



KAREN ORGANIZATION OF MINNESOTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021



KAREN ORGANIZATION OF MINNESOTA

FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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 September 15, 2022, 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.*

September 15, 2022

KAREN ORGANIZATION OF MINNESOTA

STATEMENT OF FINANCIAL POSITION

December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Current assets:		
Cash	\$ 679,400	\$ 632,282
Government grants receivable	478,495	326,363
Pledges receivable	164,263	79,271
Prepaid expenses	17,957	9,682
Total current assets	1,340,115	1,047,598
Property and equipment, net	20,882	29,640
	\$ 1,360,997	\$ 1,077,238
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 82,745	\$ 139,363
Accrued expenses	338	8,793
Accrued payroll and related	102,208	83,883
Deferred revenue	15,228	41,079
Current portion of PPP loan	36,495	-
Total current liabilities	237,014	273,118
PPP loan, less current portion	87,607	202,500
Total liabilities	324,621	475,618
Net assets:		
Without donor restrictions	628,833	478,370
With donor restrictions	407,543	123,250
Total net assets	1,036,376	601,620
	\$ 1,360,997	\$ 1,077,238

See accompanying notes to the financial statements.

KAREN ORGANIZATION OF MINNESOTA

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and support:				
Government grants	\$ 1,603,525	\$ -	\$ 1,603,525	\$ 1,558,385
Foundation grants	275,457	338,543	614,000	391,923
United Way	69,000	69,000	138,000	205,500
Fees for services	134,299	-	134,299	92,558
Special events revenue:				
Contributions	13,621	-	13,621	7,704
Earned	10,035	-	10,035	5,638
Direct donor benefits	(3,955)	-	(3,955)	(3,974)
Contributions	72,259	-	72,259	48,192
PPP loan forgiveness	73,150	-	73,150	-
Other revenue	7,365	-	7,365	2,159
In-kind contributions	10,320	-	10,320	-
Interest income	194	-	194	112
Net assets released upon satisfaction of usage restrictions	123,250	(123,250)	-	-
Total revenue and support	<u>2,388,520</u>	<u>284,293</u>	<u>2,672,813</u>	<u>2,308,197</u>
Expenses:				
Program services				
Social services	892,859	-	892,859	789,216
Employment services	703,939	-	703,939	647,812
Youth services	523,409	-	523,409	558,836
Program services	2,120,207	-	2,120,207	1,995,864
Management and general	90,213	-	90,213	59,505
Fundraising	27,637	-	27,637	17,372
Total expenses	<u>2,238,057</u>	<u>-</u>	<u>2,238,057</u>	<u>2,072,741</u>
Change in net assets	150,463	284,293	434,756	235,456
Net assets at beginning of year	<u>478,370</u>	<u>123,250</u>	<u>601,620</u>	<u>366,164</u>
Net assets at end of year	<u>\$ 628,833</u>	<u>\$ 407,543</u>	<u>\$ 1,036,376</u>	<u>\$ 601,620</u>

See accompanying notes to the financial statements.

KAREN ORGANIZATION OF MINNESOTA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021								
	Social Services	Employment Services	Youth Services	Total Program Services	Management and General	Fundraising	Special Events	Total	2020
Payroll and related:									
Payroll	\$ 507,834	\$ 424,846	\$ 174,401	\$ 1,107,081	\$ 31,488	\$ 13,295	\$ -	\$ 1,151,864	\$ 1,015,987
Employee benefits	56,568	46,411	17,952	120,931	5,787	1,473	-	128,191	94,878
Payroll taxes	40,450	33,585	12,996	87,031	2,243	1,070	-	90,344	81,421
Total payroll and related	604,852	504,842	205,349	1,315,043	39,518	15,838	-	1,370,399	1,192,286
Consortium lead payments	141,472	20,700	280,052	442,224	-	-	-	442,224	442,125
Client support	11,468	64,420	2,200	78,088	-	-	-	78,088	93,334
Staff travel	583	758	265	1,606	84	-	-	1,690	3,669
Staff development	3,326	679	443	4,448	388	204	-	5,040	2,418
Professional fees and consultants	20,795	28,514	640	49,949	6,838	9,380	-	66,167	50,203
Accounting and audit	67	392	-	459	29,261	67	-	29,787	26,475
Advertising	20	17	5	42	1	1	-	44	1,599
Office supplies	13,233	6,693	1,552	21,478	242	98	-	21,818	20,694
Postage and shipping	539	475	182	1,196	22	37	-	1,255	615
Repairs	433	836	199	1,468	1,809	-	-	3,277	3,156
Depreciation	3,861	3,230	1,326	8,417	240	101	-	8,758	7,895
Rental	52,097	41,021	16,064	109,182	1,941	822	-	111,945	108,944
Telephone	9,185	6,639	3,318	19,142	83	111	-	19,336	16,282
Insurance	11,867	10,360	3,799	26,026	462	94	-	26,582	40,075
Computer and support	13,058	10,777	6,198	30,033	796	788	-	31,617	46,403
Copying and printing	4,028	2,618	1,414	8,060	261	40	-	8,361	8,665
Interest	958	801	329	2,088	59	25	-	2,172	1,350
Dues	515	-	-	515	1,019	-	-	1,534	2,398
Event food and supplies	-	-	-	-	-	-	3,955	3,955	3,974
Meeting expense	300	-	-	300	-	-	-	300	276
Miscellaneous	202	167	74	443	7,189	31	-	7,663	3,879
Total expenses, before direct donor benefits	892,859	703,939	523,409	2,120,207	90,213	27,637	3,955	2,242,012	2,076,715
Less direct donor benefits	-	-	-	-	-	-	(3,955)	(3,955)	(3,974)
Total expenses	\$ 892,859	\$ 703,939	\$ 523,409	\$ 2,120,207	\$ 90,213	\$ 27,637	\$ -	\$ 2,238,057	\$ 2,072,741

See accompanying notes and independent auditor's report.

KAREN ORGANIZATION OF MINNESOTA

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 434,756	\$ 235,456
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	8,758	7,895
Forgiveness of PPP loan	(73,150)	-
Changes in operating assets and liabilities:		
Government grants receivable	(152,132)	(39,748)
Pledges receivable	(84,992)	49,990
Prepaid expenses	(8,275)	(177)
Accounts payable	(56,618)	47,891
Accrued expenses, payroll, and related	9,870	25,311
Deferred revenue	(25,851)	41,079
Net cash from operating activities	<u>52,366</u>	<u>367,697</u>
Cash flows from investing activities:		
Purchases of equipment	-	(28,155)
Net cash from investing activities	<u>-</u>	<u>(28,155)</u>
Cash flows from financing activities:		
Proceeds from issuance of PPP loan	-	202,500
Payments on PPP loan	(5,248)	-
Net cash from financing activities	<u>(5,248)</u>	<u>202,500</u>
Net increase in cash	47,118	542,042
Cash at beginning of year	<u>632,282</u>	<u>90,240</u>
Cash at end of year	<u>\$ 679,400</u>	<u>\$ 632,282</u>
Supplemental information:		
Cash paid for interest expense	<u>\$ 3,522</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

KAREN ORGANIZATION OF MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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, 2021
(With Comparative Totals for 2020)

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.

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.

(Continued)

KAREN ORGANIZATION OF MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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, 2021
(With Comparative Totals for 2020)

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 2021 or 2020. 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, 2020, from which the summarized information was derived.

Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

(Continued)

KAREN ORGANIZATION OF MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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>2021</u>	<u>2020</u>
Cash	\$ 679,400	\$ 632,282
Government grants receivable	478,495	326,363
Pledges receivable	<u>164,263</u>	<u>79,271</u>
	<u>\$ 1,322,158</u>	<u>\$ 1,037,916</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>2021</u>	<u>2020</u>	<u>Depreciation lives - years</u>
Property and equipment	\$ 75,569	\$ 97,115	5
Less accumulated depreciation	<u>(54,687)</u>	<u>(67,475)</u>	
	<u>\$ 20,882</u>	<u>\$ 29,640</u>	

(Continued)

KAREN ORGANIZATION OF MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

5. DEFERRED REVENUE

Changes in deferred revenue consist of the following:

	<u>2021</u>	<u>2020</u>
Deferred revenue, beginning of year	\$ 41,079	\$ -
Previously deferred revenue recognized	(31,449)	-
Cash received for services	12,332	61,832
Current revenue recognized	<u>(6,734)</u>	<u>(20,753)</u>
Deferred revenue, end of year	<u>\$ 15,228</u>	<u>\$ 41,079</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, 2021, was 4.25%. The line of credit matures September 8, 2023. The line of credit is collateralized by equipment. There were no outstanding balances on the line of credit as of December 31, 2021 and 2020.

7. PPP LOAN

KOM had a \$202,500 note payable to Bremer Bank 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. Unsecured.

Maturities of the PPP loan are as follows:

2022	\$ 36,495
2023	36,316
2024	36,680
2025	<u>14,611</u>
	<u>\$ 124,102</u>

(Continued)

KAREN ORGANIZATION OF MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

8. NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Subject to purpose restrictions:		
Chemical dependency	\$ 63,318	\$ 35,714
Elders program	19,583	12,110
Civic engagement	3,000	6,426
Capacity-building learning	145,006	-
Homeownership education	106,136	-
Employee Wellness	1,500	-
Subject to time restrictions:		
General operations	69,000	69,000
	<u>\$ 407,543</u>	<u>\$ 123,250</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 required annual monthly payments of \$143 and expired in April 2021. The lease was renewed in November 2021 for five years with monthly payments of \$384.

The current office space lease, effective January 1, 2018, has 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.

(Continued)

KAREN ORGANIZATION OF MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

9. **LEASES (Continued)**

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

2022	\$	115,894
2023		116,436
2024		23,236
2025		4,596
2026		3,831
		<hr/>
	\$	<u>263,993</u>

Rent expense for operating leases for the years ended December 31, 2021 and 2020, was \$111,945 and \$108,944.

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, 2021 and 2020, KOM's uninsured cash balance was \$498,097 and \$352,332. KOM believes it is not exposed to any significant credit risk on its accounts.

KOM received approximately 35% and 38% of its revenue and support in 2021 and 2020 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 \$1,083,203 at December 31, 2021, 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 2022 and 2023.

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 2022.

(Continued)

KAREN ORGANIZATION OF MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

12. 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.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 15, 2022, the date which the financial statements were available for issue.