



KAREN ORGANIZATION OF MINNESOTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022



KAREN ORGANIZATION OF MINNESOTA

FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in their net assets and their 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. 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 Karen Organization of Minnesota 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 Karen Organization of Minnesota's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

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 generally accepted auditing standards 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. Misstatements, including omissions, 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Karen Organization of Minnesota's 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 Karen Organization of Minnesota's 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 Karen Organization of Minnesota’s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2024, 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, PA

January 15, 2024

KAREN ORGANIZATION OF MINNESOTA

STATEMENT OF FINANCIAL POSITION

December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Current assets:		
Cash	\$ 804,665	\$ 679,400
Government grants receivable	850,463	478,495
Pledges receivable	7,875	164,263
Prepaid expenses	17,589	17,957
Total current assets	1,680,592	1,340,115
Property and equipment, net	15,251	20,882
Right of use asset, net	130,219	-
	\$ 1,826,062	\$ 1,360,997
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 261,706	\$ 83,083
Grants payable	28,789	-
Accrued payroll and related	117,977	102,208
Deferred revenue	62,386	15,228
Current portion of PPP loan	36,316	36,495
Current portion of lease liability	111,587	-
Total current liabilities	618,761	237,014
PPP loan, less current portion	51,292	87,607
Long-term portion of lease liability	18,632	-
Total liabilities	688,685	324,621
Net assets:		
Without donor restrictions	700,207	628,833
Without donor restrictions - board designated	243,000	-
Total net assets without donor restrictions	943,207	628,833
With donor restrictions	194,170	407,543
Total net assets	1,137,377	1,036,376
	\$ 1,826,062	\$ 1,360,997

See accompanying notes to the financial statements.

KAREN ORGANIZATION OF MINNESOTA

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and support:				
Government grants	\$ 2,034,470	\$ -	\$ 2,034,470	\$ 1,603,525
Foundation grants	474,423	35,393	509,816	614,000
United Way	62,500	62,500	125,000	138,000
Fees for services	123,853	-	123,853	134,299
Special events revenue:				
Contributions	18,494	-	18,494	13,621
Earned	23,711	-	23,711	10,035
Direct donor benefits	(29,299)	-	(29,299)	(3,955)
Contributions	45,476	-	45,476	82,579
PPP loan forgiveness	-	-	-	73,150
Other revenue	547	-	547	7,365
Interest income	1,169	-	1,169	194
Net assets released upon satisfaction of restrictions	311,266	(311,266)	-	-
Total revenue and support	<u>3,066,610</u>	<u>(213,373)</u>	<u>2,853,237</u>	<u>2,672,813</u>
Expenses:				
Program services				
Social services	903,336	-	903,336	892,859
Employment services	927,380	-	927,380	703,939
Youth services	764,697	-	764,697	523,409
Program services	2,595,413	-	2,595,413	2,120,207
Management and general	118,126	-	118,126	90,213
Fundraising	38,697	-	38,697	27,637
Total expenses	<u>2,752,236</u>	<u>-</u>	<u>2,752,236</u>	<u>2,238,057</u>
Change in net assets	314,374	(213,373)	101,001	434,756
Net assets at beginning of year	<u>628,833</u>	<u>407,543</u>	<u>1,036,376</u>	<u>601,620</u>
Net assets at end of year	<u>\$ 943,207</u>	<u>\$ 194,170</u>	<u>\$ 1,137,377</u>	<u>\$ 1,036,376</u>

See accompanying notes to the financial statements.

KAREN ORGANIZATION OF MINNESOTA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	2022								
	Social Services	Employment Services	Youth Services	Total Program Services	Management and General	Fundraising	Special Events	Total	2021
Payroll and related:									
Payroll	\$ 537,389	\$ 544,345	\$ 214,319	\$ 1,296,053	\$ 42,189	\$ 26,039	\$ -	\$ 1,364,281	\$ 1,151,864
Employee benefits	48,262	45,947	18,919	113,128	12,623	2,131	-	127,882	128,191
Payroll taxes	44,616	44,386	17,818	106,820	2,730	2,007	-	111,557	90,344
Total payroll and related	630,267	634,678	251,056	1,516,001	57,542	30,177	-	1,603,720	1,370,399
Consortium lead payments	126,917	44,068	447,130	618,115	-	-	-	618,115	442,224
Client support	12,271	108,722	6,639	127,632	-	-	-	127,632	78,088
Staff travel	1,495	2,736	2,487	6,718	237	40	-	6,995	1,690
Staff development	890	2,528	962	4,380	1,616	2	-	5,998	5,040
Professional fees and consultants	22,128	10,058	12,474	44,660	12,437	4,996	-	62,093	66,167
Accounting and audit	-	-	-	-	31,331	-	-	31,331	29,787
Advertising	834	1,917	298	3,049	624	16	-	3,689	44
Office and event supplies	6,656	20,902	8,009	35,567	660	136	-	36,363	21,818
Postage and shipping	337	279	139	755	13	15	-	783	1,255
Repairs	641	5,176	73	5,890	2,083	-	-	7,973	3,277
Depreciation	2,218	2,247	885	5,350	174	107	-	5,631	8,758
Rental	64,706	44,570	19,103	128,379	1,791	1,620	-	131,790	111,945
Telephone	8,180	11,735	4,269	24,184	229	210	-	24,623	19,336
Insurance	11,807	11,436	4,762	28,005	1,025	347	-	29,377	26,582
Computer and support	10,978	17,660	4,827	33,465	564	869	-	34,898	31,617
Copying and printing	1,804	2,321	871	4,996	78	67	-	5,141	8,361
Interest	232	235	93	560	18	11	-	589	2,172
Dues	523	868	620	2,011	102	7	-	2,120	1,534
Event entertainment	-	-	-	-	-	-	4,278	4,278	-
Event space	-	-	-	-	-	-	8,086	8,086	-
Event food	-	-	-	-	-	-	13,365	13,365	-
Event supplies and awards	-	-	-	-	-	-	3,570	3,570	3,955
Miscellaneous	452	5,244	-	5,696	7,602	77	-	13,375	7,963
Total expenses, before direct donor benefits	903,336	927,380	764,697	2,595,413	118,126	38,697	29,299	2,781,535	2,242,012
Less direct donor benefits	-	-	-	-	-	-	(29,299)	(29,299)	(3,955)
Total expenses	\$ 903,336	\$ 927,380	\$ 764,697	\$ 2,595,413	\$ 118,126	\$ 38,697	\$ -	\$ 2,752,236	\$ 2,238,057

See accompanying notes and independent auditor's report.

KAREN ORGANIZATION OF MINNESOTA

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 101,001	\$ 434,756
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	5,631	8,758
Forgiveness of PPP loan	-	(73,150)
Changes in operating assets and liabilities:		
Government grants receivable	(371,968)	(152,132)
Pledges receivable	156,388	(84,992)
Prepaid expenses	368	(8,275)
Accounts payable	178,623	(56,618)
Grants payable	28,789	-
Accrued expenses, payroll, and related	15,769	9,870
Deferred revenue	47,158	(25,851)
Reduction in right of use asset	109,602	-
Reduction in lease liability	(109,602)	-
Net cash from operating activities	161,759	52,366
Cash flows from financing activities:		
Payments on PPP loan	(36,494)	(5,248)
Net cash from financing activities	(36,494)	(5,248)
Net increase in cash	125,265	47,118
Cash at beginning of year	679,400	632,282
Cash at end of year	\$ 804,665	\$ 679,400
Supplemental information:		
Cash paid for interest expense	\$ 589	\$ 3,522
Right-of-use asset acquired in exchange for lease liabilities	\$ 239,821	\$ -

See accompanying notes to the financial statements.

KAREN ORGANIZATION OF MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

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 build on the strengths of refugee and immigrant communities and remove barriers to achieving economic, social, and cultural wellbeing. 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 who have been in the U.S. for less than 5 years find and maintain employment in Minnesota. KOM also helps refugees, immigrants, and other low-income workers advance their careers by providing vocational training, career counseling, and financial coaching.

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

Accounting Standard Adopted - In 2022, KOM adopted Accounting Standard Update (ASU) 2016-02: *Leases (Topic 842)* using the modified retrospective approach using January 1, 2022, as the date of initial adoption. KOM elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed KOM to carry forward the historical lease classification. This ASU was issued to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. As a result of implementing ASU 2016-02, KOM recognized a right-of-use asset of \$239,821 and a lease liability totaling \$239,821 at January 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of income for the year ended December 31, 2022.

(Continued)

KAREN ORGANIZATION OF MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

KOM also adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets*. Under the new standard, not-for-profits are required to show contributed nonfinancial assets as a separate line item in the consolidated statement of activities. Not-for-profits need to provide enhanced disclosures about in-kind contributions received including: disaggregating by category depicting the type of contributed nonfinancial asset, disclosing qualitative information about whether the contributed nonfinancial assets were either monetized or used during the reporting period, and describing any donor-imposed restrictions associated with the contributed assets. In addition, the valuation techniques and inputs used to arrive at a fair value measure must be disclosed. There were no significant contributed nonfinancial assets.

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.
- *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.

(Continued)

KAREN ORGANIZATION OF MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 or grants payable. 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.

(Continued)

KAREN ORGANIZATION OF MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Leases - KOM assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position.

(Continued)

KAREN ORGANIZATION OF MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Right of use (ROU) assets represent KOM's right to use an underlying asset for the lease term, and lease liabilities represent KOM's obligation to make lease payments. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. KOM uses the implicit rate when it is readily determinable. When the leases do not provide an implicit rate, to determine the present value of lease payments, management uses the risk-free rate at lease commencement.

All of the KOM's leases are operating leases. Lease expense is recognized for these leases on a straight-line basis over the lease term. KOM's lease terms may include options to extend or terminate the lease when it is reasonably certain that KOM will exercise the option.

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 2022 or 2021. 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, 2021, from which the summarized information was derived.

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.

(Continued)

KAREN ORGANIZATION OF MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

3. LIQUIDITY AND AVAILABILITY (Continued)

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

	<u>2022</u>	<u>2021</u>
Cash	\$ 804,665	\$ 679,400
Government grants receivable	850,463	478,495
Pledges receivable	<u>7,875</u>	<u>164,263</u>
	<u>\$ 1,663,003</u>	<u>\$ 1,322,158</u>

In 2022, KOM's board designated \$243,000 as an operating reserve at a level that would cover at least two months of general expenditures.

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>2022</u>	<u>2021</u>	<u>Depreciation lives - years</u>
Property and equipment	\$ 75,569	\$ 75,569	5
Less accumulated depreciation	<u>(60,318)</u>	<u>(54,687)</u>	
	<u>\$ 15,251</u>	<u>\$ 20,882</u>	

(Continued)

KAREN ORGANIZATION OF MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

5. DEFERRED REVENUE

Changes in deferred revenue consist of the following:

	<u>2022</u>	<u>2021</u>
Deferred revenue, beginning of year	\$ 15,228	\$ 41,079
Previously deferred revenue recognized	(15,228)	(31,449)
Cash received for services	62,386	12,332
Current revenue recognized	<u>-</u>	<u>(6,734)</u>
Deferred revenue, end of year	<u>\$ 62,386</u>	<u>\$ 15,228</u>

6. 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, 2022, was 8.50%. The line of credit matured September 8, 2023, and was renewed through September 23, 2024. The line of credit is collateralized by equipment. There were no outstanding balances on the line of credit as of December 31, 2022 and 2021.

7. PPP LOAN

KOM has a note payable to Bremer Bank in the original amount of \$202,500 with interest at 1.0%. The note was funded through the Paycheck Protection Program (PPP), a program developed by the Federal government in response to the COVID-19 pandemic. Principal and interest of \$73,150 was forgiven in August 2021. The remaining balance of \$130,273 is payable in monthly installments of \$3,085 beginning November 7, 2021, through May 7, 2025, the maturity date and is unsecured.

Maturities of the PPP loan are as follows:

2023	\$ 36,316
2024	36,680
2025	<u>14,612</u>
	<u>\$ 87,608</u>

(Continued)

KAREN ORGANIZATION OF MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

8. NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Subject to purpose restrictions:		
Chemical dependency	\$ 17,143	\$ 63,318
Elders program	15,000	19,583
Civic engagement	-	3,000
Capacity-building learning	56,747	145,006
Homeownership education	39,530	106,136
Health and wellness	3,250	1,500
Subject to time restrictions:		
General operations	62,500	69,000
	<u>\$ 194,170</u>	<u>\$ 407,543</u>

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

9. LEASES

KOM leases office equipment and space under operating leases. The office equipment lease requires annual monthly payments of \$384 and expired in November 2021.

The office space lease, effective January 1, 2018, had a minimum monthly rental commitment of \$7,178, increasing approximately 5% annually, and expired in February 2022. A new lease was signed for an additional two years with monthly payments of \$8,393 through February 29, 2024. Additional office space was added, effective August 1, 2018, with a minimum monthly rental commitment of \$849, increasing approximately 3% annually, and expired in February 2022. A new lease was signed for an additional two years with monthly payments of \$927 through February 29, 2024.

The weighted average remaining lease term at December 31, 2022 is 1.09 years and the weighted average discount rate used in the calculations was 0.32%.

Rent expense for operating leases for the years ended December 31, 2022 and 2021, was \$128,990 and \$111,945.

(Continued)

KAREN ORGANIZATION OF MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

9. **LEASES (Continued)**

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

2023	\$	111,587
2024		18,893
		<u>130,480</u>
Less: present value discount		<u>(261)</u>
	\$	<u>130,219</u>

10. **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, 2022 and 2021, KOM's uninsured cash balance was \$616,779 and \$498,097. KOM believes it is not exposed to any significant credit risk on its accounts.

KOM received approximately 39% and 35% of its revenue and support in 2022 and 2021 from the United States Department of Health and Human Services, passed through the State of Minnesota and local agencies.

11. **COMMITTED GRANTS AND CONTRACTS**

Government Grants - KOM has conditional promises to give totaling \$2,004,611 at December 31, 2022, 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 2023 and 2024.

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 \$62,500 for 2023.

12. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 15, 2024, the date which the financial statements were available for issue.