

**HUNGER SOLUTIONS MINNESOTA**  
**AUDITED FINANCIAL STATEMENTS**  
December 31, 2015

Mark D. Harrington, CPA  
Wayne A. Langer, CPA  
Nichole Fairbanks, CPA  
Jesse Fraley, CPA



Gregory W. Heck, CPA, CVA  
Greg L. Emmerich, CPA  
Michael Belknap, CPA  
Bryan W. Swartz, CPA

563 PHALEN BOULEVARD • ST. PAUL, MN 55130  
phone 651.481.1128 • fax 651.481.0982

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Hunger Solutions Minnesota  
St. Paul, Minnesota

We have audited the accompanying financial statements of Hunger Solutions Minnesota (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hunger Solutions Minnesota as of December 31, 2015, 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.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information identified as food and household products (unaudited) in note 3 which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Harrington Langer & Associates*

April 5, 2016

**HUNGER SOLUTIONS MINNESOTA**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2015

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	162,294
Contributions receivable		70,203
Accounts receivable		119,902
Accounts receivable, agency		36,902
Prepaid expenses		4,445
<b>TOTAL CURRENT ASSETS</b>		<u>393,746</u>

**PROPERTY AND EQUIPMENT**

Furniture and office equipment		2,454
Computer and related		82,965
Less: accumulated depreciation		<u>(84,312)</u>
<b>PROPERTY AND EQUIPMENT, net</b>		<u>1,107</u>

**INVESTMENTS**

866,397

**TOTAL ASSETS**

\$ 1,261,250

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$	166,668
Accrued expenses		18,139
Line of credit		100,000
Funds held in agency		218,053
<b>TOTAL CURRENT LIABILITIES</b>		<u>502,860</u>

**NET ASSETS - unrestricted**

758,390

**TOTAL LIABILITIES AND NET ASSETS**

\$ 1,261,250

**HUNGER SOLUTIONS MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2015

<b>UNRESTRICTED REVENUE AND SUPPORT</b>	
Contributions	\$ 596,397
Government grants	3,802,623
Program services	706,426
Investment loss, net	<u>(21,750)</u>
TOTAL UNRESTRICTED REVENUE AND SUPPORT	<u>5,083,696</u>
 <b>EXPENSES</b>	
Program services	5,129,119
Management and general	24,549
Fundraising	<u>139,149</u>
TOTAL EXPENSES	<u>5,292,817</u>
<b>CHANGE IN NET ASSETS</b>	(209,121)
NET ASSETS, BEGINNING	<u>967,511</u>
<b>NET ASSETS, ENDING</b>	<u><u>\$ 758,390</u></u>

**HUNGER SOLUTIONS MINNESOTA**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2015

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (209,121)
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation	5,491
Net realized and unrealized gains and losses on investments	54,010
(Increase) decrease in:	
Contributions receivable	(21,925)
Accounts receivable	19,723
Accounts receivable, agency	(17,552)
Increase (decrease) in:	
Accounts payable	36,714
Accrued expenses	(7,973)
Funds held in agency	<u>43,657</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(96,976)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net purchases and sales of investments	<u>(42,004)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(42,004)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from the line of credit	<u>100,000</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(38,980)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>201,274</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u><u>\$ 162,294</u></u>

**HUNGER SOLUTIONS MINNESOTA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2015

	Program Services	Management and General	Fund- raising	Total
Salaries, taxes and benefits	\$ 668,135	\$ 20,069	\$ 59,097	\$ 747,301
Grants to members	3,579,252	-	-	3,579,252
Cluster product	573,236	-	-	573,236
Professional services	38,201	368	53,576	92,145
Office and administration	121,879	2,521	17,861	142,261
Program marketing	82,442	-	-	82,442
Conferences and travel	1,901	65	259	2,225
Rent	56,102	1,244	7,231	64,577
Insurance	3,304	117	466	3,887
Depreciation	4,667	165	659	5,491
	<u>\$ 5,129,119</u>	<u>\$ 24,549</u>	<u>\$ 139,149</u>	<u>\$ 5,292,817</u>

**HUNGER SOLUTIONS MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1      NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Hunger Solutions Minnesota (the Organization or Hunger Solutions) is a comprehensive hunger relief organization that works to end hunger in Minnesota. The Organization takes action to assure food security for all Minnesotans by supporting agencies that provide food to those in need, advancing sound public policy and guiding grassroots advocacy. Revenue from the federal government and the State of Minnesota totaled 75% of total revenues during 2015.

**Financial Statement Presentation**

Under ASC 958, net assets and revenues, gains, and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets are those resources over which the Board of Directors has discretionary control.
- Temporarily restricted net assets are those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time. Temporary restrictions that are satisfied in the same year as the resources are received are classified as unrestricted net assets.
- Permanently restricted net assets are those resources subject to a donor imposed restriction to be maintained permanently by the Organization.

**Basis of Accounting**

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

**Cash and Cash Equivalents**

The Organization considers all short-term debt instruments purchased with a maturity of three months or less to be cash equivalents except those designated to long-term investment. Cash and cash equivalent balances held in brokerage accounts are covered by SIPC insurance. Cash in the Organization's checking account is covered by FDIC insurance.

**Accounts Receivable**

Accounts receivable are stated at net realizable value. Management estimates that all accounts receivable are fully collectible. Therefore, no allowance for doubtful accounts has been recognized as of December 31, 2015.



**HUNGER SOLUTIONS MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1**      **NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Contributions Receivable**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Contributions that are expected to be collected within one year are recorded at their net realizable value. Contributions that are expected to be collected in future years are recorded at the present value of the amount to be collected using an imputed interest rate applicable to the year in which the contribution is received. Conditional contributions are not included as support until such time as the conditions are substantially met. Management estimates that all contributions are fully collectible. Management estimates that all contributions are fully collectible. Therefore, no allowance for doubtful accounts has been recognized as of December 31, 2015.

**Property and Equipment**

Property and equipment over \$1,000 are stated at cost at the date of donation or acquisition or, if donated, fair market value based on estimated retail cost at the date of donation. Depreciation is computed using appropriate straight-line methods over the estimated useful lives of the assets ranging from three to seven years.

**Investments**

The Organization has adopted investment and spending policies for investments to support its mission by providing earnings and capital appreciation to support its programs, capital expenditures, and board directed initiatives through a strategic plan that strives to maintain and grow the investment corpus and to provide annual operating earnings.

Investments are valued at fair value based on quoted market prices. Investment income reported in the statement of activities includes netted realized and unrealized gains and losses, interest and dividend income, and investment expenses. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains or losses on the sale of marketable securities are calculated using the specific-identification method. Unrealized gains and losses represent the change in the fair value of the individual investments for the year, or since the acquisition date, if acquired during the year.

**Amounts Held for Others**

The Organization administers certain funds held for others which are reported as accounts receivable, agency and funds held in agency.

**HUNGER SOLUTIONS MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1**      **NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Support and Revenue**

Hunger Solutions Minnesota recognizes revenue from government grants when costs are incurred under reimbursement agreements or when the service has been performed under fee for service agreements. Program service revenue is recognized when services are performed under service contracts received from nongovernmental sources. Membership dues from food shelf members are recognized when due, at the beginning of each month. Contributions are recorded as revenue at the date of promise or receipt.

**Income Taxes**

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Organization is not a private foundation and contributions to the Organization qualify as a charitable tax deduction by the contributor. Federal and state tax authorities generally have the right to examine the current and three previous years of income tax returns. The Organization is not currently under examination by any taxing jurisdiction.

**Functional Allocation of Expenses**

The costs of programs and supporting services have been summarized on a functional basis. Salaries and related expenses are allocated to program and supporting services based on time spent on each program. The program costs are specifically allocated whenever practical. General overhead expenses are allocated on the best estimates of management.

**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 and disclosures in these financial statements. Actual results could differ from those estimates.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 5, 2016, the date the financial statements were available to be issued.

**HUNGER SOLUTIONS MINNESOTA  
NOTES TO FINANCIAL STATEMENTS**

**Note 2      LINE OF CREDIT**

The Organization has a \$350,00 promissory note, revolving line of credit, with a variable interest rate at 4.50 percent (index rate plus 1%, minimum 4.50%) maturing September 30, 2016 secured by all the Organization's assets. The Organization has received a waiver from the lender for violating the debt service coverage covenant for 2015. \$100,000 is outstanding on this line at December 31, 2015.

**Note 3      FOOD AND HOUSEHOLD PRODUCTS**

The Organization coordinates the distribution of food and household products to various in-state food banks and food shelves. The total valuation of the food and household products distributed are estimates based on estimated pounds distributed multiplied by estimated rates per pound established by cost studies conducted by the USDA and Feeding America. The valuation of distributed food and household products during the year ended December 31, 2015 are as follows:

Not recognized in the Statement of Activities:	
The emergency food assistance program	\$ 5,588,903
Cluster product	<u>21,040,935</u>
	<u><u>\$26,629,838</u></u>

**Note 4      EMPLOYEE BENEFIT PLANS**

Hunger Solutions has a defined contribution retirement plan (SEP). The plan covers all employees who meet specific requirements. The Organization contributes three (3) percent of total annual earnings. The Organization contributed \$13,001 to the plan for the year ended December 31, 2015.

The Organization also sponsors a 403(b) plan that covers all employees who meet specific requirements. Hunger Solutions does not make employer contributions to this plan.

**Note 5      OPERATING LEASES**

The Organization leases office equipment and office space under operating leases that expire at various times through 2018. Rent expense for leases was \$66,846 for the year ended December 31, 2015. Approximate future minimum payments under these agreements are as follows:

<u>Year Ending,</u> <u>December 31,</u>	
2016	68,722
2017	69,275
2018	<u>28,797</u>
	<u><u>\$ 166,794</u></u>

**HUNGER SOLUTIONS MINNESOTA  
NOTES TO FINANCIAL STATEMENTS**

**Note 6 INVESTMENTS AND FAIR VALUE FRAMEWORK**

General accepted accounting principles establish a fair value hierarchy that prioritizes the inputs 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). All of the Organization's investments consist of mutual funds which are valued at the net asset value (NAV) of shares held at year end which are quoted market prices. There have been no changes in the methodologies used at December 31, 2015.

The changes in investments for the year ended December 31, 2015 are as follows:

Beginning of year	\$ 878,403
Investment return:	
Interest and dividends	40,544
Net realized and unrealized gains and losses	(54,010)
Investment expenses	(7,721)
Transfers to cash	9,181
	<hr/>
End of year	<u>\$ 866,397</u>

Investments consisted of the following at December 31, 2015:

Equity mutual funds	\$ 271,595
Fixed income mutual funds	423,442
Other mutual funds	171,360
	<hr/>
Total	<u>\$ 866,397</u>

Investment income for the year ended December 31, 2015 consisted of the following:

Interest and dividends	\$ 40,544
Investment expenses	(7,721)
Net realized gains and losses	(42,011)
Net unrealized gains and losses	(11,999)
	<hr/>
Total	<u>\$ (21,187)</u>

Investment income, net reported on the statement of activities for the year ended December 31, 2015 consisted of the following:

Interest earned on cash and cash equivalents	\$ 12
Investment expenses incurred on cash and cash equivalents	(575)
Investment income, net	(21,187)
	<hr/>
Total	<u>\$ (21,750)</u>