

HASTINGS FAMILY SERVICE
INDEPENDENT AUDITOR'S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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.

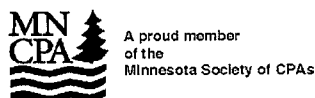
In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hastings Family Service and affiliates' ability to continue as a going concern within one year after the date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

May 4, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL POSITIONDECEMBER 31, 2021 AND 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
<u>Current Assets</u>		
Cash and Cash Equivalents		
Unreserved Cash and Cash Equivalents	\$ 930,940	\$ 1,171,755
Reserved Cash and Cash Equivalents	23,842	78,880
Total Cash and Cash Equivalents	<u>954,782</u>	<u>1,250,635</u>
Accounts Receivable	15,758	10,077
Grant Receivable - Current Portion	25,000	25,000
Inventory - Clothing and Household Items	137,714	97,345
Inventory - Food	56,179	77,748
Prepaid Expenses	1,803	3,200
Total Current Assets	<u>1,191,236</u>	<u>1,464,005</u>
<u>Property and Equipment</u>		
Total Property and Equipment	1,973,417	1,490,732
Less: Accumulated Depreciation	<u>(350,336)</u>	<u>(310,401)</u>
Property and Equipment, Net	<u>1,623,081</u>	<u>1,180,331</u>
<u>Other Assets</u>		
Grant Receivable - Net of Current Portion	50,000	25,000
Beneficial Interest in Assets Held by Community Foundation	122,385	38,619
Total Other Assets	<u>172,385</u>	<u>63,619</u>
Total Assets	<u><u>\$ 2,986,702</u></u>	<u><u>\$ 2,707,955</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 44,280	\$ 32,793
Accrued Payroll	20,450	19,189
Accrued Vacation	39,141	35,886
Refundable Advances	54,323	5,644
Total Current Liabilities	<u>158,194</u>	<u>93,512</u>
<u>Net Assets</u>		
Without Donor Restrictions		
Undesignated	2,572,313	2,335,882
Board Designated		
Gobble Gait	4,381	6,239
Capital Reserve Fund	19,461	59,461
Endowment	95,334	29,030
Total Board Designated	<u>119,176</u>	<u>94,730</u>
Total Without Donor Restrictions	<u>2,691,489</u>	<u>2,430,612</u>
With Donor Restrictions		
Endowment	27,051	22,769
Other	109,968	161,062
Total With Donor Restrictions	<u>137,019</u>	<u>183,831</u>
Total Net Assets	<u>2,828,508</u>	<u>2,614,443</u>
Total Liabilities and Net Assets	<u><u>\$ 2,986,702</u></u>	<u><u>\$ 2,707,955</u></u>

See accompanying notes to consolidated financial statements.

Hastings Family Service

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Support and Revenue</u>						
Rivertown Treasures Contributions	\$ 75,708	\$ 60,230	\$ 75,708	\$ 38,686	\$ 150,398	\$ 38,686
Government Grants	764,053		824,283	1,040,643		1,191,041
Other Income	41,886		41,886	16,031		16,031
Meals on Wheels	3,236		3,236	2,431		2,431
Just Friends Income	85,976		85,976	74,681		74,681
In-Kind Food Contributions	44,790		44,790	21,743		21,743
In-Kind Clothing and Household Contributions	195,437		195,437	254,467		254,467
Gobble Gait (Net of direct expenses of \$16,635 and \$10,118, respectively)	204,505		204,505	123,305		123,305
Other Fundraisers (Net of direct expenses of \$7,012 and \$0, respectively)	118,847		118,847	56,491		56,491
Change in Value of Beneficial Interests in Assets Held by Community Foundation	15,703		15,703	3,639		3,639
Gain (Loss) on Disposal of Property and Equipment	11,704	3,497	15,201	1,014	1,517	2,531
Interest and Dividend Income	(3,893)		(3,893)	(898)		(898)
Total Support and Revenue	2,224	63,727	2,224	2,063	151,915	2,063
	1,560,176		1,623,903	1,634,296		1,786,211
Net Assets Released from Restrictions	110,539	(110,539)		137,818	(137,818)	
<u>Expenses</u>						
Program Services	1,036,531		1,036,531	932,077		932,077
Management and General Fundraising	254,882		254,882	230,555		230,555
Total Expenses	118,425		118,425	128,298		128,298
	1,409,838		1,409,838	1,290,930		1,290,930
Increase (Decrease) in Net Assets	260,877	(46,812)	214,065	481,184	14,097	495,281
Net Assets, Beginning of Year	2,430,612	183,831	2,614,443	1,949,428	169,734	2,119,162
Net Assets, End of Year	\$ 2,691,489	\$ 137,019	\$ 2,828,508	\$ 2,430,612	\$ 183,831	\$ 2,614,443

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services				Management and General	Fundraising	Grand 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 STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services				Management and General	Fundraising	Total
	Emergency	Supportive	Community	Total			
<u>EXPENSES</u>							
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	565,472	165,661	200,944	932,077	230,555	138,416	1,301,048
Expenses Included With Revenues on the Statements of Activities:							
Gobble Gait Expenses						(10,118)	(10,118)
Other Fundraiser Expenses							
Total Expenses Included in the Expense Section of the Statements of Activities	\$ 565,472	\$ 165,661	\$ 200,944	\$ 932,077	\$ 230,555	\$ 128,298	\$ 1,290,930

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 214,065	\$ 495,281
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities:		
Contributions Received for Long Term Purposes	(2,220)	(1,180)
(Gain) Loss on Disposal of Property and Equipment	3,893	898
Depreciation	48,338	39,446
In-Kind Contributions Received	(399,942)	(377,772)
In-Kind Contributions Disbursed	381,142	330,127
(Increase) Decrease in Current Assets:		
Accounts Receivable	(5,681)	43,411
Grant Receivable	(25,000)	(25,000)
Prepaid Expenses	1,397	(3,200)
Beneficial Interest in Assets Held by Community Foundation	(83,766)	(2,134)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	11,487	26,142
Accrued Payroll	1,261	(8,863)
Accrued Vacation	3,255	12,854
Refundable Advances	48,679	(1,791)
Net Cash Flows From Operating Activities	<u>196,908</u>	<u>528,219</u>
<u>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</u>		
Purchases of Property and Equipment	(494,981)	(51,935)
<u>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</u>		
Contributions Received for Long-Term Purposes	<u>2,220</u>	<u>1,180</u>
Net Cash Flows From (Used in) Financing Activities	<u>2,220</u>	<u>1,180</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(295,853)</u>	<u>477,464</u>
Cash and Cash Equivalents, Beginning of Year	1,250,635	773,171
Cash and Cash Equivalents, End of Year	<u>\$ 954,782</u>	<u>\$ 1,250,635</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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, 2021 AND 2020

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 \$4,381 and \$6,239 of net assets that are board-designated as Gobble Gait funds as of December 31, 2021 and 2020, 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. There were no events or financial activity related to Hastings Music Festival, LLC, in 2021 or 2020. During the year ended December 31, 2021, the LLC was dissolved. At December 31, 2021 and 2020, 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.

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, 2021 and 2020, 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, 2021, are as follows:

2022	\$ 25,000
2023	25,000
2024	25,000
Total	<u>\$ 75,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

2. Summary of Significant Accounting Policies (Continued)

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.

Through December 31, 2021, the Organization had received cost-reimbursable grants totaling \$65,099 that had not yet been reported as revenue because qualifying expenditures had not yet been incurred. Advance payments on these grants totaling \$54,323 are reported as refundable advances on the consolidated statement of financial position at December 31, 2021.

Through December 31, 2020, the Organization had received cost-reimbursable grants totaling \$37,972 that had not yet been reported as revenue because qualifying expenditures had not yet been incurred. Advance payments on these grants totaling \$5,644 are reported as refundable advances on the consolidated statement of financial position at December 31, 2020.

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 12.

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, 2021 AND 2020

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, 2021 and 2020.

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 300 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, 2021. 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, 2021 and 2020, uninsured cash and cash equivalents balances were approximately \$53,084 and \$840,620, 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.

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 4, 2022, which is the date the consolidated financial statements were available to be issued.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2021 AND 2020**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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 954,782	\$ 1,250,635
Accounts receivable	15,758	10,077
Grants receivable – current portion	25,000	25,000
Prepaid expenses	1,803	3,200
Beneficial interest in assets held by community foundation	122,385	38,619
Less: Board-designated net assets	(119,176)	(94,731)
Less: Net assets with donor restrictions	<u>(137,019)</u>	<u>(183,831)</u>
Total	<u>\$ 863,533</u>	<u>\$ 1,048,970</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, 2021 and 2020, the balances in the operating reserve account were \$285,994 and \$962,916, 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 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, 2021 and 2020, are described in Note 6.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2021 AND 2020**5. Property and Equipment**

Property and equipment consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 394,867	\$ 302,400
Building	741,372	423,919
Building improvements	609,867	601,224
Vehicle	52,381	
Computer equipment	51,227	28,390
Other equipment	<u>123,703</u>	<u>134,799</u>
Total property and equipment	1,973,417	1,490,732
Less: Accumulated depreciation	<u>(350,336)</u>	<u>(310,401)</u>
Property and equipment, net	<u>\$ 1,623,081</u>	<u>\$ 1,180,331</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, 2021 and 2020, 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, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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)		<u>2,792</u>	<u>2,792</u>
Total	<u>\$ 95,334</u>	<u>\$ 27,051</u>	<u>\$ 122,385</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2021 AND 2020**6. Endowment (Continued)**

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

	Without Donor Restrictions	With Donor Restrictions	Total
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>

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, 2021 and 2020.

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, 2021 and 2020, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
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
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>
Investment return			
Investment income, net of fees	1,089	326	1,415
Net realized and unrealized gains	10,615	3,171	13,786
Designations and 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>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

7. Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
Capital needs		\$ 66,697
Just Friends		8,071
Project Share		6,185
Housing	\$ 9,263	10,000
Homeless and senior support	7,710	7,755
Food shelf expansion	8,010	
Grant receivable, the proceeds from which have been restricted by the grantor for staff expansion	25,000	50,000
Other	9,985	12,354
Subject to the passage of time		
Grant receivable not restricted by grantor, but unavailable for expenditure until due	50,000	
Endowments		
Subject to appropriation and expenditure when a specified event occurs:		
Available for general use	2,792	730
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
General use	24,259	22,039
Total	<u>\$ 137,019</u>	<u>\$ 183,831</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions		
Capital needs	\$ 66,697	
Food shelf		\$ 54,821
Just Friends	8,071	18,048
Project Share	6,185	17,592
Donation matching	25,000	25,000
Other	3,151	20,600
Distributions (proceeds are not restricted by donors)		
Beneficial interest in assets held by Community Foundation	1,435	1,397
Total	<u>\$ 110,539</u>	<u>\$ 137,818</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, 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.

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 \$14,418 and \$13,927 for the years ended December 31, 2021 and 2020, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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 \$85,863 and \$50,168 at December 31, 2021 and 2020, respectively. The Organization received income distributions from this designated fund of \$1,864 and \$1,476 during the years ended December 31, 2021 and 2020, respectively.

11. Concentrations

Grants receivable from one entity comprised 82.6% and 83.2% of the Organization's total receivables at December 31, 2021 and 2020, respectively.

12. 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.

13. Uncertainties

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to considerable economic uncertainty, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported on the financial statements.