

HUNGER SOLUTIONS MINNESOTA
AUDITED FINANCIAL STATEMENTS
December 31, 2018

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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, 2018, 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, 2018, 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

June 26, 2019

HUNGER SOLUTIONS MINNESOTA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	382,225
Investments		776,962
Contributions receivable		45,309
Accounts receivable		124,020
Accounts receivable, agency		107,860
Prepaid expenses		6,405
TOTAL CURRENT ASSETS		1,442,781

PROPERTY AND EQUIPMENT

Furniture and office equipment		131,711
Less: accumulated depreciation		(89,920)
PROPERTY AND EQUIPMENT, net		41,791

TOTAL ASSETS		\$ 1,484,572
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	200,360
Accrued expenses		27,177
Deferred revenue		34,334
Funds held in agency		381,111
TOTAL CURRENT LIABILITIES		642,982

NET ASSETS

Net assets without donor restrictions		816,590
Net assets with donor restrictions - time		25,000
TOTAL NET ASSETS		841,590

TOTAL LIABILITIES AND NET ASSETS		\$ 1,484,572
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HUNGER SOLUTIONS MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions	\$ 561,790	\$ 25,000	\$ 586,790
Government grants	3,470,288	-	3,470,288
Program services	249,325	-	249,325
Investment income, net	(62,990)	-	(62,990)
Reclassification of net assets	27,767	(27,767)	-
	4,246,180	(2,767)	4,243,413
TOTAL REVENUE			
EXPENSES			
Program services	4,028,104	-	4,028,104
Management and general	114,571	-	114,571
Fundraising	94,510	-	94,510
	4,237,185	-	4,237,185
TOTAL EXPENSES			
CHANGE IN NET ASSETS	8,995	(2,767)	6,228
NET ASSETS, BEGINNING	807,595	27,767	835,362
NET ASSETS, ENDING	\$ 816,590	\$ 25,000	\$ 841,590

HUNGER SOLUTIONS MINNESOTA
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 6,228
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	4,501
Net realized and unrealized (gains) losses on investments	58,496
(Increase) decrease in:	
Contributions receivable	(11,835)
Accounts receivable	(32,072)
Accounts receivable, agency	(33,126)
Increase (decrease) in:	
Accounts payable	35,216
Accrued expenses	(2,553)
Deferred revenue	17,187
Funds held in agency	125,792
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>167,834</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(40,537)
Purchase of investments	(24,912)
Sale of investments	62,424
NET CASH USED IN INVESTING ACTIVITIES	<u>(3,025)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	164,809
CASH AND CASH EQUIVALENTS, BEGINNING	<u>217,416</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 382,225</u>

HUNGER SOLUTIONS MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services	Management and General	Fund- raising	Total
Salaries, taxes and benefits	\$ 691,831	\$ 16,935	\$ 77,601	\$ 786,367
Grants to members	3,051,344	-	-	3,051,344
Professional services	117,125	10,869	-	127,994
Office and administration	73,067	78,477	8,327	159,871
Program marketing	23,334	20	-	23,354
Special projects and events	10,000	-	-	10,000
Rent	60,212	749	8,582	69,543
Insurance	-	4,212	-	4,212
Depreciation	1,191	3,309	-	4,500
	<u>\$ 4,028,104</u>	<u>\$ 114,571</u>	<u>\$ 94,510</u>	<u>\$ 4,237,185</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 82% of total revenues during 2018.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Hunger Solutions has been applied retrospectively to all periods presented.

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:

- **Net assets without donor restrictions** are those net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.
- **Net assets with donor restrictions** are those net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Basis of Accounting

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

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

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, 2018.

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, 2018.

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.

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

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.

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 June 26, 2019, the date the financial statements were available to be issued.

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

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 5.00%) maturing August 30, 2020 secured by all the Organization's assets. There are no outstanding balances on this line at December 31, 2018.

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, 2018 was \$7,283,081.

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 \$17,699 to the plan for the year ended December 31, 2018.

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.

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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 \$72,995 for the year ended December 31, 2018. Approximate future minimum payments under these agreements are as follows:

<u>Year Ending, December 31,</u>	
2019	\$ 74,048
2020	76,179
2021	78,122
2022	77,610
2023	39,379
	<u>\$ 345,338</u>

Note 6 AVAILABILITY AND LIQUIDITY

The following represents Hunger Solutions' financial assets as December 31, 2018:

Financial assets at year-end:	
Cash and cash equivalents	\$ 382,225
Investments	776,962
Contributions receivable	45,309
Accounts receivable	124,020
Accounts receivable, agency	107,860
Total financial assets	<u>1,436,376</u>
Less amounts not available to be used within one year:	
Funds held in agency	381,111
Net assets with donor restrictions	25,000
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,030,265</u>

The Organization's goal is generally to maintain financial assets to meet 4 months of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments including money market accounts.

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS

Note 7 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, 2018.

The changes in investments for the year ended December 31, 2018 are as follows:

Beginning of year	\$ 872,970
Purchases	24,913
Investment return:	
Interest and dividends	24,913
Net realized and unrealized gains and losses	(83,409)
Investment expenses	(6,864)
Sales	<u>(55,560)</u>
End of year	<u><u>\$ 776,963</u></u>

Investments consisted of the following at December 31, 2018:

Equity mutual funds	\$ 157,424
Fixed income mutual funds	289,711
Mutual funds - real estate	<u>329,828</u>
Total	<u><u>\$ 776,963</u></u>

Investment income from investments for the year ended December 31, 2018 consisted of the following:

Interest and dividends	\$ 26,809
Investment expenses	(6,864)
Net realized gains and losses	(24,913)
Net unrealized gains and losses	<u>(58,496)</u>
Total	<u><u>\$ (63,464)</u></u>

Investment income, net reported on the Statement of Activities for the year ended December 31, 2018 is as follows:

Interest earned on cash and cash equivalents	\$ 474
Investment income, net	<u>(63,464)</u>
Total	<u><u>\$ (62,990)</u></u>