

HASTINGS FAMILY SERVICE  
INDEPENDENT AUDITOR'S REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Hastings Family Service

We have audited the accompanying consolidated financial statements of Hastings Family Service (a nonprofit organization) and affiliates, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hastings Family Service and affiliates as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

*Lewis, Kisch & Associates, Ltd.*

April 24, 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITIONDECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 729,396	\$ 612,518
Accounts Receivable	8,628	5,171
Capital Campaign Pledges Receivable - Current Portion	3,000	6,550
Grant Receivable - Current Portion	25,000	
Inventory - Clothing	76,222	66,694
Inventory - Food	59,890	49,179
Prepaid Expenses	671	990
Total Current Assets	<u>902,807</u>	<u>741,102</u>
<u>Property and Equipment</u>		
Land, Buildings and Equipment	1,443,813	1,442,475
Accumulated Depreciation	<u>(256,986)</u>	<u>(221,330)</u>
Property and Equipment, Net	1,186,827	1,221,145
<u>Other Assets</u>		
Capital Campaign Pledges Receivable - Net of Current Portion		1,050
Grant Receivable - Net of Current Portion	25,000	
Beneficial Interest in Assets Held by Community Foundation	<u>33,162</u>	<u>36,185</u>
Total Other Assets	58,162	37,235
Total Assets	<u><u>\$ 2,147,796</u></u>	<u><u>\$ 1,999,482</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 10,751	\$ 8,197
Accrued Payroll	24,143	19,839
Accrued Vacation	18,676	16,873
Current Portion of Long-Term Debt		<u>34,324</u>
Total Current Liabilities	<u>53,570</u>	<u>79,233</u>
<u>Net Assets</u>		
Without Donor Restrictions		
Undesignated	1,853,499	1,821,860
Board Designated		
Gobble Gait	5,223	3,685
Capital Reserve Fund	64,545	30,651
Endowment	<u>13,193</u>	<u>13,946</u>
Total Board Designated	<u>82,961</u>	<u>48,282</u>
Total Without Donor Restrictions	1,936,460	1,870,142
With Donor Restrictions		
Endowment	19,969	22,239
Other	<u>137,797</u>	<u>27,868</u>
Total With Donor Restrictions	<u>157,766</u>	<u>50,107</u>
Total Net Assets	<u>2,094,226</u>	<u>1,920,249</u>
Total Liabilities and Net Assets	<u><u>\$ 2,147,796</u></u>	<u><u>\$ 1,999,482</u></u>

CONSOLIDATED STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Support and Revenue</u>						
Rivertown Treasures	\$ 153,605		\$ 153,605	\$ 142,698		\$ 142,698
Contributions	383,735	\$ 191,250	574,985	405,810	\$ 100,513	506,323
Government Grants	8,633	21,552	30,185	4,977	21,552	26,529
Other Income	2,436		2,436	2,365		2,365
Meals on Wheels	49,329		49,329	51,820		51,820
Just Friends Income	27,976		27,976	33,635		33,635
United Way Contribution	8,000		8,000	8,000		8,000
In-Kind Food Contributions	237,743		237,743	200,731		200,731
In-Kind Clothing Contributions	482,400		482,400	508,824		508,824
Other In-Kind Contributions	3,000		3,000			
Gobble Gait Fundraiser (Net of \$18,198 and \$17,209 of direct expenses, respectively)	127,424		127,424	122,281		122,281
Hastings Tastings Fundraiser (Net of \$1,451 and \$1,485 of direct expenses, respectively)	25,292		25,292	22,287		22,287
Change in Value of Beneficial Interests in Assets Held by Community Foundation	(753)	(1,202)	(1,955)	1,777	2,984	4,761
Interest and Dividend Income	1,852		1,852	1,141		1,141
Net Assets Released from Restrictions	103,941	(103,941)		148,087	(148,087)	
Total Support and Revenue	<u>1,614,613</u>	<u>107,659</u>	<u>1,722,272</u>	<u>1,654,433</u>	<u>(23,038)</u>	<u>1,631,395</u>
<u>Expenses</u>						
Program Services	1,184,503		1,184,503	1,181,501		1,181,501
Management and General	225,003		225,003	237,119		237,119
Fundraising	138,789		138,789	118,091		118,091
Total Expenses	<u>1,548,295</u>		<u>1,548,295</u>	<u>1,536,711</u>		<u>1,536,711</u>
Increase (Decrease) in Net Assets	<u>66,318</u>	<u>107,659</u>	<u>173,977</u>	<u>117,722</u>	<u>(23,038)</u>	<u>94,684</u>
Net Assets, Beginning of Year	1,870,142	50,107	1,920,249	1,752,420	73,145	1,825,565
Net Assets, End of Year	<u>\$ 1,936,460</u>	<u>\$ 157,766</u>	<u>\$ 2,094,226</u>	<u>\$ 1,870,142</u>	<u>\$ 50,107</u>	<u>\$ 1,920,249</u>

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSESYEAR ENDED DECEMBER 31, 2018

EXPENSES	Program Services				Management and General	Fundraising	Grand Total
	Emergency	Supportive	Community	Total			
Clothing Donated			\$ 246,941	\$ 246,941			\$ 246,941
Clothing Inventory Sold			153,605	153,605			153,605
Salaries and Wages	\$ 147,798	\$ 48,534	50,383	246,715	\$ 113,710	\$ 94,477	454,902
Payroll Taxes	11,233	3,689	3,829	18,751	8,643	7,181	34,575
Employee Benefits	7,942	2,608	2,707	13,257	6,110	5,077	24,444
Professional Fees	1,405	702	1,405	3,512	43,034	702	47,248
Advertising and Events						22,879	22,879
Depreciation	13,211	357	8,540	22,108	11,766	1,782	35,656
Emergency Assistance	98,247			98,247			98,247
Food Shelf	280,393	457		280,850			280,850
Insurance	2,326	2,326	2,326	6,978	4,652		11,630
Just Friends Expenses		13,205		13,205			13,205
Meals on Wheels Expenses		39,226		39,226			39,226
Occupancy	13,095	353	8,465	21,913	14,156	1,767	37,836
Office Expenses	4,386	2,453	2,453	9,292	10,445	22,349	42,086
Other Expenses	440	220	220	880	1,652	978	3,510
Other Program Expenses	3,502	2,547	991	7,040	9,780	1,086	17,906
Telephone	1,185	32	766	1,983	1,055	160	3,198
Total Expenses	<u>585,163</u>	<u>116,709</u>	<u>482,631</u>	<u>1,184,503</u>	<u>225,003</u>	<u>158,438</u>	<u>1,567,944</u>
Expenses Included							
With Revenues on the							
Statements of Activities:							
Gobble Gait Expenses						(18,198)	(18,198)
Hastings Tastings Expenses						(1,451)	(1,451)
Total Expenses Included							
in the Expense Section of							
the Statements of Activities	<u>\$ 585,163</u>	<u>\$ 116,709</u>	<u>\$ 482,631</u>	<u>\$ 1,184,503</u>	<u>\$ 225,003</u>	<u>\$ 138,789</u>	<u>\$ 1,548,295</u>

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSESYEAR ENDED DECEMBER 31, 2017

<u>EXPENSES</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Clothing Donated	\$ 287,386			\$ 287,386
Clothing Inventory Sold	142,698			142,698
Salaries and Wages	227,997	\$ 114,540	\$ 95,472	438,009
Payroll Taxes	16,597	8,338	6,950	31,885
Employee Benefits	17,469	8,776	7,315	33,560
Professional Fees		46,005		46,005
Advertising and Events			21,878	21,878
Depreciation	22,326	14,884		37,210
Emergency Assistance	102,229			102,229
Food Shelf	246,904			246,904
Insurance	7,249	4,833		12,082
Just Friends Expenses	15,995			15,995
Meals on Wheels Expenses	36,259			36,259
Occupancy	26,278	17,519		43,797
Office Expenses	16,840	21,050	4,210	42,100
Other Expenses	1,496	427	213	2,136
Other Program Expenses	12,284			12,284
Telephone	1,494	747	747	2,988
Total Expenses	<u>1,181,501</u>	<u>237,119</u>	<u>136,785</u>	<u>1,555,405</u>
Expenses Included				
With Revenues on the				
Statements of Activities:				
Gobble Gait Expenses			(17,209)	(17,209)
Hastings Tastings Expenses			(1,485)	(1,485)
Total Expenses Included				
in the Expense Section of				
the Statements of Activities	<u>\$ 1,181,501</u>	<u>\$ 237,119</u>	<u>\$ 118,091</u>	<u>\$ 1,536,711</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 173,977	\$ 94,684
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities:		
Contributions Received for Long Term Purposes	(271)	(100)
Depreciation	35,656	37,210
In-Kind Contributions Received	(720,143)	(709,555)
In-Kind Contributions Disbursed	699,904	704,956
(Increase) Decrease in Current Assets:		
Accounts Receivable	(3,457)	7,535
Capital Campaign Pledges Receivable	4,600	18,390
Grant Receivable	(50,000)	
Prepaid Expenses	319	(990)
Beneficial Interest in Assets Held by Community Foundation	3,023	(3,583)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	2,554	(14,170)
Accrued Payroll	4,304	(81)
Accrued Vacation	1,803	1,527
Net Cash Flows From Operating Activities	<u>152,269</u>	<u>135,823</u>
<u>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</u>		
Purchases of Property and Equipment	(1,338)	(17,274)
<u>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</u>		
Payments on Long-Term Debt	(34,324)	(34,325)
Contributions Received for Long-Term Purposes	271	100
Net Cash Flows From (Used in) Financing Activities	<u>(34,053)</u>	<u>(34,225)</u>
Net Increase in Cash and Cash Equivalents	<u>116,878</u>	<u>84,324</u>
Cash and Cash Equivalents, Beginning of Year	612,518	528,194
Cash and Cash Equivalents, End of Year	<u>\$ 729,396</u>	<u>\$ 612,518</u>
<u>SUPPLEMENTAL DISCLOSURE</u>		
Interest Paid	<u>\$ 2,218</u>	<u>\$ 4,601</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**1. Nature of the Organization**

Hastings Family Service (“HFS”) is a community based nonprofit agency providing a range of emergency and supportive services for over forty years to assist and guide neighbors from the Hastings, Minnesota, area who lack food, clothing, shelter, support, or transportation. HFS provides help and hope in a spirit of caring and respect, knowing that unforeseen circumstances like job elimination, reduction in work hours, or medical emergencies can happen to anyone at any time. The current economy has created numerous vulnerabilities, and HFS strives to assist those in need while providing fulfilling opportunities for volunteers and community members to support these efforts.

Hastings Family Service has established the following program services:

Emergency

*Food Shelf (“The Market”)* – HFS provides people in need of emergency, short-term assistance with a seven-day supply of groceries. In addition, individuals may receive a voucher to a local grocery store to purchase perishable items or address specific dietary needs. Emergency bags of food for 1, 2, or 3 days are also provided.

*Emergency Assistance* – HFS provides grants and vouchers to individuals and families during emergencies. Grants and vouchers may be provided to assist with some expenses, such as housing, utilities, automobile repairs, gas, prescriptions, diapers, formula, and household items.

*Homelessness Assistance* – HFS provides help with emergency needs of those experiencing homelessness.

Supportive

*Meals on Wheels* – In partnership with Allina Health Regina Hospital, this program provides hot meals and a safety check for the elderly, people living with a disability, and those recovering from surgery.

*Just Friends* – This program provides transportation and assistance with grocery shopping to enhance the quality of life of people in the Hastings community.

*Project Share* – Families in need receive food, gifts, and toys during the holidays. Businesses, churches, schools, and individuals make donations, fundraise, adopt families, host gift trees, and participate in toy and food drives to help their neighbors.

*School Supplies* – HFS provides a backpack filled with school supplies at the beginning of the school year for children at all grade levels who are in need.

*Clothing Vouchers* – HFS provides vouchers for clothing and household items from Rivertown Treasures to those who need assistance.

Community

*Rivertown Treasures* – Clean, seasonal, carefully inspected, gently used clothing and household items are available for sale to the public, and all store revenue supports HFS’s programs. The entire inventory of Rivertown Treasures is donated by the community.

*Business Center* – HFS provides faxing, copying, use of a computer and phone free of charge for business purposes.

*Volunteers* – HFS relies on volunteers to provide help and hope to its neighbors. HFS is accredited through the Points of Light Foundation Service Enterprise and maintains that certification by using volunteers to carry out its mission effectively. Volunteers serve in both high-level and entry-level capacities, ultimately freeing up staff to focus on higher-level strategic duties necessary to ensure HFS addresses the ongoing environmental changes in the Hastings community.

**2. Summary of Significant Accounting Policies**

Principles of Consolidation – The consolidated financial statements include the accounts of Hastings Family Service and its wholly owned and controlled affiliates (collectively, the “Organization”): Gobble Gait, LLC, and Hastings Music Festival, LLC. All inter-entity transactions and balances have been eliminated. The primary purpose of these affiliates is to operate fundraising events for the benefit of Hastings Family Service.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**2. Summary of Significant Accounting Policies (Continued)**

Gobble Gait, LLC, hosts a Thanksgiving Day walk/run event, whose proceeds and related expenses are included in the Organization's consolidated financial statements. The Organization's consolidated financial statements include \$5,223 and \$3,685 of net assets that are board designated as Gobble Gait funds as of December 31, 2018 and 2017, respectively.

Hastings Music Festival, LLC, hosts an annual one-day event, whose proceeds and related expenses are included in the Organization's consolidated financial statements. There were no events in 2018 and 2017. The Organization's consolidated financial statements include \$0 of net assets that are board designated as Hastings Music Festival funds as of December 31, 2018 and 2017, respectively.

Basis of Presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to not-for-profit organizations. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and the changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions may be designated for specific purposes by the board of directors.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions.

Cash and Cash Equivalents – For purposes of the consolidated statement of cash flows, the Organization considers all cash, money-market funds, and other highly liquid investments with maturities of three months or less that are neither held for nor restricted by donors for long-term purposes to be cash equivalents.

Accounts Receivable – Accounts receivable represent amounts due for program services rendered and unconditional promises to give, which are all receivable in less than one year. No interest is accrued on accounts receivable. The Organization periodically reviews individual accounts, and as of December 31, 2018 and 2017, no allowance for uncollectible accounts was considered necessary.

Capital Campaign Pledges Receivable – Pledges receivable represent unconditional, restricted promises to give from donors that are recorded at the pledged amount. The Organization periodically reviews individual accounts, and as of December 31, 2018 and 2017, no allowance for uncollectible accounts was considered necessary.

Inventory – Inventory consists of donated clothing and food items, which have primarily been received by the Organization as in-kind contributions. Inventory is valued at the lower of cost and net realizable value (cost is determined as fair value at the date of gift).

Property and Equipment – Property and equipment are recorded at cost or, if donated, at fair market value at the date of donation. Items costing \$1,000 or less are expensed in the year purchased. Depreciation is computed using the straight-line method and is charged to expense over the estimated useful lives of the assets, which range from three years for computer equipment to thirty-nine years for buildings and building improvements. Costs of maintenance and repairs that do not improve or extend the useful life of the respective assets are expensed currently.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**2. Summary of Significant Accounting Policies (Continued)**

Beneficial Interest in Assets Held by Community Foundation – The Organization established an endowment fund, known as the Hastings Family Service NFP Endowment Fund (the “Fund”), under a community foundation. The Organization granted variance power to the community foundation, which allows the community foundation to modify any condition or restriction on its distributions for any specified charitable purpose. The Fund is held and invested by the community foundation for the Organization’s benefit and is reported at fair value in the consolidated statements of financial position, with distributions and changes in fair value recognized in the consolidated statements of activities.

Accrued Vacation – Accrued vacation represents employees’ earned and unused vacation time. The Organization allows employees to carry over unused vacation time into the next year.

Support and Revenue – Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which related services are performed or expenditures are incurred. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor stipulations for their use.

In-Kind Services – Donated services are recognized at fair value if the services meet the recognition criteria prescribed by GAAP, which include a) requiring specialized skills; b) being provided by someone with those skills; and c) would have to be purchased if they were not donated. No significant contributions of recognizable services were received during the years ended December 31, 2018 and 2017.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in fulfilling its mission. These contributed services do not meet the recognition criteria described above, so they are not included in the consolidated statements of activities as in-kind services. The Organization receives the support of approximately 400 volunteers per year.

In-Kind Contributions – The Organization receives in-kind contributions of donated food, clothing, and other items that are used for program purposes. In-kind contribution revenue is recognized when the Organization has sufficient discretion over the use and disposition of the items to recognize a contribution in conformity with GAAP. In-kind contributions received through donations are valued and recorded as revenue at their fair value at the time the contribution is received. When the Organization distributes in-kind contributions as part of its own programs, it reports an expense, which is reported in the functional classification for the program in which the in-kind contributions were used. Undistributed in-kind contributions at year-end are reported as inventory.

Sales Tax – The Organization collects and remits sales tax. The Organization’s accounting policy is to include the tax collected and remitted in revenues and expenses.

Advertising – The Organization expenses advertising as incurred.

Functional Allocation of Expenses – The costs of providing the Organization’s various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. Management has evaluated for uncertain tax positions and has determined there are no uncertain tax positions as of December 31, 2018. Tax returns for the past three years remain open for examination by tax jurisdictions.

Estimates – The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. Such estimates include inventory valuation, fair value of in-kind contributions, functional expense allocation, and depreciation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2018 AND 2017**2. Summary of Significant Accounting Policies (Continued)**

Concentration of Credit Risk – Financial instruments, which potentially subject the Organization to credit risk, consist primarily of cash and cash equivalents. The Organization’s cash and cash equivalents have been placed with major financial institutions. At times, such amounts may exceed Federal Deposit Insurance Corporation (“FDIC”) limits. At December 31, 2018 and 2017, uninsured cash and cash equivalents balances were approximately \$414,000 and \$310,500. The Organization closely monitors these balances and has not experienced credit losses.

Recently Adopted Accounting Pronouncements – In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which simplified and improved how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaced the three former classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions” (described above), and expanded disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017. The Organization adopted ASU 2016-14 during the year ended December 31, 2018. In accordance with ASU 2016-14, previously reported net assets have been conformed to the current presentation.

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods reported. These reclassifications had no effect on previously reported net assets.

Subsequent Events – Management has performed an evaluation of subsequent events through April 24, 2019, which is the date the consolidated financial statements were available to be issued.

**3. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 729,396
Accounts receivable	8,628
Capital campaign pledges receivable – current portion	3,000
Grants receivable – current portion	25,000
Prepaid expenses	671
Distributions from beneficial interests in assets held by others	1,464
Total	<u>\$ 768,159</u>

As part of the Organization’s liquidity management plan, the Organization invests cash in excess of daily requirements in money market funds.

**4. Capital Campaign Pledges Receivable**

In 2011, the Organization began a capital campaign to provide funding for a building purchase and subsequent remodeling. Capital campaign contributions and pledges received are considered temporarily restricted funds until they are spent on building costs or loan payments. Capital campaign pledges receivable as of December 31, 2018 and 2017, are expected to be collected as follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 3,000	\$ 6,550
One to five years		1,050
Total capital campaign pledges receivable	<u>\$ 3,000</u>	<u>\$ 7,600</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2018 AND 2017**5. Fair Value Measurements and Disclosures**

The Organization reports certain assets at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

*Level 1* – Quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.

*Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

*Level 3* – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization's beneficial interest in assets held by a community foundation is classified within Level 3 because its value is based on the fair value of fund investments as reported by the community foundation. The compilation and activities of this account as of and for the years ended December 31, 2018 and 2017, are described in Note 6.

**6. Property and Equipment**

Property and equipment consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 302,400	\$ 302,400
Building	423,919	423,919
Building improvements	621,991	620,653
Computer equipment	1,082	1,082
Other equipment	<u>94,421</u>	<u>94,421</u>
Total property and equipment	1,443,813	1,442,475
Less: accumulated depreciation	<u>(256,986)</u>	<u>(221,330)</u>
Total property and equipment, net	<u>\$ 1,186,827</u>	<u>\$ 1,221,145</u>

**7. Endowment**

The Organization's endowment, reported on the consolidated statements of financial position as beneficial interest in assets held by community foundation, consists of donor-restricted funds established to support the overall operations of the Organization and certain unrestricted net assets designated for endowment by the board of directors. Net assets associated with this endowment are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2018 AND 2017**7. Endowment (Continued)**

The board of directors of the Organization has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. At December 31, 2018 and 2017, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>December 31, 2018</u>			
Board-designated endowment	\$ 13,193		\$ 13,193
Donor-restricted endowment		\$ 19,969	19,969
Total	<u>\$ 13,193</u>	<u>\$ 19,969</u>	<u>\$ 33,162</u>
<u>December 31, 2017</u>			
Board-designated endowment	\$ 13,946		\$ 13,946
Donor-restricted endowment		\$ 22,239	22,239
Total	<u>\$ 13,946</u>	<u>\$ 22,239</u>	<u>\$ 36,185</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or law (“underwater endowments”). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. There were no such deficiencies as of December 31, 2018 and 2017.

Investment Objectives and Strategies – The Organization has adopted an investment policy to provide guidelines for investing endowment assets. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to achieve long-term total returns through a combination of capital appreciation and income. To achieve these objectives, the Organization has established an endowment fund under a community foundation.

Spending Policy – The Organization’s spending policy is determined by the community foundation’s spending policy.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2018 AND 2017**7. Endowment (Continued)**

Changes in endowment net assets for the years ended December 31, 2018 and 2017, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2017	\$ 12,169	\$ 20,433	\$ 32,602
Investment return			
Investment income, net of fees	45	76	121
Net realized and unrealized gains	1,732	2,908	4,640
Contributions		100	100
Appropriation of endowment assets for expenditure		(1,278)	(1,278)
Endowment net assets, December 31, 2017	13,946	22,239	36,185
Investment return			
Investment income, net of fees	56	89	145
Net realized and unrealized gains	(809)	(1,291)	(2,100)
Contributions		271	271
Appropriation of endowment assets for expenditure		(1,339)	(1,339)
Endowment net assets, December 31, 2018	<u>\$ 13,193</u>	<u>\$ 19,969</u>	<u>\$ 33,162</u>

**8. Long-Term Debt**

In October 2012, the Organization secured a mortgage loan for \$520,000 due on demand, but if no demand is made then principal payments of \$80,000 are due annually, with the remaining balance due October 23, 2018. Accrued interest at a rate of 6.5% is due on demand, but if no demand is made then interest is due annually beginning in October 2013. At December 31, 2017, the remaining balance on the mortgage was \$34,324. This balance was paid off in full during the year ended December 31, 2018.

**9. Net Assets With Donor Restrictions**

Net assets with donor restrictions were restricted for the following purposes or periods at December 31:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose		
Food shelf	\$ 28,205	
Project Share	12,702	
Strategic planning	10,000	
Homeless and senior support	8,155	\$ 9,271
Market Cart	7,261	
Housing funds	5,707	7,446
Other	15,767	11,151
Subject to the passage of time		
Grants that are not restricted by donors, but which are unavailable for expenditure until due	50,000	
Total	<u>\$ 137,797</u>	<u>\$ 27,868</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2018 AND 2017**9. Net Assets With Donor Restrictions (Continued)**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows during the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restrictions		
Food shelf	\$ 53,579	\$ 74,914
Capital campaign		22,249
ECA	21,127	21,552
Staffing	8,000	
Project Share	582	7,078
Meals on Wheels	5,494	6,836
Other	13,820	14,180
Distributions (proceeds are not restricted by donors)		
Beneficial interest in assets held by Community Foundation	1,339	1,278
Total	<u>\$ 103,941</u>	<u>\$ 148,087</u>

**10. Functionalized Expenses**

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include employee expenses, professional fees, depreciation, insurance, occupancy, other expenses, other program expenses, and telephone, which are allocated based on estimates developed by management using estimates of space, time, and effort.

**11. Retirement Plan**

The Organization has a 403(b) retirement plan for employees that have completed one year of service. The Organization's retirement contributions were \$9,491 and \$11,542 for the years ended December 31, 2018 and 2017, respectively.

**12. Beneficial Interest in Assets Held by Others**

Hastings Family Service is the income beneficiary of a designated fund of The Saint Paul Foundation. The fund was created independently by donors and is administered by The Saint Paul Foundation. The Saint Paul Foundation has explicit variance power over this fund; therefore, Hastings Family Service has not recorded a beneficial interest in these assets, nor has it recorded any potential future distributions from the assets. The designated fund had a fair market value of \$35,175 and \$37,674 at December 31, 2018 and 2017, respectively. The Organization received income distributions from this designated fund of \$1,394 and \$1,335 during the years ended December 31, 2018 and 2017, respectively.