

**THE HUMANITY ALLIANCE  
VICTORIA, MINNESOTA  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2021**

**Anderson & Baxter, Ltd**  
*Certified Public Accountants & Consultants*

The Humanity Alliance  
Table of Contents  
December 31, 2021

Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activity	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-11

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Humanity Alliance  
Victoria, Minnesota

### *Opinion*

We have audited the accompanying financial statements of The Humanity Alliance (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activity, 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 The Humanity Alliance as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibility 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 the Organization and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted accounting standards, we:

- Exercise professional judgement 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 the Organization'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 the Organization'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.

*Anderson & Baxter, Ltd.*

Anderson & Baxter, Ltd.  
Minneapolis, Minnesota  
August 4, 2022

**THE HUMANITY ALLIANCE**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2021**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	476,444
Accounts receivable, net of allowance		5,912
Deposits		1,000
Total Current Assets		483,356

**OTHER ASSETS**

Property and equipment		1,436,342
Less: Accumulated depreciation		(37,042)
Net Property and equipment		1,399,300

**TOTAL ASSETS** \$ 1,882,656

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Current maturities of long-term debt	\$	27,701
Accounts payable		182,945
Other accrued expenses		34,623
Total Current Liabilities		245,269

**LONG-TERM DEBT (net of current maturities)**

Notes payable		938,677
Loans from officers		38,670
Less: current maturities		(27,701)
Long-term debt (net of current maturities)		949,646

**TOTAL LIABILITIES** 1,194,915

**NET ASSETS**

Without donor restrictions		687,741
Total Net Assets		687,741

**TOTAL LIABILITIES AND NET ASSETS** \$ 1,882,656

See accompanying notes to financial statements

**THE HUMANITY ALLIANCE  
STATEMENT OF ACTIVITY  
YEAR ENDED DECEMBER 31, 2021**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>REVENUES, GAINS AND SUPPORT</b>			
Program revenue			
Grants	\$ 683,378	\$ -	\$ 683,378
Program service revenues	198,718		198,718
In-kind contributions	<u>99,887</u>	<u>-</u>	<u>99,887</u>
Total program revenue	981,983	-	981,983
 Public support			
Contributions	323,907	-	323,907
Other revenues	<u>264</u>	<u>-</u>	<u>264</u>
Total public support	324,171	-	324,171
 Total revenues, gains and support	<u>1,306,154</u>	<u>-</u>	<u>1,306,154</u>
 <b>EXPENSES</b>			
Program services	522,598	-	522,598
Management & general	53,174	-	53,174
Fundraising	<u>17,144</u>	<u>-</u>	<u>17,144</u>
Total expenses	<u>592,916</u>	<u>-</u>	<u>592,916</u>
 <b>CHANGE IN NET ASSETS</b>	 713,238	 -	 713,238
 NET ASSETS - Beginning of year	 <u>(25,497)</u>	 <u>-</u>	 <u>(25,497)</u>
 NET ASSETS - End of year	 <u>\$ 687,741</u>	 <u>\$ -</u>	 <u>\$ 687,741</u>

See accompanying notes to financial statements

**THE HUMANITY ALLIANCE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 56,160	\$ 27,874	\$ 15,600	\$ 99,634
Payroll taxes	5,967	1,903	-	7,870
Cost of goods sold	141,423	61	110	141,594
Accounting	-	650	-	650
Advertising and promotion	1,713	3,023	-	4,736
Bank and credit card fees	459	119	1,120	1,698
Charitable contributions	2,354	-	-	2,354
Contract labor	138,000	250	-	138,250
Materials and supplies	12,001	2,202	301	14,504
Donated materials and supplies	18,734	-	-	18,734
Equipment rental and repairs	21,439	-	-	21,439
Insurance	4,541	10,312	-	14,853
Interest	29,761	1,011	-	30,772
Outside services	75	676	-	751
Postage and delivery	-	153	-	153
Professional fees	1,301	131	-	1,432
Rent	13,600	2,340	-	15,940
Utilities	8,882	-	-	8,882
Real estate taxes	20,783	-	-	20,783
Telephone	2,716	-	-	2,716
Travel	3,487	2,235	-	5,722
Other expenses	1,128	234	13	1,375
Bad debt	1,542	-	-	1,542
Depreciation expense	36,532	-	-	36,532
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenses	\$ 522,598	\$ 53,174	\$ 17,144	\$ 592,916

See accompanying notes to financial statements

**THE HUMANITY ALLIANCE  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2021**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 713,238
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	36,532
 (Increase) decrease in current assets:	
Accounts receivable	12,623
Deposits	6,000
 Increase (decrease) in current liabilities:	
Accounts payable	175,290
Other accrued expenses	(8,863)
Net cash provided by operating activities	<u>934,820</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Purchases of fixed assets	(1,432,204)
Proceeds from notes payable	950,673
Proceeds from loans from officers	24,690
Repayments of notes payable	(11,996)
Net cash provided/(used) by financing activities	<u>(468,837)</u>
 Change in cash and cash equivalents	 465,983
 <b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	 <u>10,461</u>
 <b>CASH AND CASH EQUIVALENTS - End of year</b>	 \$ <u><u>476,444</u></u>

See accompanying notes to financial statements

**The Humanity Alliance**  
**Notes to the Financial Statements**  
**December 31, 2021**

**Note 1: Organization and Nature of Activities**

The Humanity Alliance (the Organization), is a nonprofit charitable organization which seeks to create long-lasting community value, health and wealth, by launching and scaling disruptive models of service which break the 'cycle of suffering'. Inspired by the community and the people we serve, we have identified access to nutrition and affordable housing as our two initial programs. Both programs feature restoring love and dignity to our most vulnerable brothers and sisters.

Our nutrition program provides access to nutrition over the weekend to people who are experiencing food insecurity. Currently over 6,000 ready-to-eat meals are delivered on Fridays to doorsteps throughout eight Counties in the metropolitan area. Access to nutrition breaks the cycle of suffering for chronic diseases caused by food insecurity (diabetes, cardiovascular, high blood pressure).

Our affordable housing program uses a first-of-its-kind holistic approach that includes: affordable housing, a job, and mental wealth support (addiction, anxiety, depression). Our holistic approach provides a launch pad for individuals and families to break the cycle of long-term homelessness.

**Note 2: Significant Accounting Policies**

**A. Basis of Presentation**

Financial Statement Presentation

The Organization has adopted ASU No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, which clarified how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about liquidity and availability of resources, expenses and investment returns, and cash flows.

The accompanying financial statements have been prepared on the actual basis of accounting in accordance with United States generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

Net Assets without Donor Restrictions

Those resources over which the Organization has discretionary control. Designated amounts represent those revenues the Board of Directors has set aside for particular purposes.

Net Assets with Donor Restrictions

Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or the passage of time or are to be maintained permanently. As of December 31, 2021, the Organization had no donor restricted net assets.

**The Humanity Alliance**  
**Notes to the Financial Statements**  
**December 31, 2021**

**B. Advertising**

The Organization expenses advertising costs when incurred. Advertising expense for the year ended December 31, 2021, was \$4,736.

**C. Cash and Cash Equivalents**

The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

**D. Accounts and Pledges Receivable**

Accounts and pledges receivable are stated at the amount management expects to collect from outstanding balances. Management of the Organization periodically evaluates uncollected pledges receivable based on aging and individual balances and provides for bad debts on the allowance method, if necessary. Management also records a discount on pledges receivable based on a collection schedule set by donors.

**E. Concentrations of Credit Risk**

The Organization places substantially all its cash and liquid investments with high-quality financial institutions and limits the amount of credit exposure to any one financial institution; however, cash balances may periodically exceed federally insured limits. Uninsured cash balances at December 31, 2021, were \$174,241.

**F. Property and Equipment**

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

Buildings and improvements	\$ 1,062,714
Land	205,600
Furniture and fixtures	18,391
Computers and equipment	110,643
Vehicles	38,994
Less: Accumulated Depreciation	<u>( 37,042)</u>
New Property and Equipment	\$ 1,399,300

Property and equipment are stated at cost, less accumulated depreciation, computed on a straight-line basis over the estimated useful lives. Normal repair and maintenance expenses are charged to operations as incurred. The Organization capitalizes property and equipment additions in excess of \$1,000.

Assets are depreciated using the straight-line and accelerated methods over the following useful lives:

Building and improvements	5 - 39 years
Equipment and furnishings	5 - 10 years

Depreciation expense was \$36,532 for the year ended December 31, 2021.

**The Humanity Alliance**  
**Notes to the Financial Statements**  
**December 31, 2021**

**G. Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses, except for certain items accounted for on a direct allocation basis, are allocated among the program and supporting service categories based on management estimates.

**H. Income Tax Status**

The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue code. The Organization is also exempt from state income taxes. However, any unrelated business income may be subject to taxation. Because the Organization is a public charity, contributions to it may be deductible for tax purposes.

Management believes that it is not reasonably possible for any tax position benefits to increase or decrease significantly over the next 12 months. As of December 31, 2021, there were no income tax related accrued interest or penalties recognized in either the statement of financial position or the statement of activities.

The Organization files informational returns in the U.S. federal jurisdiction and in the Minnesota state jurisdiction. U.S. federal returns and Minnesota returns prior to fiscal year 2019 are closed. No returns are currently under examination in any jurisdiction.

**I: 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 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.

**J. Subsequent Events**

Subsequent events were evaluated through August 4, 2022, which is the date the financial statements were available to be issued.

**Note 3: In-kind Contributions and Expenses**

The Organization received in-kind contributions of food and perishables from restaurants and food-shelves, and equipment and furnishings from various organizations and individuals. The value of these contributions was based on an evaluation of the market value of such items. In-kind contributions were \$99,887 for the year ended December 31, 2021.

In addition, the Organization received donated services from a variety of unpaid volunteers whose services effectively reduced personnel-related program expenses. No values have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer effort under ASC Subtopic 958-605 *Not-for-Profit Entities Revenue Recognition* have not been satisfied.

**The Humanity Alliance**  
**Notes to the Financial Statements**  
**December 31, 2021**

**Note 4: Long-term Debt**

Long-term debt consisted of the following at December 31, 2021:

4.50% Contract for Deed payable to a corporation in monthly payments of \$3,238, including Interest. Note matures January 2024 and is Secured by real property.	\$ 629,568
0.00% note payable to Carver County Community Development Agency in monthly payments of \$300. Note matures September 2032 and is security by real property.	149,699
0.00% note payable to a related party with no scheduled payments. Note matures January 2050 and is unsecured.	122,674
5.80% note payable to a corporation in monthly Payments of \$750, including interest. Note matures In August 2026 and is secured by a vehicle.	<u>36,736</u>
	<u>\$ 938,677</u>

Maturities of long-term debt are as follows:

Year ending December 31:

2022	\$ 27,701
2023	33,115
2024	629,916
2025	22,798
2026	20,274
Thereafter	<u>204,873</u>
Total	<u>\$ 938,677</u>

**Note 5: Liquidity and Availability of Resources**

The Organization has the following assets available to meet financial needs for one year:

Cash and cash equivalents	\$ 476,444
Accounts and employee receivables	5,912
Deposits	1,000
Less: amounts unavailable within one year, due to:	
Current maturities of long-term debt	( 27,701)
Accounts payable and accrued expenses	<u>(199,889)</u>
Total financial assets unavailable	<u>(227,590)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 255,766</u>

**The Humanity Alliance**  
**Notes to the Financial Statements**  
**December 31, 2021**

**Note 6: Fair Value Measurements**

Fair value measurement accounting standards establish a fair value hierarchy based on the priority of the inputs to the valuation methodologies used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in an active market that the Organization has the ability access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Financial assets recorded in the Statement of Financial Position are categorized based on the inputs to the valuation technique as follows for the year ended December 31, 2021:

	Level 1	Total
December 31, 2021		
Cash and money market funds	\$ <u>476,444</u>	\$ <u>476,444</u>
Total	\$ <u>476,444</u>	\$ <u>476,444</u>

**Note 7: Contingent Liability**

During the prior three years, the Organization compensated its founder and Executive Director at a rate of compensation that was likely below prevailing market rates for comparable positions. In the future, the Board of Directors may, at its discretion, decide to raise the Executive Director's compensation going forward, and to potentially provide retroactive compensation in recognition of his willingness to work at a below market rate during the start-up phase of our operations. While such a retroactive payment could be material, it is not possible at present to ascertain the likelihood, nor to reasonably estimate the amount, of such a payment.