

HUNGER SOLUTIONS MINNESOTA
AUDITED FINANCIAL STATEMENTS
December 31, 2014

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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, 2014, 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, 2014, 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

March 9, 2015

HUNGER SOLUTIONS MINNESOTA
STATEMENT OF FINANCIAL POSITION
December 31, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 201,274
Contributions receivable	48,278
Accounts receivable	139,625
Accounts receivable, agency	19,350
Prepaid expenses	4,445
TOTAL CURRENT ASSETS	<u>412,972</u>

PROPERTY AND EQUIPMENT

Furniture and office equipment	2,454
Computer and related	82,965
Less: accumulated depreciation	(78,821)
PROPERTY AND EQUIPMENT, net	<u>6,598</u>

INVESTMENTS

878,403

TOTAL ASSETS

\$ 1,297,973

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 129,954
Accrued expenses	26,112
Funds held in agency	174,396
TOTAL CURRENT LIABILITIES	<u>330,462</u>

NET ASSETS

Unrestricted - undesignated	89,108
Unrestricted - designated for self administered endowment	878,403
TOTAL NET ASSETS	<u>967,511</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 1,297,973

HUNGER SOLUTIONS MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

UNRESTRICTED REVENUE AND SUPPORT

Contributions	\$ 746,758
Government grants	2,808,185
Program services	1,217,451
Investment income, net	<u>56,396</u>

TOTAL UNRESTRICTED REVENUE AND SUPPORT	<u>4,828,790</u>
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EXPENSES

Program services	4,708,954
Management and general	49,551
Fundraising	<u>195,415</u>

TOTAL EXPENSES	<u>4,953,920</u>
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CHANGE IN NET ASSETS	(125,130)
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NET ASSETS, BEGINNING	<u>1,092,641</u>
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NET ASSETS, ENDING	<u><u>\$ 967,511</u></u>
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HUNGER SOLUTIONS MINNESOTA
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (125,130)
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation	6,500
Unrealized gains on investments, net	(28,240)
Realized gains, net	(11,740)
(Increase) decrease in:	
Contributions receivable	(8,199)
Accounts receivable	56,752
Accounts receivable, agency	3,228
Increase (decrease) in:	
Accounts payable	(52,663)
Accrued expenses	1,993
Deferred income	(57,443)
Funds held in agency	(15,262)

NET CASH USED IN OPERATING ACTIVITIES (230,204)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(1,864,515)
Proceeds from sales of investments	<u>2,077,219</u>

NET CASH PROVIDED BY INVESTING ACTIVITIES 212,704

DECREASE IN CASH AND CASH EQUIVALENTS (17,500)

CASH AND CASH EQUIVALENTS, BEGINNING 218,774

CASH AND CASH EQUIVALENTS, ENDING \$ 201,274

HUNGER SOLUTIONS MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014

	Program Services	Management and General	Fund- raising	Total
Salaries, taxes and benefits	\$ 750,454	\$ 36,397	\$ 100,155	\$ 887,006
Grants to members	2,480,355	-	-	2,480,355
Cluster product	1,053,463	-	-	1,053,463
Professional services	20,510	1,597	42,199	64,306
Office administration	104,828	9,455	44,517	158,800
Program marketing	202,296	-	-	202,296
Conferences and travel	36,847	1,108	585	38,540
Rent	54,676	214	7,764	62,654
Depreciation	5,525	780	195	6,500
	<u>\$ 4,708,954</u>	<u>\$ 49,551</u>	<u>\$ 195,415</u>	<u>\$ 4,953,920</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.

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

Unrestricted net assets are those resources over which the Board of Directors has discretionary control.

Temporarily restricted net assets

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

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.

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, 2014.

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, 2014.

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

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.

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. Revenue from the federal government and the State of Minnesota totaled 58% of total revenues during 2014. Program service revenue is recognized when services are performed under service contracts received from nongovernmental sources. Membership dues from food bank members are recognized when due, at the beginning of each month. Contributions are recorded as revenue at the date of promise or receipt.

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

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 March 9, 2015, the date the financial statements were available to be issued.

Note 2 LINE OF CREDIT

The Organization has a \$100,00 promissory note, revolving line of credit, with a variable interest rate at 4.50 percent (December 31, 2014) maturing April 30, 2016 secured by all the Organization's assets. Management is not aware of any violations of the note's required covenants. There was no outstanding balance owed at December 31, 2014.

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS

Note 3 FOOD AND HOUSEHOLD PRODUCTS (Unaudited)

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, 2014 are as follows:

Not recognized in the Statement of Activities:	
The emergency food assistance program	\$ 7,333,210
Cluster product	<u>43,154,528</u>
	<u><u>\$ 50,487,738</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 \$16,858 to the plan for the year ended December 31, 2014.

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 FRAMEWORK FOR MEASURING FAIR VALUE OF INVESTMENTS

General accepted accounting principles establishes a framework for measuring fair value of investments. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The asset or liability's fair value measurement within 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. 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 following is a description of the valuation methodologies used for assets measured at fair value. In determining fair value, the custodian used the market approach which utilizes process and other relevant information generated by market transactions involving identical generated assets or liabilities. Observable inputs reflect the assumptions market participants would use in valuing a financial instrument based on market data obtained from sources independent of the custodian. There have been no changes in the methodologies used at December 31, 2014.

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS

Note 5 FRAMEWORK FOR MEASURING FAIR VALUE OF INVESTMENTS
(continued)

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access. All of the Organization's investments are level 1.

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; or inputs that are observable, either directly or indirectly, 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 or liability's fair value measurement within 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.

Level 1 bond mutual funds: valued at the net asset value (NAV) of shares held at year end which are quoted market prices.

Level 1 equity mutual funds: valued at the net asset value (NAV) of shares held at year end which are quoted market prices.

Level 1 other equity funds: valued at the net asset value (NAV) of shares held at year end which are quoted market prices.

Note 6 INVESTMENTS

The Board of Directors has designated its investments as a self-administered endowment. In accordance with the State of Minnesota's UPMIFA (Uniform Prudent Management of Institutional Funds Act), the Organization considers the following factors in making a determination to appropriate or accumulate self-administered endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS

Note 6 **INVESTMENTS (continued)**

The Organization has adopted investment and spending policies for investment assets 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 provide annual operating earnings to the endowment.

The changes in the self-administered endowment for the year ended December 31, 2014 is as follows:

Endowment net assets, beginning of year	\$ 1,051,127
Investment return:	
Interest and dividends	36,625
Net realized and unrealized gains and losses	28,879
Investment expenses	(9,148)
Transfers to cash	<u>(229,080)</u>
Endowment net assets, end of year	<u><u>\$ 878,403</u></u>

Investments for self-administered endowment consisted of the following at December 31, 2014:

Equity mutual funds	\$ 418,366
Fixed income mutual funds	269,887
Other mutual funds	<u>190,150</u>
Total	<u><u>\$ 878,403</u></u>

Investment income for self-administered endowment for the year ended December 31, 2014 consisted of the following:

Interest and dividends	\$ 36,625
Investment expenses	(9,148)
Net realized gains and losses	(113,148)
Net unrealized gains and losses	<u>142,027</u>
Total	<u><u>\$ 56,356</u></u>

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS

Note 6 **INVESTMENTS (continued)**

Investment income, net reported on the statement of activities for the year ended December 31, 2014 consisted of the following:

Interest earned on cash and cash equivalents	\$ 40
Investment income, net	<u>56,356</u>
 Total	 <u><u>\$ 56,396</u></u>

Note 7 **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 \$64,922 for the year ended December 31, 2014.

Approximate future minimum payments under these agreements are as follows:

<u>Year Ending, December 31,</u>	
2015	66,846
2016	68,722
2017	69,275
2018	<u>28,797</u>
	 <u><u>\$ 233,640</u></u>

Note 8 **COMMITMENTS**

The Organization has entered into a non-cancelable technology service agreement that ends in 2015. \$20,736 of expenses were incurred under this agreement for the year ended December 31, 2014. Future minimum payments under this agreement for the year ended December 31, 2015 is expected to be \$17,290.