

HASTINGS FAMILY SERVICE  
INDEPENDENT AUDITOR'S REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.*

May 5, 2021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITIONDECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
<u>Current Assets</u>		
Cash and Cash Equivalents		
Unreserved Cash and Cash Equivalents	\$ 1,174,946	\$ 713,952
Reserved Cash and Cash Equivalents	75,689	59,219
Total Cash and Cash Equivalents	<u>1,250,635</u>	<u>773,171</u>
Accounts Receivable	10,077	53,488
Grant Receivable - Current Portion	25,000	25,000
Inventory - Clothing and Household Items	97,345	80,095
Inventory - Food	77,748	47,353
Prepaid Expenses	3,200	
Total Current Assets	<u>1,464,005</u>	<u>979,107</u>
<u>Property and Equipment</u>		
Land, Buildings and Equipment	1,490,732	1,459,789
Accumulated Depreciation	<u>(310,401)</u>	<u>(291,049)</u>
Property and Equipment, Net	<u>1,180,331</u>	<u>1,168,740</u>
<u>Other Assets</u>		
Grant Receivable - Net of Current Portion	25,000	
Beneficial Interest in Assets Held by Community Foundation	<u>38,619</u>	<u>36,485</u>
Total Other Assets	<u>63,619</u>	<u>36,485</u>
Total Assets	<u><u>\$ 2,707,955</u></u>	<u><u>\$ 2,184,332</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 32,793	\$ 6,651
Accrued Payroll	19,189	28,052
Accrued Vacation	35,886	23,032
Refundable Advances	<u>5,644</u>	<u>7,435</u>
Total Current Liabilities	<u>93,512</u>	<u>65,170</u>
<u>Net Assets</u>		
Without Donor Restrictions		
Undesignated	2,335,882	1,866,634
Board Designated		
Gobble Gait	6,239	8,559
Capital Reserve Fund	59,461	59,219
Endowment	<u>29,030</u>	<u>15,016</u>
Total Board Designated	<u>94,730</u>	<u>82,794</u>
Total Without Donor Restrictions	<u>2,430,612</u>	<u>1,949,428</u>
With Donor Restrictions		
Endowment	22,769	21,469
Other	<u>161,062</u>	<u>148,265</u>
Total With Donor Restrictions	<u>183,831</u>	<u>169,734</u>
Total Net Assets	<u>2,614,443</u>	<u>2,119,162</u>
Total Liabilities and Net Assets	<u><u>\$ 2,707,955</u></u>	<u><u>\$ 2,184,332</u></u>

CONSOLIDATED STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Support and Revenue</u>						
Rivertown Treasures	\$ 38,686		\$ 38,686	\$ 163,726		\$ 163,726
Contributions	1,040,643	\$ 150,398	1,191,041	439,470	\$ 98,966	538,436
Government Grants	16,031		16,031	17,286		17,286
Other Income	2,431		2,431	2,603		2,603
Meals on Wheels	74,681		74,681	50,921		50,921
Just Friends Income	21,743		21,743	25,527		25,527
In-Kind Food Contributions	254,467		254,467	214,097		214,097
In-Kind Clothing and Household Contributions	123,305		123,305	471,520		471,520
Gobble Gait Fundraiser (Net of direct expenses of \$10,118 and \$20,990, respectively)	56,491		56,491	122,218		122,218
Hastings Tastings Fundraiser (Net of direct expenses of \$0 and \$1,642, respectively)	3,639		3,639	25,316		25,316
Change in Value of Beneficial Interests in Assets Held by Community Foundation	1,014	1,517	2,531	1,823	2,760	4,583
Gain (Loss) on Disposal of Property and Equipment	(898)		(898)			
Interest and Dividend Income	2,063		2,063	2,117		2,117
Total Support and Revenue	<u>1,634,296</u>	<u>151,915</u>	<u>1,786,211</u>	<u>1,536,624</u>	<u>101,726</u>	<u>1,638,350</u>
Net Assets Released from Restrictions	137,818	(137,818)		89,758	(89,758)	
<u>Expenses</u>						
Program Services	932,077		932,077	1,249,955		1,249,955
Management and General	230,555		230,555	222,902		222,902
Fundraising	128,298		128,298	140,557		140,557
Total Expenses	<u>1,290,930</u>		<u>1,290,930</u>	<u>1,613,414</u>		<u>1,613,414</u>
Increase (Decrease) in Net Assets	<u>481,184</u>	<u>14,097</u>	<u>495,281</u>	<u>12,968</u>	<u>11,968</u>	<u>24,936</u>
Net Assets, Beginning of Year	1,949,428	169,734	2,119,162	1,936,460	157,766	2,094,226
Net Assets, End of Year	<u>\$ 2,430,612</u>	<u>\$ 183,831</u>	<u>\$ 2,614,443</u>	<u>\$ 1,949,428</u>	<u>\$ 169,734</u>	<u>\$ 2,119,162</u>

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSESYEAR ENDED DECEMBER 31, 2020

EXPENSES	Program Services				Management and General	Fundraising	Grand Total
	Emergency	Supportive	Community	Total			
Clothing Donated			\$ 56,669	\$ 56,669			\$ 56,669
Clothing Inventory Sold			38,686	38,686			38,686
Salaries and Wages	\$ 169,754	\$ 69,577	63,427	302,758	\$ 131,088	\$ 88,360	522,206
Payroll Taxes	12,793	5,243	4,780	22,816	9,879	6,659	39,354
Employee Benefits	18,529	7,594	6,923	33,046	14,309	9,644	56,999
Professional Fees	3,462	3,462	3,462	10,386	38,083	865	49,334
Advertising and Events			3,085	3,085		12,491	15,576
Depreciation	14,615	394	9,447	24,456	13,018	1,972	39,446
Emergency Assistance	26,756			26,756			26,756
Food Shelf	288,482	1,707		290,189			290,189
Insurance	2,539	2,539	2,539	7,617	5,079		12,696
Just Friends Expenses		7,514		7,514			7,514
Meals on Wheels Expenses		57,887		57,887			57,887
Occupancy	10,425	281	6,739	17,445	9,285	1,407	28,137
Office Expenses	5,450	3,382	3,382	12,214	8,452	14,319	34,985
Other Expenses	44	22	22	88	112	2,514	2,714
Other Program Expenses	11,349	6,025	960	18,334	115	13	18,462
Telephone	1,274	34	823	2,131	1,135	172	3,438
Total Expenses	<u>565,472</u>	<u>165,661</u>	<u>200,944</u>	<u>932,077</u>	<u>230,555</u>	<u>138,416</u>	<u>1,301,048</u>
Expenses Included With Revenues on the Statements of Activities:							
Gobble Gait Expenses						(10,118)	(10,118)
Hastings Tastings Expenses							
Total Expenses Included in the Expense Section of the Statements of Activities	<u>\$ 565,472</u>	<u>\$ 165,661</u>	<u>\$ 200,944</u>	<u>\$ 932,077</u>	<u>\$ 230,555</u>	<u>\$ 128,298</u>	<u>\$ 1,290,930</u>

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSESYEAR ENDED DECEMBER 31, 2019

EXPENSES	Program Services				Management and General	Fundraising	Total
	Emergency	Supportive	Community	Total			
Clothing Donated			\$ 237,959	\$ 237,959			\$ 237,959
Clothing Inventory Sold			163,726	163,726			163,726
Salaries and Wages	\$ 170,800	\$ 62,954	64,823	298,577	\$ 114,037	\$ 93,496	506,110
Payroll Taxes	12,535	4,620	4,757	21,912	8,369	6,862	37,143
Employee Benefits	11,538	4,253	4,379	20,170	7,703	6,316	34,189
Professional Fees	1,453	727	1,453	3,633	41,066	727	45,426
Advertising and Events						26,735	26,735
Depreciation	12,620	341	8,158	21,119	11,241	1,703	34,063
Emergency Assistance	84,268			84,268			84,268
Food Shelf	290,401	1,451		291,852			291,852
Insurance	2,388	2,388	2,388	7,164	4,776		11,940
Just Friends Expenses		15,339		15,339			15,339
Meals on Wheels Expenses		40,705		40,705			40,705
Occupancy	10,960	296	7,085	18,341	9,762	1,479	29,582
Office Expenses	3,727	2,112	2,112	7,951	8,838	23,361	40,150
Other Expenses	654	327	327	1,308	4,586	1,076	6,970
Other Program Expenses	5,882	6,559	1,530	13,971	11,481	1,276	26,728
Telephone	1,171	32	757	1,960	1,043	158	3,161
Total Expenses	<u>608,397</u>	<u>142,104</u>	<u>499,454</u>	<u>1,249,955</u>	<u>222,902</u>	<u>163,189</u>	<u>1,636,046</u>
Expenses Included With Revenues on the Statements of Activities:							
Gobble Gait Expenses						(20,990)	(20,990)
Hastings Tastings Expenses						(1,642)	(1,642)
Total Expenses Included in the Expense Section of the Statements of Activities	<u>\$ 608,397</u>	<u>\$ 142,104</u>	<u>\$ 499,454</u>	<u>\$ 1,249,955</u>	<u>\$ 222,902</u>	<u>\$ 140,557</u>	<u>\$ 1,613,414</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 495,281	\$ 24,936
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities:		
Contributions Received for Long Term Purposes	(1,180)	(120)
(Gain) Loss on Disposal of Property and Equipment	898	
Depreciation	39,446	34,063
In-Kind Contributions Received	(377,772)	(685,617)
In-Kind Contributions Disbursed	330,127	694,281
(Increase) Decrease in Current Assets:		
Accounts Receivable	43,411	(44,860)
Capital Campaign Pledges Receivable		3,000
Grant Receivable	(25,000)	25,000
Prepaid Expenses	(3,200)	671
Beneficial Interest in Assets Held by Community Foundation	(2,134)	(3,323)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	26,142	(4,100)
Accrued Payroll	(8,863)	3,909
Accrued Vacation	12,854	4,356
Refundable Advances	(1,791)	7,435
Net Cash Flows From Operating Activities	<u>528,219</u>	<u>59,631</u>
<u>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</u>		
Purchases of Property and Equipment	(51,935)	(15,976)
<u>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</u>		
Contributions Received for Long-Term Purposes	<u>1,180</u>	<u>120</u>
Net Cash Flows From (Used in) Financing Activities	<u>1,180</u>	<u>120</u>
Net Increase in Cash and Cash Equivalents	<u>477,464</u>	<u>43,775</u>
Cash and Cash Equivalents, Beginning of Year	773,171	729,396
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,250,635</u></u>	<u><u>\$ 773,171</u></u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

**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 STATEMENTSDECEMBER 31, 2020 AND 2019**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 \$6,239 and \$8,559 of net assets that are board-designated as Gobble Gait funds as of December 31, 2020 and 2019, 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 2020 and 2019. The Organization's consolidated financial statements include \$0 of net assets that are board-designated as Hastings Music Festival funds as of December 31, 2020 and 2019.

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.

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, 2020 and 2019, 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, 2020, are as follows:

2021	\$ 25,000
2022	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).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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

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 received cost-reimbursable grants of \$32,328 that have not yet been recognized at December 31, 2020, because qualifying expenditures had not yet been incurred, with an advance payment of \$5,644 recorded on the statement of financial position as a refundable advance. The Organization received cost-reimbursable grants of \$18,211 that were not recognized at December 31, 2019, because qualifying expenditures had not yet been incurred, with an advance payment of \$7,435 recorded on the statement of financial position as a refundable advance.

The Organization also received a forgivable loan during the year ended December 31, 2020. This loan, which is accounted for as a conditional contribution from the lender, is described in detail in Note 13.

The Organization records special events revenue, which includes revenue from Gobble Gait 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.

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, 2020 and 2019.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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

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, 2020. 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, 2020 and 2019, uninsured cash and cash equivalents balances were approximately \$840,620 and \$385,500, respectively. The Organization closely monitors these balances and has not experienced credit losses.

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

Recently Adopted Accounting Pronouncements – Effective January 1, 2019, the Organization has adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, as management believes the standard improves the usefulness and understandability of the Organization’s financial reporting. Analysis of the various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously audited consolidated financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Effective January 1, 2019, the Organization has also adopted ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*, as management believes the standard improves the usefulness and understandability of the Organization’s financial reporting. Analysis of the various provisions of this standard resulted in no significant changes in the way the Organization recognizes contributions and promises to give, and therefore, no changes to the previously audited consolidated financial statements were required on a retrospective basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2020 AND 2019**2. Summary of Significant Accounting Policies (Continued)**

Change in Accounting Principle – During the year ended December 31, 2020, the Organization changed accounting policies related to the recognition of contributions with donor restrictions that are recognized as revenue and released from restriction during the same accounting period. The new policy is preferable because it more accurately reflects the activities of the Organization. The change has been applied retrospectively to all periods presented, which resulted in no changes to net assets with or without donor restrictions.

Subsequent Events – Management has performed an evaluation of subsequent events through May 5, 2021, 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 at December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 1,250,635	\$ 773,171
Accounts receivable	10,077	53,488
Grants receivable – current portion	25,000	25,000
Prepaid expenses	3,200	
Beneficial interest in assets held by community foundation	38,619	36,485
Less: Board-designated net assets	(94,730)	(82,794)
Less: Net assets with donor restrictions	(183,831)	(169,734)
Total	<u>\$ 1,048,970</u>	<u>\$ 635,616</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, 2020 and 2019, the balances in the operating reserve account were \$962,916 and \$574,757, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2020 AND 2019**4. Fair Value Measurements and Disclosures (Continued)**

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, 2020 and 2019, are described in Note 6.

**5. Property and Equipment**

Property and equipment consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 302,400	\$ 302,400
Building	423,919	423,919
Building improvements	601,224	601,224
Computer equipment	28,390	12,371
Other equipment	<u>134,799</u>	<u>119,875</u>
Total property and equipment	1,490,732	1,459,789
Less: Accumulated depreciation	<u>(310,401)</u>	<u>(291,049)</u>
Total property and equipment, net	<u>\$ 1,180,331</u>	<u>\$ 1,168,740</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, 2020 and 2019, 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2020 AND 2019**6. Endowment (Continued)**

Endowment net asset composition by type of fund was as follows at December 31, 2020 and 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2020			
Board-designated endowment	\$ 29,030		\$ 29,030
Donor-restricted endowment			
Original donor-restricted amounts required to be maintained in perpetuity by donor		\$ 22,039	22,039
Accumulated investment gains (losses)		730	730
Total	<u>\$ 29,030</u>	<u>\$ 22,769</u>	<u>\$ 51,799</u>
December 31, 2019			
Board-designated endowment	\$ 15,016		\$ 15,016
Donor-restricted endowment			
Original donor-restricted amounts required to be maintained in perpetuity by donor		\$ 20,859	20,859
Accumulated investment gains (losses)		610	610
Total	<u>\$ 15,016</u>	<u>\$ 21,469</u>	<u>\$ 36,485</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, 2020 and 2019.

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, 2020 and 2019, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2018	\$ 13,193	\$ 19,969	\$ 33,162
Investment return			
Investment income, net of fees	94	142	236
Net realized and unrealized gains	1,729	2,618	4,347
Contributions		120	120
Appropriation of endowment assets for expenditure		(1,380)	(1,380)
Endowment net assets, December 31, 2019	15,016	21,469	36,485
Investment return			
Investment income, net of fees	45	68	113
Net realized and unrealized gains	969	1,449	2,418
Designations and Contributions	13,000	1,180	14,180
Appropriation of endowment assets for expenditure		(1,397)	(1,397)
Endowment net assets, December 31, 2020	<u>\$ 29,030</u>	<u>\$ 22,769</u>	<u>\$ 51,799</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2020 AND 2019**7. Net Assets With Donor Restrictions**

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose		
Capital needs	\$ 66,697	
Food shelf		\$ 54,821
Just Friends	8,071	18,408
Project Share	6,185	18,002
Housing	10,000	
Homeless and senior support	7,755	7,866
Freezer for food shelf		9,650
Grant receivable, the proceeds from which have been restricted by the grantor for staff expansion	50,000	
Other	12,354	14,518
Subject to the passage of time		
Grant receivable not restricted by grantor, but unavailable for expenditure until due		25,000
Endowments		
Subject to appropriation and expenditure when a specified event occurs:		
Available for general use	730	610
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
General use	22,039	20,859
Total	<u>\$ 183,831</u>	<u>\$ 169,734</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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
Food shelf	\$ 54,821	\$ 28,205
Just Friends	18,408	
Project Share	17,592	
Strategic planning		10,000
Donation matching	25,000	25,000
Other	20,600	25,173
Distributions (proceeds are not restricted by donors)		
Beneficial interest in assets held by Community Foundation	1,397	1,380
Total	<u>\$ 137,818</u>	<u>\$ 89,758</u>

**8. 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.

**9. 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 \$13,927 and \$12,675 for the years ended December 31, 2020 and 2019, respectively.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

**10. 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 \$50,168 and \$38,571 at December 31, 2020 and 2019, respectively. The Organization received income distributions from this designated fund of \$1,476 and \$1,464 during the years ended December 31, 2020 and 2019, respectively.

**11. Concentrations**

Grants receivable from one entity comprised 83.2% and 31.9% of the Organization's total receivables at December 31, 2020 and 2019, respectively.

**12. Uncertainties**

Beginning in March 2020, the COVID-19 pandemic resulted in the disruption of business throughout the country, including voluntary and mandated restrictions on business operations and closure of many businesses and organizations. The extent of the impact of the pandemic on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its effects on the Organization's donors, grantors, customers, employees, and vendors, none of which, at present, can be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets is uncertain, and the accompanying consolidated financial statements include no adjustments related to the effects of the pandemic.

**13. Paycheck Protection Program**

During the year ended December 31, 2020, the Organization applied and was approved for a \$113,500 loan under the Paycheck Protection Program ("PPP") created as part of the COVID-19 relief efforts. The Organization was eligible for forgiveness of up to 100% of the loan, upon meeting certain requirements, including using the proceeds to pay payroll, rent, utility, and other specified expenses. The Organization initially recorded the loan as a refundable advance and subsequently recognized contribution revenue in accordance with the guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization received full forgiveness of the loan in 2020, and therefore recognized all \$113,500 as contribution revenue during the year ended December 31, 2020.