

HASTINGS FAMILY SERVICE  
INDEPENDENT AUDITOR'S REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Hastings Family Service

### Opinion

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, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hastings Family Service and affiliates as of December 31, 2022 and 2021, 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hastings Family Service and affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hastings Family Service and affiliates' ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 Hastings Family Service and affiliates' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hastings Family Service and affiliates' 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.

Respectfully submitted,

*Lewis, Kiech & Associates, Ltd.*

May 3, 2023

CONSOLIDATED STATEMENTS OF FINANCIAL POSITIONDECEMBER 31, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
<u>Current Assets</u>		
Cash and Cash Equivalents		
Unreserved Cash and Cash Equivalents	\$ 857,577	\$ 917,760
Reserved Cash and Cash Equivalents	21,799	37,022
Total Cash and Cash Equivalents	<u>879,376</u>	<u>954,782</u>
Investments	2,353	
Accounts Receivable	10,669	15,758
Grant Receivable - Current Portion	25,000	25,000
Inventory - Clothing and Household Items	119,115	137,714
Inventory - Food	43,115	56,179
Prepaid Expenses	1,527	1,803
Total Current Assets	<u>1,081,155</u>	<u>1,191,236</u>
<u>Property and Equipment</u>		
Total Property and Equipment	2,282,943	1,973,417
Less: Accumulated Depreciation	<u>(424,724)</u>	<u>(350,336)</u>
Property and Equipment, Net	<u>1,858,219</u>	<u>1,623,081</u>
<u>Other Assets</u>		
Grant Receivable - Net of Current Portion	25,000	50,000
Beneficial Interest in Assets Held by Community Foundation	107,356	122,385
Total Other Assets	<u>132,356</u>	<u>172,385</u>
Total Assets	<u><u>\$ 3,071,730</u></u>	<u><u>\$ 2,986,702</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 25,403	\$ 44,280
Accrued Payroll	17,404	20,450
Accrued Vacation	17,576	39,141
Refundable Advances	18,905	54,323
Total Current Liabilities	<u>79,288</u>	<u>158,194</u>
<u>Net Assets</u>		
Without Donor Restrictions		
Undesignated	2,792,760	2,572,313
Board Designated		
Gobble Gait	2,338	4,381
Capital Reserve Fund	19,461	19,461
Endowment	81,823	95,334
Total Board Designated	<u>103,622</u>	<u>119,176</u>
Total Without Donor Restrictions	<u>2,896,382</u>	<u>2,691,489</u>
With Donor Restrictions		
Endowment	25,533	27,051
Other	70,527	109,968
Total With Donor Restrictions	<u>96,060</u>	<u>137,019</u>
Total Net Assets	<u>2,992,442</u>	<u>2,828,508</u>
Total Liabilities and Net Assets	<u><u>\$ 3,071,730</u></u>	<u><u>\$ 2,986,702</u></u>

CONSOLIDATED STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
<u>Support and Revenue</u>				
Rivertown Treasures	\$ 139,704	\$ 139,704	\$ 75,708	\$ 75,708
Contributions	782,095	2,640	764,053	60,230
Government Grants	98,608		41,886	41,886
Other Income	2,527	2,527	3,236	3,236
Meals on Wheels	94,262	94,262	85,976	85,976
Just Friends Income	25,534	25,534	44,790	44,790
In-Kind Food Contributions	271,148	271,148	195,437	195,437
In-Kind Clothing and Household Contributions	295,575	295,575	204,505	204,505
Gobble Gait (Net of direct expenses of \$24,263 and \$16,635, respectively)	125,442	125,442	118,847	118,847
Other Fundraisers (Net of direct expenses of \$8,661 and \$7,012, respectively)	25,767	25,767	15,703	15,703
Change in Value of Beneficial Interests in Assets Held by Community Foundation	(9,369)	(2,658)	11,704	3,497
Gain (Loss) on Disposal of Property and Equipment	(1,077)	(1,077)	(3,893)	(3,893)
Unrealized Gain (Loss) on Investments	2,260	2,260	2,224	2,224
Interest and Dividend Income	1,852,476	(18)	1,560,176	63,727
Total Support and Revenue	40,941	(40,941)	110,539	(110,539)
Net Assets Released from Restrictions				
<u>Expenses</u>				
Program Services	1,360,084	1,360,084	1,036,531	1,036,531
Management and General	242,268	242,268	254,882	254,882
Fundraising	86,172	86,172	118,425	118,425
Total Expenses	1,688,524	1,688,524	1,409,838	1,409,838
Increase (Decrease) in Net Assets	204,893	(40,959)	260,877	(46,812)
Net Assets, Beginning of Year	2,691,489	137,019	2,430,612	183,831
Net Assets, End of Year	<u>\$ 2,896,382</u>	<u>\$ 96,060</u>	<u>\$ 2,691,489</u>	<u>\$ 137,019</u>
			<u>\$ 2,828,508</u>	<u>\$ 2,828,508</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services				Management and General	Fundraising	Grand Total
	Emergency	Supportive	Community	Total			
<u>EXPENSES</u>							
Clothing Donated			\$ 141,815	\$ 141,815		\$	\$ 141,815
Clothing Inventory Sold			139,704	139,704			139,704
Salaries and Wages	\$ 152,766	\$ 122,045	59,561	334,372	\$ 160,624	\$ 61,377	556,373
Payroll Taxes	9,786	7,819	3,816	21,421	10,290	3,932	35,643
Employee Benefits	8,580	6,855	3,345	18,780	9,023	3,447	31,250
Professional Fees	5,168	5,168	5,168	15,504	18,863	1,292	35,659
Advertising and Events	52	52	314	418		33,028	33,446
Depreciation	33,475	744	18,597	52,816	20,829	743	74,388
Emergency Assistance	71,248	36,238		107,486			107,486
Food Shelf	367,688			367,688			367,688
Insurance	3,959	3,959	3,959	11,877	7,919		19,796
Just Friends Expenses		10,438		10,438			10,438
Meals on Wheels Expenses		66,708		66,708			66,708
Occupancy	14,129	1,261	12,809	28,199	5,567	450	34,216
Office Expenses	7,823	5,356	4,586	17,765	7,319	13,292	38,376
Other Expenses	283	141	141	565	706	858	2,129
Other Program Expenses	15,279	1,714	4,601	21,594		226	21,820
Telephone	2,031	677	226	2,934	1,128	451	4,513
Total Expenses	692,267	269,175	398,642	1,360,084	242,268	119,096	1,721,448
Expenses Included With Revenues on the Statements of Activities:							
Gobble Gait Expenses						(24,263)	(24,263)
Other Fundraiser Expenses						(8,661)	(8,661)
Total Expenses Included in the Expense Section of the Statements of Activities	\$ 692,267	\$ 269,175	\$ 398,642	\$ 1,360,084	\$ 242,268	\$ 86,172	\$ 1,688,524

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services				Management and General	Fundraising	Total
	Emergency	Supportive	Community	Total			
<u>EXPENSES</u>							
Clothing Donated			\$ 72,071	\$ 72,071			\$ 72,071
Clothing Inventory Sold			75,708	75,708			75,708
Salaries and Wages	\$ 171,212	\$ 100,420	80,591	352,223	\$ 170,837	\$ 80,298	603,358
Payroll Taxes	14,533	8,524	6,841	29,898	14,502	6,816	51,216
Employee Benefits	16,161	9,479	7,607	33,247	16,125	7,579	56,951
Professional Fees	5,593	5,593	5,593	16,779	19,306	1,398	37,483
Advertising and Events			1,505	1,505		24,023	25,528
Depreciation	21,752	483	12,085	34,320	13,535	483	48,338
Emergency Assistance	5,201	18,517		23,718			23,718
Food Shelf	277,847			277,847			277,847
Insurance	2,684	2,684	2,684	8,052	5,370		13,422
Just Friends Expenses		3,738		3,738			3,738
Meals on Wheels Expenses		56,078		56,078			56,078
Occupancy	12,930	1,092	11,954	25,976	6,272	626	32,874
Office Expenses	5,960	3,695	3,974	13,629	7,262	19,071	39,962
Other Expenses	128	64	64	256	322	1,309	1,887
Other Program Expenses	3,903	1,386	4,075	9,364		83	9,447
Telephone	1,736	193	193	2,122	1,351	386	3,859
Total Expenses	539,640	211,946	284,945	1,036,531	254,882	142,072	1,433,485
Expenses Included							
With Revenues on the							
Statements of Activities:							
Gobble Gait Expenses						(16,635)	(16,635)
Other Fundraiser Expenses						(7,012)	(7,012)
Total Expenses Included							
in the Expense Section of							
the Statements of Activities	\$ 539,640	\$ 211,946	\$ 284,945	\$ 1,036,531	\$ 254,882	\$ 118,425	\$ 1,409,838



CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 163,934	\$ 214,065
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities:		
Contributions of Common Stock	(3,430)	
Contributions Received for Long Term Purposes	(1,140)	(2,220)
(Gain) Loss on Disposal of Property and Equipment		3,893
Unrealized (Gain) Loss on Investments	1,077	
Depreciation	74,388	48,338
In-Kind Contributions Received	(566,723)	(399,942)
In-Kind Contributions Disbursed	598,386	381,142
(Increase) Decrease in Current Assets:		
Accounts Receivable	5,089	(5,681)
Grant Receivable	25,000	(25,000)
Prepaid Expenses	276	1,397
Beneficial Interest in Assets Held by Community Foundation	15,029	(83,766)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(18,877)	11,487
Accrued Payroll	(3,046)	1,261
Accrued Vacation	(21,565)	3,255
Refundable Advances	(35,418)	48,679
Net Cash Flows From Operating Activities	<u>232,980</u>	<u>196,908</u>
<u>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</u>		
Purchases of Property and Equipment	(309,526)	(494,981)
<u>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</u>		
Contributions Received for Long-Term Purposes	<u>1,140</u>	<u>2,220</u>
Net Cash Flows From Financing Activities	<u>1,140</u>	<u>2,220</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(75,406)</u>	<u>(295,853)</u>
Cash and Cash Equivalents, Beginning of Year	954,782	1,250,635
Cash and Cash Equivalents, End of Year	<u>\$ 879,376</u>	<u>\$ 954,782</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

**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 a number of Market food programs, including in-person Market food shelf shopping appointments, a drive-thru food shelf option, and produce delivered weekly to senior living facilities through our Market on the Move mobile program. Neighbors can also receive smaller food orders through Market Express or emergency bags and can receive a voucher to a local grocery store to purchase items for specific dietary or cultural needs.

*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 is a transportation program utilizing volunteer drivers to help people get to medical appointments or grocery stores, creating connection and mobility 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

**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.

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 \$2,338 and \$4,381 of net assets that are board-designated as Gobble Gait funds as of December 31, 2022 and 2021, respectively.

Hastings Music Festival, LLC, previously hosted an annual one-day event, whose proceeds and related expenses were included in the Organization's consolidated financial statements. During the year ended December 31, 2021, the LLC was dissolved. There were no events or financial activity related to Hastings Music Festival, LLC, in 2021. At December 31, 2021, there were no net assets board-designated as Hastings Music Festival funds.

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.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. 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.

Reserved Cash and Cash Equivalents – The Organization's reserved cash and cash equivalents consist of amounts designated by the board for Gobble Gait and capital reserves, as well as amounts designated by the board for the board-designated endowment and amounts restricted by donors for the endowment with donor restrictions that have not yet been deposited into the Organization's account at the community foundation, described in Note 6.

Investments – The Organization records investment purchases at cost, or if donated, at fair market value on the date of donation. Thereafter, investments are reported at their fair values on the statement of financial position. Net investment income is reported on the statement of activities and consists of interest and dividend income, less investment management and custodial fees. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021**2. Summary of Significant Accounting Policies (Continued)**

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, 2022 and 2021, no allowance for uncollectible accounts was considered necessary.

Grant Receivable – This represents grants receivable from a donor that are expected to be received in future periods. The Organization considers these grants fully collectible and has not established an allowance account. Expected collections on the grant receivable at December 31, 2022, are as follows:

2023	\$ 25,000
2024	25,000
Total	<u>\$ 50,000</u>

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.

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.

Revenues and Revenue Recognition – The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or 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 upon which they depend have been met. Contributions received are recorded as with donor restrictions or without donor restriction depending on the existence and/or nature of any donor stipulations for their use.

A portion of the Organization's revenue is derived from cost-reimbursable government contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. 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 records special events revenue, which includes revenue from Gobble Gait, Drive Out Hunger and Hastings Tastings, equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

The Organization recognizes revenue from sales of merchandise at the time the merchandise is transferred to the customer, which is typically at the time payment is received from the customer.

The Organization recognizes revenue from Meals on Wheels during the period in which the related services are provided.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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

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, 2022 and 2021.

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 over 400 volunteers each 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 – Sales tax collected by the Organization is netted with the corresponding sale to the customer. The Organization collects sales tax from customers and remits the entire amount to the appropriate taxing authorities on a quarterly basis.

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, 2022. 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.

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, 2022 and 2021, uninsured cash and cash equivalents balances were approximately \$95,362 and \$53,084, respectively. The Organization closely monitors these balances and has not experienced credit losses.

Recently Adopted Accounting Pronouncements – In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This standard increased the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. The Organization implemented the provisions of ASU 2020-07 during the year ended December 31, 2022, and adjusted the presentation and disclosures in these financial statements accordingly. There was no effect on net assets in connection with the Organization's implementation of ASU 2020-07.

Subsequent Events – Management has performed an evaluation of subsequent events through May 3, 2023, which is the date the consolidated financial statements were available to be issued.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021**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 at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 879,376	\$ 954,782
Investments	2,353	
Accounts receivable	10,669	15,758
Grants receivable – current portion	25,000	25,000
Prepaid expenses	1,527	1,803
Beneficial interest in assets held by community foundation	107,356	122,385
Less: Board-designated net assets	(103,622)	(119,176)
Less: Net assets with donor restrictions	<u>(96,060)</u>	<u>(137,019)</u>
Total	<u>\$ 826,599</u>	<u>\$ 863,533</u>

As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in money market funds, including an operating reserve designed to accommodate day-to-day fluctuations in normal cash flow requirements and unusual and/or unforeseen emergency cash requirements. The current operating reserve target benchmark is 25%, or approximately three months of operating expenses. At December 31, 2022 and 2021, the balances in the operating reserve account were \$329,468 and \$285,994, respectively.

**4. 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 investments consist of mutual funds and are classified within Level 1. 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, 2022 and 2021, are described in Note 6.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021**5. Property and Equipment**

Property and equipment consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 394,867	\$ 394,867
Building	1,003,338	741,372
Building improvements	611,156	609,867
Vehicle	82,656	52,381
Computer equipment	52,428	51,227
Other equipment	138,498	123,703
Total property and equipment	<u>2,282,943</u>	<u>1,973,417</u>
Less: Accumulated depreciation	<u>(424,724)</u>	<u>(350,336)</u>
Property and equipment, net	<u>\$ 1,858,219</u>	<u>\$ 1,623,081</u>

**6. Endowment**

The Organization's endowment, reported in 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.

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, 2022 and 2021, 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 determining 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 was as follows at December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment	\$ 81,823		\$ 81,823
Donor-restricted endowment			
Original donor-restricted amounts required to be maintained in perpetuity by donor		\$ 25,399	25,399
Accumulated investment gains (losses)		134	134
Total	<u>\$ 81,823</u>	<u>\$ 25,533</u>	<u>\$ 107,356</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021**6. Endowment (Continued)**

Endowment net asset composition by type of fund was as follows at December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment	\$ 95,334		\$ 95,334
Donor-restricted endowment			
Original donor-restricted amounts required to be maintained in perpetuity by donor		\$ 24,259	24,259
Accumulated investment gains (losses)		2,792	2,792
Total	<u>\$ 95,334</u>	<u>\$ 27,051</u>	<u>\$ 122,385</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, 2022 and 2021.

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.

Changes in endowment net assets for the years ended December 31, 2022 and 2021, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2020	\$ 29,030	\$ 22,769	\$ 51,799
Investment return			
Investment income, net of fees	1,089	326	1,415
Net realized and unrealized gain (loss)	10,615	3,171	13,786
Contributions	54,600	2,220	56,820
Appropriation of endowment assets for expenditure		(1,435)	(1,435)
Endowment net assets, December 31, 2021	<u>95,334</u>	<u>27,051</u>	<u>122,385</u>
Investment return			
Investment income, net of fees	615	175	790
Net realized and unrealized gain (loss)	(9,984)	(2,833)	(12,817)
Contributions		1,140	1,140
Appropriation of endowment assets for expenditure	(4,142)		(4,142)
Endowment net assets, December 31, 2022	<u>\$ 81,823</u>	<u>\$ 25,533</u>	<u>\$ 107,356</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021**7. Net Assets With Donor Restrictions**

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose		
Housing	\$ 4,856	\$ 9,263
Homeless and senior support	7,373	7,710
Food shelf expansion		8,010
Grant receivable, the proceeds from which have been restricted by the grantor for staff expansion		25,000
Other	8,298	9,985
Subject to the passage of time		
Grant receivable not restricted by grantor, but unavailable for expenditure until due	50,000	50,000
Endowments		
Subject to appropriation and expenditure when a specified event occurs:		
Available for general use	134	2,792
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
General use	25,399	24,259
Total	<u>\$ 96,060</u>	<u>\$ 137,019</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time or other events specified by the donors as follows during the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions		
Capital needs		\$ 66,697
Housing	\$ 4,408	
Food shelf expansion	8,010	
Just Friends		8,071
Project Share		6,185
Staff expansion	25,000	25,000
Other	3,523	3,151
Distributions (proceeds are not restricted by donors)		
Beneficial interest in assets held by Community Foundation		1,435
Total	<u>\$ 40,941</u>	<u>\$ 110,539</u>

**8. In-Kind Contributions**

The Organization received contributed nonfinancial assets as follows during the years ended December 31:

	<u>2022</u>	<u>2021</u>
Food	\$ 271,148	\$ 195,437
Clothing and household items	295,575	204,505
Total	<u>\$ 566,723</u>	<u>\$ 399,942</u>

Contributed food is valued at \$1.00 per pound and is used in program services.

Clothing and household items are valued using estimated U.S. retail prices (principal market) of identical or similar products using pricing data under a "like-kind" methodology considering the goods' condition and utility for use at the time of the contribution. Contributed clothing and household items are used in program services.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

**9. 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, office expenses, other expenses, other program expenses, and telephone, which are allocated based on estimates developed by management using estimates of space, time, and effort.

**10. 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 \$12,027 and \$14,418 for the years ended December 31, 2022 and 2021, respectively.

**11. 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 \$74,519 and \$85,863 at December 31, 2022 and 2021, respectively. The Organization received income distributions from this designated fund of \$2,906 and \$1,864 during the years ended December 31, 2022 and 2021, respectively.

**12. Concentrations**

Grants receivable from one entity comprised 82.4% and 82.6% of the Organization's total receivables at December 31, 2022 and 2021, respectively.