

HUNGER SOLUTIONS MINNESOTA
AUDITED FINANCIAL STATEMENTS
December 31, 2020

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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, 2020, 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, 2020, 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 8 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.

Hamington Langer & Associates

September 7, 2021

HUNGER SOLUTIONS MINNESOTA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,418,814
Investments	986,663
Contributions receivable	164,201
Accounts receivable	94,347
Accounts receivable, agency	30,835
Prepaid expenses	110,055

TOTAL CURRENT ASSETS 2,804,915

PROPERTY AND EQUIPMENT

Furniture and office equipment	125,258
Less: accumulated depreciation	<u>(86,993)</u>

PROPERTY AND EQUIPMENT, net 38,265

TOTAL ASSETS \$ 2,843,180

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 202,725
Accrued expenses	33,023
Deferred revenue	354,327
Funds held in agency	<u>303,607</u>

TOTAL CURRENT LIABILITIES 893,682

NET ASSETS

Without donor restrictions	
Undesignated	1,394,498
Designated for new initiatives and projects	<u>500,000</u>
Total without donor restrictions	1,894,498
With donor restrictions	<u>55,000</u>

TOTAL NET ASSETS 1,949,498

TOTAL LIABILITIES AND NET ASSETS \$ 2,843,180

HUNGER SOLUTIONS MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions	\$ 1,078,734	\$ 55,000	\$ 1,133,734
Government contributions	11,843,909	-	11,843,909
Program services	446,455	-	446,455
Investment income, net	91,374	-	91,374
Net assets released from restrictions	25,000	(25,000)	-
	13,485,472	30,000	13,515,472
EXPENSES			
Program services			
Food Shelf Capacity	11,662,460	-	11,662,460
SNAP Outreach	665,760	-	665,760
Advocacy	208,923	-	208,923
Total program services	12,537,143	-	12,537,143
Management and general	119,107	-	119,107
Fundraising	35,906	-	35,906
	12,692,156	-	12,692,156
CHANGE IN NET ASSETS	793,316	30,000	823,316
NET ASSETS, BEGINNING	1,101,182	25,000	1,126,182
NET ASSETS, ENDING	\$ 1,894,498	\$ 55,000	\$ 1,949,498

HUNGER SOLUTIONS MINNESOTA
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 823,316
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	15,430
Dividends and interest reinvested	20,535
Net realized and unrealized gains on investments	(95,710)
(Increase) decrease in:	
Contributions receivable	52,813
Accounts receivable	5,858
Accounts receivable, agency	(16,932)
Prepaid expenses	(103,650)
Increase (decrease) in:	
Accounts payable	(12,405)
Accrued expenses	1,583
Deferred revenue	333,052
Funds held in agency	(49,313)
	<u>974,577</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>974,577</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(25,700)
Purchase of investments	(166,596)
Sale of investments	154,299
	<u>(37,997)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(37,997)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	936,580
CASH AND CASH EQUIVALENTS, BEGINNING	<u>482,234</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 1,418,814</u></u>

HUNGER SOLUTIONS MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries, taxes and benefits	\$ 851,826	\$ 39,641	\$ 27,042	\$ 918,509
Grants to members	10,945,755	-	-	10,945,755
Professional services	402,518	35,360	-	437,878
Office and administration	210,436	22,960	7,071	240,467
Program marketing	19,226	5,796	-	25,022
Special projects and events	28,717	-	-	28,717
Rent	70,947	415	1,793	73,155
Insurance	5,718	1,505	-	7,223
Depreciation	2,000	13,430	-	15,430
	<u>\$ 12,537,143</u>	<u>\$ 119,107</u>	<u>\$ 35,906</u>	<u>\$ 12,692,156</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) works to end hunger in our state. We take action to assure food security for all Minnesotans by supporting programs and agencies that provide food to those in need, advancing sound public policy, building grassroots advocacy, and informing and educating critical stakeholders about the status of hunger in Minnesota.

As the only statewide anti-hunger organization whose services reach every county of Minnesota, we are not only fighting against hunger today, but also finding long-term solutions to end hunger in the future through the following programs.

SNAP Outreach

The Supplemental Nutrition Assistance Program (SNAP) is the largest federal nutrition assistance program, supplementing the food budgets of low-income households so they can purchase food that meets their needs. The program serves as the first line of defense against hunger. For every meal provided by the network of food banks and food shelves, SNAP provides nine meals.

Hunger Solutions Minnesota's SNAP Outreach efforts connect people with food resources through the Minnesota Food HelpLine, Market Bucks program, and SNAP Rx.

Minnesota Food HelpLine

The Minnesota Food HelpLine is an over-the-phone resources line that provides SNAP eligibility screenings and enrollment assistance, and referral services to other food resource programs such as food shelves, WIC, Meals on Wheels, farmers markets and more.

In FY2020, the Minnesota Food HelpLine received 12,235 calls to the HelpLine, nearly triple the 5,138 calls received in 2019. Of those, over 2,000 callers were screened for SNAP, 2,500+ callers received application assistance for SNAP, and 3,000+ callers received referrals to their local food shelf.

Market Bucks

The Market Bucks program matches SNAP customer's spending up to \$10 at 99 participating farmers markets statewide, allowing customers to stretch their food budget to buy more fresh, local and affordable food.

In FY2020, SNAP customers spent \$276,920 in SNAP/EBT and \$184,365 in Market Bucks during the summer season.

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

SNAP Rx

SNAP Rx strengthens the connection between health care and hunger relief organizations. Our partnering clinics use the Hunger Vital Sign screening tool to screen their patients for food insecurity during routine care. Patients who screen positive for food insecurity are referred to the Minnesota Food HelpLine and connected with food resources in their local community.

In FY2020, Hunger Solutions Minnesota received 1,109 patient referrals from 79 clinic partners.

Food Shelf Capacity

To end hunger in Minnesota, we need a strong, responsive emergency food system. Hunger Solutions Minnesota works to build food shelf capacity so food shelves in our state are best able to meet the needs in their local communities.

COVID-19 Response

In 2020, food shelf visits met a new record with 3.8 million visits made by seniors, children, and low-income Minnesotans. To meet the increase demand, Hunger Solutions Minnesota distributed over \$21 million in emergency response grants to 352 organizations throughout the state to respond to the COVID-19 pandemic.

Minnesota Food Shelf Program (MSFP)

In FY2020 Hunger Solutions Minnesota distributed more than \$5 million in grants to 350 food shelves throughout Minnesota to ensure they have access to funding they need to keep food on their shelves and the doors open to those in their community.

The Emergency Food Assistance Program (TEFAP)

Hunger Solutions Minnesota partners with the USDA, the Minnesota Department of Human Services-Office of Economic Opportunity, food banks and food shelves to administer Minnesota's TEFAP program. In FY2020, Hunger Solutions distributed over 21 million pounds of food to food shelves and on-site meal programs across Minnesota via TEFAP.

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Advocacy

Serving as the anti-hunger community's leading voice with lawmakers, we champion ending hunger through public policy intervention and systemic change.

Some key policy priorities of FY2020 were to end school lunch shaming tactics, continue funding for mobile food shelf initiatives, support Hunger Free college campuses, and fund a new food shelf building in St. Paul.

New Accounting Pronouncement:

FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. We have implemented Topic 606 and have adjusted the presentation in these financial statements accordingly.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- **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. At December 31, 2020, net assets with donor restrictions amounted to \$55,000; \$25,000 of which is time restricted for general operating expenses and \$30,000 which is restricted for the SNAP Outreach program.

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.

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. As of December 31, 2020, the Organization had uninsured cash balances of approximately \$1,000,000.

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, 2020.

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, 2020.

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)

Funds 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.

Revenue Recognition

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 received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a 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 statements of activities as net assets released from restrictions.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants of approximately \$1,604,000 that have not been recognized at December 31, 2020 because qualifying expenditures have not yet been incurred.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

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.

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 donor. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) for uncertain positions that more likely than not would not be sustained upon examination by the applicable tax authorities. 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.

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 September 7, 2021, the date the financial statements were available to be issued.

NOTE 2. LINE OF CREDIT

The Organization has a \$350,000 promissory note, revolving line of credit, with a variable interest rate at 4.50 percent (index rate plus 1%, minimum 4.50%) maturing August 30, 2022 secured by all the Organization's assets. There are no outstanding balances on this line at December 31, 2020.

NOTE 3. RETIREMENT PLAN

The Organization provides a 401(k) profit sharing plan to its employees. Employer contributions are discretionary and are determined each year. The plan covers all employees who meet specific requirements. The Organization contributed \$16,896 to the plan for the year ended December 31, 2020.

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 4. AVAILABILITY AND LIQUIDITY

The following represents Hunger Solutions' financial assets as December 31, 2020:

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,418,814
Investments	986,663
Contributions receivable	164,201
Accounts receivable	94,347
Accounts receivable, agency	<u>30,835</u>
Total financial assets	<u>2,694,860</u>
Less amounts not available to be used within one year:	
Funds held in agency	(303,607)
Net assets with donor restrictions	(55,000)
Board designated funds	<u>(500,000)</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 1,836,253</u></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. The Organization's Board of Directors has designated a portion of its net assets for new initiatives and projects. Those amounts are identified as board designated funds in the table above. Those funds remain available and may be spent at the discretion of the Board.

NOTE 5. OPERATING LEASES

The Organization leases office equipment and office space under operating leases that expire at various times through June 2023. Rent expense for leases was \$73,155 for the year ended December 31, 2020. Future minimum payments under these agreements are as follows:

<u>Year Ending, December 31,</u>	
2021	78,122
2022	77,610
2023	<u>39,379</u>
	<u><u>\$ 195,111</u></u>

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 6. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

These levels include:

Level 1	Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
Level 2	Other observable inputs, either directly or indirectly, including: <ul style="list-style-type: none">• Quoted prices for similar assets/liabilities in active markets;• Quoted prices for identical or similar assets in non-active markets;• Inputs other than quoted prices that are observable for the asset/liability; and• Inputs that are derived from or corroborated by other observable market data.
Level 3	Unobservable inputs that cannot be corroborated by observable market data.

As of December 31, 2020, all of the Organization's investments consisted of mutual funds which are valued at level 1.

NOTE 7. CONCENTRATION OF REVENUE SOURCES

The Organization received 85% of its total revenue from various contracts with the State of Minnesota. The current level of the Organization's operations and program services may be impacted if funding is not renewed.

NOTE 8. 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, 2020 was \$23,726,144.