

HUNGER SOLUTIONS MINNESOTA
AUDITED FINANCIAL STATEMENTS
December 31, 2017

Mark D. Harrington, CPA
Wayne A. Langer, CPA
Nichole Fairbanks, CPA
Jesse Fraley, CPA
Anna Anderson, 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, 2017, 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, 2017, 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 (supplementary information) in Note 3 which is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Harrington Langer & Associates

April 5, 2018

HUNGER SOLUTIONS MINNESOTA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 217,416
Investments	872,970
Contributions receivable	33,474
Accounts receivable	91,948
Accounts receivable, agency	74,734
Prepaid expenses	6,405
TOTAL CURRENT ASSETS	<u>1,296,947</u>

PROPERTY AND EQUIPMENT

Furniture and office equipment	91,174
Less: accumulated depreciation	<u>(85,419)</u>
PROPERTY AND EQUIPMENT, net	<u>5,755</u>

TOTAL ASSETS	<u>\$ 1,302,702</u>
---------------------	---------------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 165,144
Accrued expenses	29,730
Deferred revenue	17,147
Funds held in agency	255,319
TOTAL CURRENT LIABILITIES	<u>467,340</u>

NET ASSETS

Unrestricted	807,595
Temporarily restricted - fundraising event	<u>27,767</u>
TOTAL NET ASSETS	<u>835,362</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,302,702</u>
---	---------------------

HUNGER SOLUTIONS MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Contributions	\$ 776,852	\$ 17,767	\$ 794,619
Government grants	3,320,469	-	3,320,469
Program services	91,800	-	91,800
Investment income, net	78,390	-	78,390
TOTAL REVENUE	<u>4,267,511</u>	<u>17,767</u>	<u>4,285,278</u>
EXPENSES			
Program services	4,007,116	-	4,007,116
Management and general	142,191	-	142,191
Fundraising	78,015	-	78,015
TOTAL EXPENSES	<u>4,227,322</u>	<u>-</u>	<u>4,227,322</u>
CHANGE IN NET ASSETS	40,189	17,767	57,956
NET ASSETS, BEGINNING	<u>767,406</u>	<u>10,000</u>	<u>777,406</u>
NET ASSETS, ENDING	<u><u>\$ 807,595</u></u>	<u><u>\$ 27,767</u></u>	<u><u>\$ 835,362</u></u>

HUNGER SOLUTIONS MINNESOTA
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 57,956
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	357
Net realized and unrealized (gains) losses on investments	(58,218)
(Increase) decrease in:	
Contributions receivable	7,756
Accounts receivable	58,201
Accounts receivable, agency	(14,812)
Prepaid expenses	(1,960)
Increase (decrease) in:	
Accounts payable	39,353
Accrued expenses	6,323
Deferred revenue	17,147
Funds held in agency	(68,405)
NET CASH PROVIDED BY OPERATING ACTIVITIES	43,698
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(5,755)
Purchase of investments	(742,149)
Sale of investments	77,615
NET CASH USED IN INVESTING ACTIVITIES	(670,289)
 CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on the line of credit, net	(100,000)
DECREASE IN CASH AND CASH EQUIVALENTS	(726,591)
CASH AND CASH EQUIVALENTS, BEGINNING	944,007
CASH AND CASH EQUIVALENTS, ENDING	\$ 217,416
FOOTNOTE: Cash paid for interest	\$ 4,375

HUNGER SOLUTIONS MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program Services	Management and General	Fund- raising	Total
Salaries, taxes and benefits	\$ 655,759	\$ 48,332	\$ 59,243	\$ 763,334
Grants to members	2,967,337	-	-	2,967,337
Professional services	161,005	22,187	501	183,693
Office and administration	114,159	69,090	11,497	194,746
Program marketing	31,861	79	357	32,297
Special projects and events	13,530	-	-	13,530
Rent	60,675	1,363	6,136	68,174
Insurance	2,472	56	249	2,777
Interest	-	1,077	-	1,077
Depreciation	318	7	32	357
	<u>\$ 4,007,116</u>	<u>\$ 142,191</u>	<u>\$ 78,015</u>	<u>\$ 4,227,322</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 78% of total revenues during 2017.

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. Cash in the Organization's accounts are covered by FDIC and SPIC insurance.

Accounts Receivable

Accounts receivable is 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, 2017.

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, 2017.

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. 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 in Agency

The Organization administers certain funds held in agency 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, 2018, 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 5.50 percent (index rate plus 1%, minimum 4.50%) maturing August 30, 2018 secured by all the Organization's assets. There are no outstanding balances on this line at December 31, 2017. The Organization recorded \$1,077 in interest expense for the year ended December 31, 2017.

Note 3 **FOOD AND HOUSEHOLD PRODUCTS (SUPPLEMENTARY INFORMATION)**

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 USDA. The valuation of distributed food and household products during the year ended December 31, 2017 was \$7,193,910.

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 \$16,344 to the plan for the year ended December 31, 2017.

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 \$68,174 for the year ended December 31, 2017. Approximate future minimum payments under these agreements are \$28,797 for the year ending December 31, 2018.

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 level 1, 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, 2017.

The changes in investments for the year ended December 31, 2017 are as follows:

Beginning of year	\$ 150,218
Purchases	721,977
Investment return:	
Interest and dividends	25,374
Net realized and unrealized gains and losses	59,855
Investment expenses	(6,839)
Sales	<u>(77,615)</u>
End of year	<u><u>\$ 872,970</u></u>

Investments consisted of the following at December 31, 2017:

Equity mutual funds	\$ 210,966
Fixed income mutual funds	269,852
Mutual funds - real estate	<u>392,152</u>
Total	<u><u>\$ 872,970</u></u>

Investment income, net for the year ended December 31, 2017 consisted of the following:

Interest and dividends	\$ 25,374
Investment expenses	(6,839)
Net realized gains and losses	1,637
Net unrealized gains and losses	<u>58,218</u>
Total	<u><u>\$ 78,390</u></u>