

Hunger Solutions Minnesota

Minneapolis, Minnesota

Financial Statements

Auditor's Report

For the Years Ended

December 31, 2023 and 2022



CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
EXHIBIT A: Statements of Activities – For the Years Ended December 31, 2023 and 2022	3
EXHIBIT B: Statement of Functional Expense – For the Years Ended December 31, 2023 with Comparative Totals for 2022	4
EXHIBIT C: Statement of Functional Expense – For the Year Ended December 31, 2022	5
EXHIBIT D: Statements of Financial Position – December 31, 2023 and 2022	6
EXHIBIT E: Statements of Cash Flows – For the Years Ended December 31, 2023 and 2022	7
NOTES TO FINANCIAL STATEMENTS	8-16



Carpenter, Evert & Associates

Certified Public Accountants

7760 France Avenue S. Suite 940 Bloomington Minnesota 55435

952.831.0085 carpenterevert.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hunger Solutions Minnesota
St. Paul, Minnesota

Opinion

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the Hunger Solutions Minnesota as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of our report. We are required to be independent of Hunger Solutions Minnesota and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Hunger Solutions Minnesota as of December 31, 2022 were audited by other auditors whose report dated July 21, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hunger Solutions Minnesota's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hunger Solutions Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hunger Solutions Minnesota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Coyette, Ernst and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
August 12, 2024

HUNGER SOLUTIONS MINNESOTA
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions	\$ 444,787	\$ 316,500	\$ 761,287	\$ 666,348	\$ 180,000	\$ 846,348
Government Grants	10,534,252	-	10,534,252	11,992,367	183,491	12,175,858
Program Services	222,600	-	222,600	385,917	-	385,917
Investment Income (Loss)	137,142	-	137,142	(174,920)	-	(174,920)
Other Income	9,052	-	9,052	-	-	-
Net Assets Released from Restrictions:						
Satisfaction of Purpose Restrictions	343,430	(343,430)	-	332,837	(332,837)	-
Total Support and Revenue	11,691,263	(26,930)	11,664,333	13,202,549	30,654	13,233,203
Expense:						
Program Services	11,184,109	-	11,184,109	12,774,361	-	12,774,361
Support Services:						
Management and General	434,058	-	434,058	479,444	-	479,444
Fundraising	108,356	-	108,356	107,003	-	107,003
Total Support Services	542,414	-	542,414	586,447	-	586,447
Total Expense	11,726,523	-	11,726,523	13,360,808	-	13,360,808
Change in Net Assets	(35,260)	(26,930)	(62,190)	(158,259)	30,654	(127,605)
Net Assets - Beginning of Year	2,105,801	244,342	2,350,143	2,264,060	213,688	2,477,748
Net Assets - End of Year	\$ 2,070,541	\$ 217,412	\$ 2,287,953	\$ 2,105,801	\$ 244,342	\$ 2,350,143

The accompanying Notes to Financial Statements
are an integral part of these statements.

HUNGER SOLUTIONS MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH COMPARATIVE TOTALS FOR 2022

	2023				2022	
	Support Services					
	Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Salaries, Taxes, and Benefits	\$ 649,302	\$ 198,384	\$ 90,383	\$ 288,767	\$ 938,069	\$ 942,873
Grants to Members	9,994,191	-	-	-	9,994,191	11,649,204
Professional Services	277,356	154,030	7,927	161,957	439,313	465,566
Office and Administration	128,147	52,825	9,757	62,582	190,729	163,221
Rent	79,603	1,230	-	1,230	80,833	77,261
Program Marketing	55,510	3,596	289	3,885	59,395	40,525
Insurance	-	14,534	-	14,534	14,534	7,862
Special Projects and Events	-	-	-	-	-	4,348
Depreciation	-	9,459	-	9,459	9,459	9,948
Total Expense	\$ 11,184,109	\$ 434,058	\$ 108,356	\$ 542,414	\$ 11,726,523	\$ 13,360,808

The accompanying Notes to Financial Statements
are an integral part of this statement.

HUNGER SOLUTIONS MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2022

	Support Services				Total
	Program Services	Management & General	Fund- raising	Support Services	Total All Services
Salaries, Taxes, and Benefits	\$ 700,252	\$ 148,611	\$ 94,010	\$ 242,621	\$ 942,873
Grants to Members	11,649,204	-	-	-	11,649,204
Professional Services	237,618	227,948	-	227,948	465,566
Office and Administration	108,351	47,346	7,524	54,870	163,221
Rent	43,438	33,823	-	33,823	77,261
Program Marketing	35,498	3,906	1,121	5,027	40,525
Insurance	-	7,862	-	7,862	7,862
Special Projects and Events	-	-	4,348	4,348	4,348
Depreciation	-	9,948	-	9,948	9,948
Total Expense	\$ 12,774,361	\$ 479,444	\$ 107,003	\$ 586,447	\$ 13,360,808

The accompanying Notes to Financial Statements
are an integral part of this statement.

HUNGER SOLUTIONS MINNESOTA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

EXHIBIT D

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash and Cash Equivalents	\$ 276,112	\$ 748,254
Accounts Receivable	466,357	336,142
Prepaid Expenses	3,392	5,947
Total Current Assets	<u>745,861</u>	<u>1,090,343</u>
Investments	1,822,147	1,680,833
Security Deposit	4,445	-
Right of Use Asset - Operating Lease	196,407	-
Furniture and Office Equipment (Net)	10,966	5,804
TOTAL ASSETS	<u>\$ 2,779,826</u>	<u>\$ 2,776,980</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 63,198	\$ 116,164
Accrued Expenses	210,067	51,563
Operating Lease Liabilities- Current	74,677	-
Funds Held in Agency	22,488	259,110
Total Current Liabilities	<u>370,430</u>	<u>426,837</u>
Operating Lease Liabilities- Non-Current	121,443	-
Total Liabilities	<u>491,873</u>	<u>426,837</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	1,620,541	1,655,801
Board Designated	450,000	450,000
Total Net Assets without Donor Restrictions	<u>2,070,541</u>	<u>2,105,801</u>
With Donor Restrictions	217,412	244,342
Total Net Assets	<u>2,287,953</u>	<u>2,350,143</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,779,826</u>	<u>\$ 2,776,980</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

HUNGER SOLUTIONS MINNESOTA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

EXHIBIT E

	<u>2023</u>	<u>2022</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (62,190)	\$ (127,605)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	9,459	9,948
Realized and Unrealized (Gain) Loss on Investments	(107,000)	190,399
Net Change in Operating Lease Activities	(287)	-
Decreases (Increases) in Operating Assets:		
Accounts Receivable	(130,215)	(3,089)
Prepaid Expenses	2,555	30,411
Security Deposit	(4,445)	-
Increases (Decreases) in Operating Liabilities:		
Accounts Payable	(52,966)	58,549
Accrued Expenses	158,504	(107,514)
Funds Held in Agency	(236,622)	(40,573)
Net Cash Provided (Used) by Operating Activities	<u>(423,207)</u>	<u>10,526</u>
Cash Flows from Investing Activities:		
Purchase of Furniture and Equipment	(14,621)	-
Purchase of Investments	(671,575)	(35,839)
Proceeds from Sale of Investments	<u>637,261</u>	<u>32,187</u>
Net Cash (Used) by Investing Activities	(48,935)	(3,652)
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	(472,142)	6,874
Cash and Cash Equivalents - Beginning of Year	<u>748,254</u>	<u>741,380</u>
Cash and Cash Equivalents - End of Year	<u>\$ 276,112</u>	<u>\$ 748,254</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies

Organizational Purpose

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 status of hunger in Minnesota.

In March of 2024, Hunger Solutions Minnesota merged with The Food Group. As trusted long-time partner organizations with closely aligned values, vision, and approach, we are formally combining efforts as one organization. Hunger Solutions Minnesota will continue to exist as a subsidiary of The Food Group, structuring the combined organization with The Minnesota Food Shelf Program and Market Bucks funding held in the subsidiary.

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. 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 that provides SNAP Eligibility screenings and enrollment assistance, and referral services to other food resources programs such as food shelves, WIC, Meals on Wheels, farmers markets, and more. In fiscal year 2023, the Minnesota Food HelpLine received 15,456 calls to the HelpLine. The remaining calls were given information on other resources or programs such as the EBT Service Center, the Pandemic EBT (P-EBT) program, local food shelf and more.

Market Bucks – The Market Bucks program matches SNAP customer's spending up to \$10 at over 100 participating farmers markets statewide, allowing customers to stretch their food budget to buy more fresh, local, and affordable food. New in 2022, SNAP customers could also receive extra Produce Market Bucks match for fruits and vegetables at the markets. In FY2023, SNAP customers spent a record \$556,588 in SNAP/EBT, \$329,613 in Market Bucks, and \$310,906 in Produce Market Bucks during the summer season. This was a record year for the program, creating over \$1,5700,000 in economic activity for the state.

SNAP Rx – SNAP Rx strengthens the connection between healthcare 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 FY2023, Hunger Solutions Minnesota received 3,936 patient referrals from 8 clinic partners.

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Organizational Purpose (continued)

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.

Food Shelf Funding – In FY2023, Hunger Solutions Minnesota distributed more than \$8 million in grants to over 300 food shelves throughout Minnesota to ensure they have access to funding they need to keep food in their shelves and the doors open to those in their community. These grant opportunities included the Minnesota Food Shelf Program (MSFP) Grant, Cultural Collaboration Grant, Emergency Grants and through the American Rescue Plan Act (ARPA) Grant.

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 FY2023, Hunger Solutions Minnesota distributed over millions of pounds of food-to-food shelves and on-site meal programs across Minnesota via TEFAP. In October 2023, Hunger Solutions' TEFAP contract expired, sending the program into control of the Minnesota Department of Human Services.

Advocacy – Serving as the anti-hunger community's leading voice with law makers, we champion ending hunger through public policy intervention and systemic change. Key public policies that were passed in 2023 included the passing of universal school meals in Minnesota, a raise to the gross income eligibility limit for SNAP, increased funding for the emergency food system and more.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

The Organization carries its investments at fair market value.

Property and Equipment

All major expenditures for property and equipment over \$1,000 are capitalized at cost. Depreciation is provided through the use of the straight-line method.

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to the Organization, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a Mission Development Fund.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 consolidated statements of activities as net assets released from restrictions.

Revenue and 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.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Organization records contributions of nonfinancial assets at fair market value at date of donation. The Organization's policy related to contributions of nonfinancial assets is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist.

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 we have 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.

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Income Tax

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The Organization's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Organization continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, the Organization annually files a Return of Organization Exempt From Income Tax (Form 990).

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, 2023 and 2022.

Grants Receivable

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Management estimates that all contributions are fully collectible.

Use of 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 of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expense

Expenses are recorded in functional categories when incurred. In certain cases, allocations between categories must be made. When allocations are required, they are based on the best estimates of management.

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Funds Held in Agency

The Organization administers certain funds held in agency for others which are reported as fund held in agency.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through August 12, 2024, which is the date financial statements were available to be issued.

In March of 2024, Hunger Solutions Minnesota merged with The Food Group. As trusted long-time partner organizations with closely aligned values, vision, and approach, we are formally combining efforts as one organization. Hunger Solutions Minnesota will continue to exist as a subsidiary of The Food Group.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

2. Financial Instruments

Significant Concentrations of Credit Risk

The Organization receives a significant amount of funding from the government through various grants and contracts. If a significant reduction in the level of this funding were to occur, it might have a significant effect on the Organization's program and activities.

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

3. Investments

The Organization held the following investments as of:

	December 31,			
	2023		2022	
	Cost	Market Value	Cost	Market Value
Treasury Bills	\$ 806,729	\$ 817,405	\$ -	\$ -
Mutual Funds	626,265	575,797	607,301	531,472
Exchange Traded Funds	287,469	425,789	279,432	351,431
Money Market Funds	3,156	3,156	797,930	797,930
	<u>\$ 1,723,619</u>	<u>\$ 1,822,147</u>	<u>\$ 1,684,663</u>	<u>\$ 1,680,833</u>

Investment income was as follows as of:

	December 31,	
	2023	2022
Interest and Dividends	\$ 30,142	\$ 15,479
Unrealized and Realized Gain (Loss)	107,000	(190,399)
	<u>\$ 137,142</u>	<u>\$ (174,920)</u>

4. Donor Restricted and Board Designated Net Assets

Board designated net assets consisted of amounts for the following as of:

	December 31,	
	2023	2022
Innovation Fund	\$ 450,000	\$ 450,000

Net assets with donor restrictions consisted of amounts for the following as of:

	December 31,	
	2023	2022
SNAP Outreach	\$ 107,993	\$ 113,491
Public Policy	109,419	130,851
	<u>\$ 217,412</u>	<u>\$ 244,342</u>

5. Retirement Plan

The Organization provides retirement benefits to its employees through a SIMPLE IRA plan covering all eligible employees. The Organization contributes matches up to three percent of gross wages. Contributions to the plan during the years ended December 31, 2023 and 2022, were \$19,990 and \$21,328, respectively.

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

6. Fair Value

Fair value is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. A three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed as follows:

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs.

The following is a summary of the inputs used to determine the fair value of the investments at December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 3,156	\$ -	\$ -	\$ 3,156
Treasury Bills	817,405	-	-	817,405
Mutual Funds	575,797	-	-	575,797
Exchange Traded Funds	425,789	-	-	425,789
Total	<u>\$ 1,822,147</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,822,147</u>

The following is a summary of the inputs used to determine the fair value of the investments at December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 797,930	\$ -	\$ -	\$ 797,930
Mutual Funds	531,472	-	-	531,472
Exchange Traded Funds	351,431	-	-	351,431
Total	<u>\$ 1,680,833</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,680,833</u>

7. Property and Equipment

The Organization owned the following as of:

	<u>December 31,</u>		<u>Estimated</u>
	<u>2023</u>	<u>2022</u>	<u>Useful Lives</u>
Office Equipment	\$ 131,433	\$ 116,811	3-5 years
Less: Accumulated Depreciation	<u>(120,467)</u>	<u>(111,007)</u>	
	<u>\$ 10,966</u>	<u>\$ 5,804</u>	

Depreciation expense of \$9,459 and \$9,948 was recorded for the years ended December 31, 2023 and 2022, respectively.

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

8. Liquidity and Availability

The following represents the Organization's financial assets as of:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 276,112	\$ 748,254
Investments	1,822,147	1,680,833
Accounts Receivable	<u>466,357</u>	<u>336,142</u>
Total Financial Assets	<u>2,564,616</u>	<u>2,765,229</u>
Less assets not available to be used within one year:		
Funds Held in Agency	22,488	259,110
Net Assets with Donor Restrictions	217,412	244,342
Board-Designated Funds	450,000	450,000
Net Assets with Restrictions to be met within a year	<u>(217,412)</u>	<u>(244,342)</u>
Total assets not available to be used within one year	<u>472,488</u>	<u>709,110</u>
Financial assets available for general expenditures within one year	<u>\$ 2,092,128</u>	<u>\$ 2,056,119</u>

The Organization does not consider their investments to be a financial asset available for use within one year because it is intended to be held for long-term purposes. If liquidity needs required, the Organization could use the investment funds.

The amount recorded as net assets with donor restrictions are not subtracted from financial assets available for general expenditures within one year because they are restricted for purposes that are met during the normal operation of the Organization within one year.

As part of the Organization's liquidity policy, they invest excess cash into an interest bearing money market savings account.

HUNGER SOLUTIONS MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

9. Operating Leases

The Organization has operating leases for office space and equipment. The right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms.

As of December 31, 2023, the ROU asset had a balance of \$196,407 as shown in noncurrent assets of the statement of financial position; the operating lease liability is included in other current liabilities \$74,677 and other long-term liabilities \$121,443. The ROU asset and lease liabilities were calculated utilizing risk free rates of 4.87% and 4.22%, which the Organization has made an accounting policy to elect to use in lieu of the incremental borrowing rate.

Additional information about the Organization's lease is as follows for the year ended December 31, 2023:

Lease Costs (included in occupancy and office and administration):

Operating Lease Cost	\$ 43,194
----------------------	-----------

Other Information:

Cash paid for amounts included in measuring operating

Lease liabilities:

Operating cash flows from operating leases	\$ 42,401
--	-----------

Lease assets obtained in exchange for lease obligations:

Operating leases	\$ 256,140
------------------	------------

Weighted-average remaining lease term (years)	2.5
---	-----

Weighted-average discount rate (%)	4.83
------------------------------------	------

Maturities of operating lease liabilities as of December 31, 2023:

Year Ending December 31:

2024	\$ 82,566
2025	84,157
2026	<u>42,228</u>
Total Lease Payments	208,951
Less: Present Value Discounts	<u>(12,831)</u>
Present Value of Lease Liabilities	<u>\$ 196,120</u>