 2021

**KAREN ORGANIZATION OF MINNESOTA**

STATEMENT OF FINANCIAL POSITION

December 31, 2020  
(With Comparative Totals for 2019)

|                                   | <u>2020</u>                | <u>2019</u>              |
|-----------------------------------|----------------------------|--------------------------|
| <b>ASSETS</b>                     |                            |                          |
| Current assets:                   |                            |                          |
| Cash                              | \$ 632,282                 | \$ 90,240                |
| Government grants receivable      | 326,363                    | 286,615                  |
| Pledges receivable                | 79,271                     | 129,261                  |
| Prepaid expenses                  | 9,682                      | 9,505                    |
| Total current assets              | <u>1,047,598</u>           | <u>515,621</u>           |
| Property and equipment, net       | <u>29,640</u>              | <u>9,380</u>             |
|                                   | <u><u>\$ 1,077,238</u></u> | <u><u>\$ 525,001</u></u> |
| <b>LIABILITIES AND NET ASSETS</b> |                            |                          |
| Current liabilities:              |                            |                          |
| Accounts payable                  | \$ 139,363                 | \$ 91,472                |
| Accrued expenses                  | 8,793                      | -                        |
| Accrued payroll and related       | 83,883                     | 67,365                   |
| Deferred revenue                  | 41,079                     | -                        |
| Total current liabilities         | <u>273,118</u>             | <u>158,837</u>           |
| PPP loan                          | <u>202,500</u>             | <u>-</u>                 |
| Total liabilities                 | <u>475,618</u>             | <u>158,837</u>           |
| Net assets:                       |                            |                          |
| Without donor restrictions        | 478,370                    | 197,837                  |
| With donor restrictions           | 123,250                    | 168,327                  |
| Total net assets                  | <u>601,620</u>             | <u>366,164</u>           |
|                                   | <u><u>\$ 1,077,238</u></u> | <u><u>\$ 525,001</u></u> |

See accompanying notes to the financial statements.

**KAREN ORGANIZATION OF MINNESOTA**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020  
(With Comparative Totals for 2019)

|  | 2020                          |                            |                   | 2019              |
|--|-------------------------------|----------------------------|-------------------|-------------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total             |                   |
| Revenue and support:   |                               |                            |                   |                   |
| Government grants  | \$ 1,558,385                  | \$ -                       | \$ 1,558,385      | \$ 1,220,658      |
| Foundation grants  | 337,673                       | 54,250                     | 391,923           | 198,788           |
| United Way   | 136,500                       | 69,000                     | 205,500           | 205,500           |
| Fees for services  | 92,558                        | -                          | 92,558            | 103,904           |
| Event revenue:   |                               |                            |                   |                   |
| Contributions  | 7,704                         | -                          | 7,704             | 13,854            |
| Sponsorships   | -                             | -                          | -                 | 20,900            |
| Earned   | 5,638                         | -                          | 5,638             | 23,218            |
| Direct donor benefits  | (3,974)                       | -                          | (3,974)           | (23,560)          |
| Contributions  | 48,192                        | -                          | 48,192            | 18,889            |
| Other revenue  | 2,159                         | -                          | 2,159             | 5,280             |
| In-kind contributions  | -                             | -                          | -                 | 220               |
| Interest income  | 112                           | -                          | 112               | 45                |
| Net assets released upon satisfaction<br>of usage restrictions | 168,327                       | (168,327)                  | -                 | -                 |
| Total revenue and support                                      | <u>2,353,274</u>              | <u>(45,077)</u>            | <u>2,308,197</u>  | <u>1,787,696</u>  |
| Expenses:  |                               |                            |                   |                   |
| Program services   |                               |                            |                   |                   |
| Social services  | 789,216                       | -                          | 789,216           | 661,479           |
| Employment services  | 647,812                       | -                          | 647,812           | 761,527           |
| Youth services   | 558,836                       | -                          | 558,836           | 255,456           |
| Program services   | 1,995,864                     | -                          | 1,995,864         | 1,678,462         |
| Management and general   | 59,505                        | -                          | 59,505            | 67,726            |
| Fundraising  | 17,372                        | -                          | 17,372            | 38,811            |
| Total expenses   | <u>2,072,741</u>              | <u>-</u>                   | <u>2,072,741</u>  | <u>1,784,999</u>  |
| Change in net assets   | 280,533                       | (45,077)                   | 235,456           | 2,697             |
| Net assets at beginning of year                                | <u>197,837</u>                | <u>168,327</u>             | <u>366,164</u>    | <u>363,467</u>    |
| Net assets at end of year                                      | <u>\$ 478,370</u>             | <u>\$ 123,250</u>          | <u>\$ 601,620</u> | <u>\$ 366,164</u> |

See accompanying notes to the financial statements.

KAREN ORGANIZATION OF MINNESOTA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020  
(With Comparative Totals for 2019)

|                                   | 2020            |                     |                |                        |                        |             |                | 2019         |              |
|-----------------------------------|-----------------|---------------------|----------------|------------------------|------------------------|-------------|----------------|--------------|--------------|
|                                   | Social services | Employment services | Youth services | Total program services | Management and general | Fundraising | Special events | Total        |              |
| Payroll and related:              |                 |                     |                |                        |                        |             |                |              |              |
| Payroll                           | \$ 421,736      | \$ 379,065          | \$ 178,509     | \$ 979,310             | \$ 24,180              | \$ 12,497   | \$ -           | \$ 1,015,987 | \$ 876,956   |
| Employee benefits                 | 40,012          | 35,964              | 16,936         | 92,912                 | 2,294                  | 1,186       | -              | 96,392       | 115,485      |
| Payroll taxes                     | 33,169          | 29,813              | 14,040         | 77,022                 | 1,902                  | 983         | -              | 79,907       | 68,053       |
| Total payroll and related         | 494,917         | 444,842             | 209,485        | 1,149,244              | 28,376                 | 14,666      | -              | 1,192,286    | 1,060,494    |
| Consortium lead payments          | 129,606         | 22,352              | 290,167        | 442,125                | -                      | -           | -              | 442,125      | 291,433      |
| Client support                    | 32,508          | 60,676              | 150            | 93,334                 | -                      | -           | -              | 93,334       | 126,694      |
| Staff travel                      | 1,522           | 1,375               | 680            | 3,577                  | 61                     | 31          | -              | 3,669        | 13,807       |
| Staff development                 | 1,003           | 906                 | 448            | 2,357                  | 40                     | 21          | -              | 2,418        | 3,066        |
| Professional fees and consultants | 20,847          | 18,836              | 9,315          | 48,998                 | 845                    | 427         | -              | 50,270       | 41,107       |
| Accounting and audit              | 67              | 567                 | -              | 634                    | 25,774                 | -           | -              | 26,408       | 25,050       |
| Advertising                       | 663             | 599                 | 296            | 1,558                  | 27                     | 14          | -              | 1,599        | 72           |
| Office supplies                   | 8,582           | 7,754               | 3,835          | 20,171                 | 347                    | 176         | -              | 20,694       | 21,356       |
| Postage and shipping              | 255             | 230                 | 114            | 599                    | 11                     | 5           | -              | 615          | 2,060        |
| Repairs                           | 1,309           | 1,183               | 585            | 3,077                  | 52                     | 27          | -              | 3,156        | 14,855       |
| Depreciation                      | 3,274           | 2,958               | 1,463          | 7,695                  | 133                    | 67          | -              | 7,895        | 6,836        |
| Rental                            | 45,179          | 40,821              | 20,187         | 106,187                | 1,831                  | 926         | -              | 108,944      | 117,965      |
| Telephone                         | 6,752           | 6,101               | 3,017          | 15,870                 | 274                    | 138         | -              | 16,282       | 12,594       |
| Insurance                         | 16,619          | 15,016              | 7,426          | 39,061                 | 673                    | 341         | -              | 40,075       | 10,051       |
| Computer and support              | 19,243          | 17,387              | 8,598          | 45,228                 | 781                    | 394         | -              | 46,403       | 14,280       |
| Copying and printing              | 3,593           | 3,247               | 1,606          | 8,446                  | 145                    | 74          | -              | 8,665        | 9,953        |
| Interest                          | 560             | 506                 | 250            | 1,316                  | 23                     | 11          | -              | 1,350        | 1,007        |
| Dues                              | 994             | 899                 | 444            | 2,337                  | 41                     | 20          | -              | 2,398        | 1,634        |
| Event space                       | -               | -                   | -              | -                      | -                      | -           | -              | -            | 665          |
| Event food and supplies           | -               | -                   | -              | -                      | -                      | -           | 3,974          | 3,974        | 22,895       |
| Meeting expense                   | 114             | 103                 | 51             | 268                    | 6                      | 2           | -              | 276          | 1,528        |
| Miscellaneous                     | 1,609           | 1,454               | 719            | 3,782                  | 65                     | 32          | -              | 3,879        | 9,157        |
| Total expenses                    | 789,216         | 647,812             | 558,836        | 1,995,864              | 59,505                 | 17,372      | 3,974          | 2,076,715    | 1,808,559    |
| Less direct donor benefits        | -               | -                   | -              | -                      | -                      | -           | (3,974)        | (3,974)      | (23,560)     |
| Total expenses                    | \$ 789,216      | \$ 647,812          | \$ 558,836     | \$ 1,995,864           | \$ 59,505              | \$ 17,372   | \$ -           | \$ 2,072,741 | \$ 1,784,999 |

See accompanying notes to the financial statements.

**KAREN ORGANIZATION OF MINNESOTA**

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2020  
(With Comparative Totals for 2019)

|  | 2020       | 2019      |
|--|------------|-----------|
| Cash flows from operating activities:  |            |           |
| Change in net assets   | \$ 235,456 | \$ 2,697  |
| Adjustments to reconcile the change in net assets to net cash from operating activities: |            |           |
| Depreciation   | 7,895      | 6,836     |
| Changes in operating assets and liabilities:   |            |           |
| Government grants receivable   | (39,748)   | (15,614)  |
| Pledges receivable   | 49,990     | (48,454)  |
| Prepaid expenses   | (177)      | 238       |
| Accounts payable   | 47,891     | 36,525    |
| Accrued expenses   | 25,311     | (8,503)   |
| Deferred revenue   | 41,079     | (1,800)   |
| Net cash from operating activities   | 367,697    | (28,075)  |
| Cash flows from investing activities:  |            |           |
| Purchases of equipment   | (28,155)   | -         |
| Net cash from investing activities   | (28,155)   | -         |
| Cash flows from financing activities:  |            |           |
| Proceeds from issuance of debt   | 202,500    | -         |
| Net cash from financing activities   | 202,500    | -         |
| Net increase (decrease) in cash  | 542,042    | (28,075)  |
| Cash at beginning of year  | 90,240     | 118,315   |
| Cash at end of year  | \$ 632,282 | \$ 90,240 |

See accompanying notes to the financial statements.



# KAREN ORGANIZATION OF MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2020  
(With Comparative Totals for 2019)

### 1. ORGANIZATION

Karen Organization of Minnesota (KOM) is a nonprofit corporation organized under the laws of the State of Minnesota. The mission of KOM is to enhance the quality of life for the Karen and other refugees from Burma living in Minnesota. KOM achieves this by assisting refugees to settle, integrate, and become self-sufficient; fostering cultural knowledge and understanding; and strengthening organizational capacity and effectiveness to meet the needs of the community.

KOM's main program services include the following:

**Social Services** – KOM connects refugees with a variety of social services to help refugees meet their basic needs and integrate into the community. KOM also offers programs for seniors, women, and families.

**Employment Services** – KOM helps refugees find and maintain employment in Saint Paul and Greater Minnesota. KOM also helps refugees advance their careers by providing vocational training and career counseling.

**Youth Services** – KOM invests in the lives of Karen youth who have lived in the United States less than five years. KOM helps in the classroom, leads after-school programs and summer programs, offers a mentorship program, and more.

Primary support comes from federal and state grants, foundation grants, contributions, and fees for service.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Financial Statement Presentation** - Revenues and support are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

(Continued)

# KAREN ORGANIZATION OF MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2020  
(With Comparative Totals for 2019)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other actions specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - KOM considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

**Government Grants Receivable** - Government grants are accounted for as contributions and are recorded as a receivable when they become unconditional. Management has determined an allowance is not necessary because the balance is considered fully collectible. Government grants receivable are expected to be collected in 2020.

**Pledges Receivable** - Contributions are recognized when the donor makes an unconditional promise to give to KOM. Unconditional promises to give cash and other assets to KOM are reported at fair value at the date the promise is received, less an allowance for promises estimated to be uncollectible. Pledges receivable of \$79,271 are due to be collected in 2021.

**Property and Equipment** - Property and equipment are carried at cost, with the exception of donated equipment, which is recorded at fair market value at date of gift. Depreciation of property and equipment is provided for on a straight-line basis over the estimated useful lives. The cost of maintenance and repairs is charged to income as incurred; significant renewals or betterments with a value greater than or equal to \$5,000 and a useful life of greater than one year are capitalized.

(Continued)

# KAREN ORGANIZATION OF MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2020  
(With Comparative Totals for 2019)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

KOM reports gifts of property and equipment as increases in net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, KOM reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Government Grants** - Federal and state grants are accounted for as contributions. The grants are cost reimbursable which are conditional upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when KOM has incurred expenditures in compliance with specific grant provisions. Funds received but not yet earned are recorded as refundable advances. Expenditures under government grants are subject to review by the granting authority. If, as a result of such a review, expenditures are determined to be unallowable, the disallowance will be recorded at the time the assessment for refund is made.

**Foundation Grants and Contributions** - Foundation grants and contributions are considered available for use without donor restriction use unless specifically restricted by the donor. Contributions received are recorded as increases in net assets without donor restrictions or with donor restrictions, depending on the existence and nature of any donor restrictions. When a specific time restriction ends or a purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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

**United Way Revenue Recognition** - Funding commitments from the Greater Twin Cities United Way are accounted for as contributions in the year the United Way board approves the funding.

**In-kind Contributions** - Donated space or materials are recorded as contributions at their estimated fair market value in the period received. Donated services are recorded as contributions at their estimated fair value only if the services create or enhance a nonfinancial asset or if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

(Continued)

# KAREN ORGANIZATION OF MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2020  
(With Comparative Totals for 2019)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

KOM regularly receives donated services from many volunteers. However, no amounts have been recognized for these services because they do not meet the criteria described above.

**Fees For Services** - Fees for services are recorded as revenue when the services are performed. Fees received before services are performed are recorded as deferred revenue.

**Sponsorships and Event Revenue-Earned** - Sponsorship and earned event revenue collected in advance of the related event are deferred and recognized in the period when the event takes place. Registrations are refundable if the event is cancelled.

**Functional Expenses** - The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Payroll, employee benefits, and payroll taxes are allocated using staff salaries. The remaining expenses are allocated using staff time.

**Income Taxes** - KOM is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes, except to the extent it has taxable income from activities that are not related to its exempt purpose. Management believes KOM did not have any unrelated business income in 2020 or 2019. Management believes KOM has appropriate support for any tax positions taken, and accordingly, does not have any uncertain tax positions that are material to the financial statements.

**Comparative Total Column** - The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense. 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 KOM's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

(Continued)

**KAREN ORGANIZATION OF MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2020  
(With Comparative Totals for 2019)

**3. LIQUIDITY AND AVAILABILITY**

KOM regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. On a monthly basis, KOM performs a calculation of available cash and cash equivalents on hand, grants receivable, and contributions receivable which is compared to one-fourth of budgeted annual operating expenses, less noncash items and unusual or one-time expenses. Although not adopted as a formal policy, the board's goal is to maintain 90-days of financial assets on hand. In addition, the board annually adopts a balanced budget that it regularly monitors.

As more fully described in Note 5, KOM also has a committed line of credit in the amount of \$100,000, which it could draw upon in the event of an unanticipated liquidity need.

Financial assets available for general expenditure, within one year of December 31, comprise the following:

|                              | <u>2020</u>         | <u>2019</u>       |
|------------------------------|---------------------|-------------------|
| Cash                         | \$ 632,282          | \$ 90,240         |
| Government grants receivable | 326,363             | 286,615           |
| Pledges receivable           | <u>79,271</u>       | <u>129,261</u>    |
|                              | <u>\$ 1,037,916</u> | <u>\$ 506,116</u> |

For purposes of analyzing resources available to meet general expenditures over the next year, KOM considers all expenditures related to its ongoing activities to be general expenditures.

**4. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

|                               | <u>2020</u>      | <u>2019</u>     | <u>Depreciation<br/>lives - years</u> |
|-------------------------------|------------------|-----------------|---------------------------------------|
| Property and equipment        | \$ 97,115        | \$ 68,960       | 5                                     |
| Less accumulated depreciation | <u>(67,475)</u>  | <u>(59,580)</u> |                                       |
|                               | <u>\$ 29,640</u> | <u>\$ 9,380</u> |                                       |

(Continued)

# KAREN ORGANIZATION OF MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2020  
(With Comparative Totals for 2019)

### 5. LINE OF CREDIT

KOM maintains a line of credit in the amount of \$100,000, with interest at the prime rate plus 1.00%. The effective rate at December 31, 2020, was 4.25%. The line of credit matures September 8, 2021. The line of credit is collateralized by equipment. There were no outstanding balances on the line of credit as of December 31, 2020 and 2019.

### 6. PPP LOAN

KOM has a \$202,500 note payable to Bremer Bank with interest at 1.0%. The note is funded through the Paycheck Protection Program (PPP), a program developed by the Federal government in response to the COVID-19 pandemic. All or a portion of this note may be forgiven if KOM uses the proceeds from the note for payroll costs and other eligible expenses in accordance with the requirements of the PPP. If the proceeds are not used in accordance with the PPP guidelines, the note will be required to be repaid with monthly principal and interest payments beginning in December 2020 through the maturity date of May 7, 2022. No payments have been made on the loan. Unsecured.

### 7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 are restricted for the following purposes:

|   | 2020              | 2019              |
|---|-------------------|-------------------|
| <b>Subject to purpose restrictions:</b> |                   |                   |
| Chemical dependency                     | \$ 35,714         | \$ 74,597         |
| Elders program                          | 12,110            | -                 |
| Civic engagement                        | 6,426             | -                 |
| Reproductive health services            | -                 | 12,332            |
| Homeownership education                 | -                 | 7,398             |
| Capacity building                       | -                 | 5,000             |
| <b>Subject to time restrictions:</b>    |                   |                   |
| General operations                      | 69,000            | 69,000            |
|   | <u>\$ 123,250</u> | <u>\$ 168,327</u> |

Restrictions are classified above according to their main restriction. Some of the restrictions have components of both time and purpose restrictions.

(Continued)

**KAREN ORGANIZATION OF MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2020  
(With Comparative Totals for 2019)

**8. LEASES**

KOM leases office equipment and space under operating leases. The office equipment lease required annual monthly payments of \$143 and expired in April 2021. The lease is currently month-to-month.

The current office space lease, effective January 1, 2018, has a minimum monthly rental commitment of \$7,178, increasing approximately 5% annually, and expires in February 2022. Additional office space was added, effective August 1, 2018, with a minimum monthly rental commitment of \$849, increasing approximately 3% annually, and expires in February 2022.

Future minimum lease payments for the years ending December 31 are as follows:

|      |    |                |
|------|----|----------------|
| 2021 | \$ | 108,575        |
| 2022 |    | <u>18,098</u>  |
|      | \$ | <u>126,673</u> |

Rent expense for operating leases for the years ended December 31, 2020 and 2019, was \$108,944 and \$106,184.

**9. CONCENTRATIONS**

KOM maintains its cash in one bank. The balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2020, KOM's uninsured cash balance was \$352,332. Balances did not exceed the insured limit at December 31, 2019. KOM believes it is not exposed to any significant credit risk on its accounts.

KOM received approximately 38% and 19% of its revenue and support in 2020 and 2019 from the United States Department of Health and Human Services, passed through the State of Minnesota and local agencies.

**10. COMMITTED GRANTS AND CONTRACTS**

**Government Grants** - KOM has conditional promises to give totaling \$1,604,694 at December 31, 2020, which consists of government grants with remaining commitments that are conditional upon incurring eligible expenditures or performing certain services. Conditional promises to give are recognized in the financial statements when conditions have been met. The remaining contributions are expected to be recognized in 2021 and 2022.

(Continued)

# KAREN ORGANIZATION OF MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2020  
(With Comparative Totals for 2019)

### 10. **COMMITTED GRANTS AND CONTRACTS (Continued)**

**United Way** - KOM has received funding commitments from the United Way for programs. This funding is contingent upon the United Way raising the funds and annual approval by the United Way board and will be recorded when approved. The United Way has conditionally pledged \$69,000 for 2021.

### 11. **COVID-19**

A nationwide public health emergency continues to develop in 2020. Many states have enacted measures to combat the global pandemic resulting from a novel strain of coronavirus known as COVID-19. Measures have included regulatory restrictions on citizen and business activities as well as recommendations for further voluntary curtailment of activities. KOM's productions have been cancelled due to the pandemic. The fundraising events were postponed and transitioned into a virtual event in 2020. Additionally, KOM obtained a PPP loan to help cover salaries and other costs. See Note 6. The future potential impact of these issues is unknown and therefore no estimate can be made at this time.

### 12. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 14, 2021, the date which the financial statements were available for issue.