

**PEOPLE REACHING OUT
TO OTHER PEOPLE, INC. (PROP)**

**FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
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Certified Public Accountants & Consultants
Meuwissen, Flygare, Kadrlik & Associates, P.A.
Independent Auditor's Report

The Board of Directors
People Reaching Out to Other People, Inc. (PROP)
Eden Prairie, Minnesota

Opinion

We have audited the accompanying financial statements of People Reaching Out To Other People, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2011, and the related statements of activities, functional expenses, and cash flows for the years 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 People Reaching Out To Other People, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 People Reaching Out To Other People, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 People Reaching Out To Other People, Inc.'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 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, 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 People Reaching Out To Other People, Inc.'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 People Reaching Out To Other People, Inc.'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.

*Melvinissen, Flygare
Kadrlik & Associates, P.A.*

Eden Prairie, Minnesota

October 27, 2022

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,538,296	\$ 1,466,109
Grants receivable	53,869	3,228
Inventory	44,523	59,359
Total current assets	<u>1,636,688</u>	<u>1,528,696</u>
Property and equipment		
Building and building improvements	1,085,796	1,076,461
Furniture, fixtures, and equipment	304,329	197,091
Accumulated depreciation	(422,558)	(448,531)
Total property and equipment, net	<u>967,567</u>	<u>825,021</u>
Other assets		
Investments	56,159	53,991
Beneficial interest in assets held by St. Paul & Minnesota Foundation	109,084	84,186
Total other assets	<u>165,243</u>	<u>138,177</u>
Total assets	<u><u>\$ 2,769,498</u></u>	<u><u>\$ 2,491,894</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 17,202	\$ -
Accrued expenses	9,748	15,322
Deferred revenue	28,090	-
Total liabilities	<u>55,040</u>	<u>15,322</u>
Net assets		
Without donor restrictions	2,600,089	2,392,386
With donor restrictions	114,369	84,186
Total net assets	<u>2,714,458</u>	<u>2,476,572</u>
Total liabilities and net assets	<u><u>\$ 2,769,498</u></u>	<u><u>\$ 2,491,894</u></u>

See accompanying notes and independent auditor's report.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
In-kind contributions	\$ 1,056,095	\$ -	\$ 1,056,095	\$ 836,635	\$ -	\$ 836,635
Individual	783,330	34,028	817,358	745,324	21,983	767,307
Grants	633,621	5,286	638,907	564,187	-	564,187
Corporations	65,837	-	65,837	72,980	-	72,980
Events	64,319	-	64,319	66,596	-	66,596
Faith based	53,551	-	53,551	52,431	-	52,431
Organizations	20,299	-	20,299	15,438	-	15,438
All other	4,098	(9,131)	(5,033)	2,562	15,016	17,578
Net assets released from restrictions	-	-	-	54,913	(54,913)	-
Total support and revenue	2,681,150	30,183	2,711,333	2,411,066	(17,914)	2,393,152
Expenses						
Program services	1,927,260	-	1,927,260	1,677,545	-	1,677,545
General and administrative	348,414	-	348,414	226,293	-	226,293
Fundraising	197,773	-	197,773	196,020	-	196,020
Total expenses	2,473,447	-	2,473,447	2,099,858	-	2,099,858
Increase in net assets	207,703	30,183	237,886	311,208	(17,914)	293,294
Net assets, beginning of year	2,392,386	84,186	2,476,572	2,081,178	102,100	2,183,278
Net assets, end of year	<u>\$ 2,600,089</u>	<u>\$ 114,369</u>	<u>\$ 2,714,458</u>	<u>\$ 2,392,386</u>	<u>\$ 84,186</u>	<u>\$ 2,476,572</u>

See accompanying notes and independent auditor's report.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022				2021			
	Support Services				Support Services			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
In-kind distributions	\$ 1,070,931	\$ -	\$ -	\$ 1,070,931	\$ 841,238	\$ -	\$ -	\$ 841,238
Salaries & benefits	349,497	214,578	163,816	727,891	353,192	129,381	163,733	646,306
Purchased food	168,728	-	-	168,728	117,268	-	-	117,268
Housing/rent assistance	167,996	-	-	167,996	172,401	-	-	172,401
Depreciation	40,342	9,024	3,716	53,082	34,934	7,814	3,218	45,966
Technology services	28,281	11,984	7,670	47,935	22,602	9,577	6,129	38,308
Repairs & maintenance	20,524	25,225	1,787	47,536	19,272	7,032	1,775	28,079
Marketing	351	28,038	343	28,732	9,190	11,099	3,347	23,636
Utilities	7,259	18,061	669	25,989	4,191	16,603	1,565	22,359
Transportation assistance	23,622	-	-	23,622	22,515	-	-	22,515
Development	-	5,679	15,755	21,434	72	2,514	12,440	15,026
Contracted services	500	19,857	-	20,357	6,656	28,335	-	34,991
Office supplies	11,369	6,106	1,177	18,652	5,123	4,576	1,700	11,399
Other expenses	12,457	4,678	-	17,135	30,078	5,464	-	35,542
Insurance	7,291	3,089	1,977	12,357	5,260	2,229	1,426	8,915
Janitorial	9,367	2,095	863	12,325	7,463	1,669	687	9,819
Youth scholarships	4,391	-	-	4,391	3,827	-	-	3,827
Utilities assistance	4,191	-	-	4,191	14,291	-	-	14,291
Medical & dental assistance	139	-	-	139	2,995	-	-	2,995
Transportation	24	-	-	24	4,977	-	-	4,977
Total	<u>\$ 1,927,260</u>	<u>\$ 348,414</u>	<u>\$ 197,773</u>	<u>\$ 2,473,447</u>	<u>\$ 1,677,545</u>	<u>\$ 226,293</u>	<u>\$ 196,020</u>	<u>\$ 2,099,858</u>

See accompanying notes and independent auditor's report.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
STATEMENT OF CASH FLOWS
JUNE 30, 2022 AND 2021

	2022	2021
Cash flows from operations		
Increase in net assets	\$ 237,886	\$ 293,294
Adjustment to reconcile the change in net assets to net cash from operating activities		
Depreciation	53,082	45,966
Unrealized gain/loss on investments	9,131	(14,769)
Change in assets and liabilities		
Contributions receivable	(50,641)	7,783
Inventory	14,836	2,623
Accounts payable	17,202	-
Accrued expenses	(5,574)	14,613
Deferred revenue	28,090	-
Net cash from operating activities	304,012	349,510
Cash flows from investing activities		
Purchase of property and equipment	(195,629)	(21,579)
Contribution to beneficial interest held by St. Paul & Minnesota Foundation	(34,028)	(22,230)
Reclassification of investments	(2,168)	(1,008)
Net cash used in investing activities	(231,825)	(44,817)
Net change in cash and equivalents	72,187	304,693
Cash and cash equivalents, beginning of year	1,466,109	1,161,416
Cash and cash equivalents, end of year	<u>\$ 1,538,296</u>	<u>\$ 1,466,109</u>

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 – ORGANIZATION

People Reaching Out to Other People, Inc. (PROP) (“the Organization”) is a Minnesota nonprofit corporation organized in 1982. PROP was formed to provide assistance in all areas of human services to individuals residing in the cities of Eden Prairie and Chanhassen. Services include a food shelf, together with financial assistance in areas, such as, housing, utilities, medical emergencies and other basic needs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

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 at the date of the financial statements and the reported amount of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to two net asset classes, net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Net assets without donor restrictions are the net assets of the Organization that are not restricted by donors.
- Net assets with donor restrictions are subject to donor-imposed stipulations that may or may not be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restrictions.

At June 30, 2022 and 2021, PROP had \$114,369 and \$84,186 of net assets with donor restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all certificates of deposit with a remaining maturity of 1 year or less to be cash equivalents.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the year of contribution are reported as without donor restrictions. Gifts and investment income having donor stipulations that are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions to net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimate future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Donated Services

Contribution of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

Services donated by volunteers for the years ended June 30, 2022 and 2021 were not recognized in the financial statements because they did not meet the criteria for recognition.

Property and Equipment and Depreciation

The Organization capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at time of donation. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis ranging from three to thirty-nine years.

Government Grants

Government grants are generally considered exchange transactions and are recorded as revenues when earned. Revenue is earned when eligible expenditures, as defined in each grant, are incurred. Funds received, but not yet earned are recorded as deferred revenue.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are generally recorded at fair value based on quoted market prices, when available, or estimates of fair value. Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. Investment income or loss and related gains and losses, both realized and unrealized, are included in the statement of activities as increases or decreases in net assets without restrictions unless the income or loss is restricted by donor law.

Functional Expenses

The cost of providing various programs and other activities are presented on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services that received benefits.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Date of Management Review

Management has evaluated subsequent events through October 27, 2022, the date the financial statements were available to be issued.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances with various financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, such balances may be in excess of the FDIC limit. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- 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.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset's or liability's fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value, including the general classification of such pursuant to the valuation hierarchy.

Certificates of deposit: Valued at the closing price reported by the financial institution holding the certificate of deposit.

Beneficial interest in assets held by St. Paul & Minnesota Foundations: Valued at quoted market prices multiplied by the Organizations proportionate amount of the fund.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets measured on a recurring basis at June 30, 2022 and 2021 are as follows:

	<i>Assets at Fair Value as of June 30, 2022</i>			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 56,159	\$ -	\$ -	\$ 56,159
Beneficial interest in assets held by St. Paul & Minnesota Foundation	-	-	109,084	109,084
Total assets at fair value	<u>\$ 56,159</u>	<u>\$ -</u>	<u>\$ 109,084</u>	<u>\$ 165,243</u>

	<i>Assets at Fair Value as of June 30, 2021</i>			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 53,991	\$ -	\$ -	\$ 53,991
Beneficial interest in assets held by St. Paul & Minnesota Foundation	-	-	84,186	84,186
Total assets at fair value	<u>\$ 53,991</u>	<u>\$ -</u>	<u>\$ 84,186</u>	<u>\$ 138,177</u>

The following table summarizes the changes in fair values of financial statements measured using Level 3 inputs:

Balance at June 30, 2021	\$ 84,186
Additional amounts invested in fund	34,029
Share of depreciation of fund	(7,746)
Appropriated expenditures and distributions	(1,385)
Balance at June 30, 2022	<u>\$ 109,084</u>

NOTE 5 – INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except on net income derived from unrelated business activities. The Organization is classified as a public charity.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 – INCOME TAXES (CONTINUED)

The Organization may recognize the tax benefit from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service and the state of Minnesota. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations, or cash flows.

The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years ended June 30, 2019 and thereafter, are subject to examination by the IRS, generally for three years after they were filed.

NOTE 6 – DONATED FOOD INVENTORY

Inventory consists of perishable and non-perishable foods and related products. Donated inventory items are valued at the approximate average wholesale cost as determined by an annual study done by Feeding America. The total weight of food at year-end was weighed on June 30, 2022 and 2021.

NOTE 7 – FUND-RAISING EXPENSE

Total fund-raising expense for the years ended June 30, 2022 and 2021, was \$197,773 and \$196,020 or 7.3% and 8.2% of the total campaign contribution revenue, respectively. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS AND ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions for the following purposes at June 30, 2022 and 2021 were:

	2022	2021
Endowment fund	\$ 109,084	\$ 84,186
Funds for program services	5,285	-
Total	<u>\$ 114,369</u>	<u>\$ 84,186</u>

Net assets released from restriction were as follows:

	2022	2021
Funds for program services	\$ -	\$ 54,913
Total	<u>\$ -</u>	<u>\$ 54,913</u>

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 – RETIREMENT PLANS

The Organization has a retirement SIMPLE IRA plan covering substantially all of its employees. The Organization makes a contribution of 2% of eligible compensation. The expense related to the SIMPLE IRA plan for the years ended June 30, 2022 and 2021 was \$5,444 and \$10,284, respectively.

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$1,648,324 of financial assets available within one year of the statement of financial position date, June 30, 2022, to meet cash needs for general operating expenditures, consisting of cash and cash equivalents of \$1,538,296, receivables of \$53,869 and investments of \$56,159. At June 30, 2021, the Organization had \$1,523,328 of financial assets available within one year, to meet cash needs for general operating expenditures, consisting of cash and cash equivalents of \$1,466,109, receivables of \$3,228 and investments of \$53,991. The following reflects the Organization's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general use because of donor-imposed restriction within one year of the statement of financial position date.

	2022	2021
Financial assets, at year end	\$1,648,324	\$ 1,523,328
Less those unavailable for general expenditures within one year due to:		
Donor-imposed restrictions	<u>\$ (5,285)</u>	<u>\$ -</u>
Financial assets available, at year end	<u><u>\$1,643,039</u></u>	<u><u>\$ 1,523,328</u></u>

Management of the Organization reviews cash balances and cash use on a daily and weekly basis. Additionally, its Board of Directors and Finance Committee review the cash balance, and specifically, the months of cash on hand, monthly. The Organization uses a benchmark of three months of operating expenditures. At June 30, 2022 and 2021, the Organization had 14.1 and 14.5 months of financial assets available for future general operating expenditures, respectively.

NOTE 11 – BENEFICIAL INTEREST IN ASSETS HELD BY ST. PAUL & MINNESOTA FOUNDATION

During the year ended June 30, 2020, the Organization made an irrevocable contribution to the St. Paul & Minnesota Foundation (the Foundation) which is holding them as an endowed component fund ("Fund") for the benefit of the Organization.

The Foundation has the right to modify the terms of the fund agreement if, in the judgment of the Foundation's Board of Directors, the restrictions and conditions in the agreement become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The authority to modify restrictions is sometimes referred to as the "variance power" and is a legal requirement imposed on all community foundations. The Organization has granted the Foundation variance power which gives the Foundation's Board of Trustees the power to use the Fund for other purposes in certain circumstances. As a result of the variance power, all component funds are considered to be parts of a single public charity, in this case the Foundation.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 11 – BENEFICIAL INTEREST IN ASSETS HELD BY ST. PAUL & MINNESOTA FOUNDATION (CONTINUED)

The Foundation will distribute amounts to PROP in furtherance of its charitable purpose, such amounts of the Fund's net income or principal or both as determined by the spending policy adopted by the Foundation, and amended from time to time, at such times the Foundation deems appropriate.

The Fund is subject to the Foundation's investment and spending policies. The Organization reports the fair value of the Fund as Beneficial Interest In Assets Held By St. Paul & Minnesota Foundation in the statement of financial position. Changes in value of the Fund are reported in the statement of activities.

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	With Donor Restrictions	Without Donor Restrictions	Total
Balance at June 30, 2021	\$ 84,186	\$ -	\$ 84,186
Additions	34,029	-	34,029
Share of depreciation of fund	(7,746)	-	(7,746)
Appropriated expenditures of assets	(1,385)	-	(1,385)
Balance at June 30, 2022	\$ 109,084	\$ -	\$ 109,084

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at June 30, 2020	\$ 47,187	\$ -	\$ 47,187
Additions	24,212	-	24,212
Share of appreciation of fund	15,702	-	15,702
Appropriated expenditures of assets	(2,915)	-	(2,915)
Balance at June 30, 2021	\$ 84,186	\$ -	\$ 84,186