

HASTINGS FAMILY SERVICE
INDEPENDENT AUDITOR'S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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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 affiliate, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, 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 affiliate as of December 31, 2023 and 2022, 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 affiliate 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 affiliate's 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 affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the 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 affiliate's ability to continue as a going concern for a reasonable period of time.

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

Respectfully submitted,

Lewis, Kisch & Associates, Ltd.

May 9, 2024

CONSOLIDATED STATEMENTS OF FINANCIAL POSITIONDECEMBER 31, 2023 AND 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
<u>Current Assets</u>		
Cash and Cash Equivalents		
Unreserved Cash and Cash Equivalents	\$ 697,999	\$ 857,577
Reserved Cash and Cash Equivalents	66,176	21,799
Total Cash and Cash Equivalents	<u>764,175</u>	<u>879,376</u>
Investments	312,590	2,353
Accounts Receivable	26,381	10,669
Grant Receivable - Current Portion	25,000	25,000
Inventory - Clothing and Household Items	114,663	119,115
Inventory - Food	47,423	43,115
Prepaid Expenses	2,838	1,527
Total Current Assets	<u>1,293,070</u>	<u>1,081,155</u>
<u>Property and Equipment</u>		
Total Property and Equipment	2,312,069	2,282,943
Less: Accumulated Depreciation	<u>(505,670)</u>	<u>(424,724)</u>
Property and Equipment, Net	<u>1,806,399</u>	<u>1,858,219</u>
<u>Other Assets</u>		
Grant Receivable - Net of Current Portion		25,000
Beneficial Interest in Assets Held by Community Foundation	<u>169,498</u>	<u>107,356</u>
Total Other Assets	<u>169,498</u>	<u>132,356</u>
Total Assets	<u><u>\$ 3,268,967</u></u>	<u><u>\$ 3,071,730</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 35,457	\$ 25,403
Accrued Payroll	12,738	17,404
Accrued Vacation	17,576	17,576
Refundable Advances	<u>14,350</u>	<u>18,905</u>
Total Current Liabilities	<u>80,121</u>	<u>79,288</u>
<u>Net Assets</u>		
Without Donor Restrictions		
Undesignated	2,893,872	2,792,760
Board Designated		
Gobble Gait	3,486	2,338
Capital Reserve Fund	57,270	19,461
Endowment	<u>141,673</u>	<u>81,823</u>
Total Board Designated	<u>202,429</u>	<u>103,622</u>
Total Without Donor Restrictions	<u>3,096,301</u>	<u>2,896,382</u>
With Donor Restrictions		
Endowment	33,245	25,533
Other	<u>59,300</u>	<u>70,527</u>
Total With Donor Restrictions	<u>92,545</u>	<u>96,060</u>
Total Net Assets	<u>3,188,846</u>	<u>2,992,442</u>
Total Liabilities and Net Assets	<u><u>\$ 3,268,967</u></u>	<u><u>\$ 3,071,730</u></u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Support and Revenue</u>						
Rivertown Treasures	\$ 166,253		\$ 166,253	\$ 139,704		\$ 139,704
Contributions	740,775	\$ 29,702	770,477	782,095	\$ 2,640	784,735
Government Grants	98,958		98,958	98,608		98,608
Other Income	750		750	2,527		2,527
Meals on Wheels	115,281		115,281	94,262		94,262
Just Friends Income	33,095		33,095	25,534		25,534
In-Kind Food Contributions	442,657		442,657	271,148		271,148
In-Kind Clothing and Household Contributions	373,110		373,110	295,575		295,575
Other In-Kind Contributions	10,749		10,749			
Gobble Gait (Net of direct expenses of \$23,680 and \$24,263, respectively)	131,555		131,555	125,442		125,442
Other Fundraisers (Net of direct expenses of \$6,548 and \$8,661, respectively)	36,464		36,464	25,767		25,767
Change in Value of Beneficial Interests in Assets Held by Community Foundation	7,343	2,292	9,635	(9,369)	(2,658)	(12,027)
Gain (Loss) on Disposal of Property and Equipment	(171)		(171)			
Realized/Unrealized Gain (Loss) on Investments	556		556	(1,077)		(1,077)
Interest and Dividend Income	17,535		17,535	2,260		2,260
Total Support and Revenue	<u>2,174,910</u>	<u>31,994</u>	<u>2,206,904</u>	<u>1,852,476</u>	<u>(18)</u>	<u>1,852,458</u>
Net Assets Released from Restrictions	35,509	(35,509)		40,941	(40,941)	
<u>Expenses</u>						
Program Services	1,662,258		1,662,258	1,360,084		1,360,084
Management and General	243,004		243,004	242,268		242,268
Fundraising	105,238		105,238	86,172		86,172
Total Expenses	<u>2,010,500</u>		<u>2,010,500</u>	<u>1,688,524</u>		<u>1,688,524</u>
Increase (Decrease) in Net Assets	<u>199,919</u>	<u>(3,515)</u>	<u>196,404</u>	<u>204,893</u>	<u>(40,959)</u>	<u>163,934</u>
Net Assets, Beginning of Year	2,896,382	96,060	2,992,442	2,691,489	137,019	2,828,508
Net Assets, End of Year	<u>\$ 3,096,301</u>	<u>\$ 92,545</u>	<u>\$ 3,188,846</u>	<u>\$ 2,896,382</u>	<u>\$ 96,060</u>	<u>\$ 2,992,442</u>

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSESYEAR ENDED DECEMBER 31, 2023

EXPENSES	Program Services				Management and General	Fundraising	Grand Total
	Emergency	Supportive	Community	Total			
Clothing Donated			\$ 162,309	\$ 162,309			\$ 162,309
Clothing Inventory Sold			166,253	166,253			166,253
Salaries and Wages	\$ 118,112	\$ 148,726	90,414	357,252	\$ 155,746	\$ 74,522	587,520
Payroll Taxes	8,943	11,261	6,846	27,050	11,793	5,643	44,486
Employee Benefits	6,523	8,213	4,993	19,729	8,601	4,115	32,445
Professional Fees	4,970	4,970	4,970	14,910	17,954	1,243	34,107
Advertising and Events	182	182	1,089	1,453		30,590	32,043
Depreciation	37,379	1,661	20,766	59,806	21,597	1,661	83,064
Emergency Assistance	40,116	54,056		94,172			94,172
Food Shelf	564,546			564,546			564,546
Insurance	5,283	4,227	4,227	13,737	6,339	1,057	21,133
Just Friends Expenses		12,720		12,720			12,720
Meals on Wheels Expenses		74,393		74,393			74,393
Occupancy	19,597	1,691	17,428	38,716	6,392	755	45,863
Office Expenses	6,891	5,890	7,415	20,196	6,782	13,593	40,571
Other Expenses	669	223	335	1,227	781	1,610	3,618
Other Program Expenses	21,749	3,009	5,872	30,630	6,116	226	36,972
Telephone	2,031	677	451	3,159	903	451	4,513
Total Expenses	<u>836,991</u>	<u>331,899</u>	<u>493,368</u>	<u>1,662,258</u>	<u>243,004</u>	<u>135,466</u>	<u>2,040,728</u>
Expenses Included With Revenues on the Statements of Activities:							
Gobble Gait Expenses						(23,680)	(23,680)
Other Fundraiser Expenses						(6,548)	(6,548)
Total Expenses Included in the Expense Section of the Statements of Activities	<u>\$ 836,991</u>	<u>\$ 331,899</u>	<u>\$ 493,368</u>	<u>\$ 1,662,258</u>	<u>\$ 243,004</u>	<u>\$ 105,238</u>	<u>\$ 2,010,500</u>

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSESYEAR ENDED DECEMBER 31, 2022

EXPENSES	Program Services				Management and General	Fundraising	Grand Total
	Emergency	Supportive	Community	Total			
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	<u>692,267</u>	<u>269,175</u>	<u>398,642</u>	<u>1,360,084</u>	<u>242,268</u>	<u>119,096</u>	<u>1,721,448</u>
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	<u>\$ 692,267</u>	<u>\$ 269,175</u>	<u>\$ 398,642</u>	<u>\$ 1,360,084</u>	<u>\$ 242,268</u>	<u>\$ 86,172</u>	<u>\$ 1,688,524</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 196,404	163,934
Adjustments to Reconcile Change in Net Assets		
to Net Cash From Operating Activities:		
Contributions of Common Stock		(3,430)
Contributions of Property and Equipment	(10,749)	
Contributions Received for Long Term Purposes	(5,420)	(1,140)
(Gain) Loss on Disposal of Property and Equipment	171	
Investment Interest and Dividends	(12,678)	
Unrealized (Gain) Loss on Investments	(556)	1,077
Depreciation	83,064	74,388
In-Kind Contributions Received	(815,767)	(566,723)
In-Kind Contributions Disbursed	815,911	598,386
(Increase) Decrease in Current Assets:		
Accounts Receivable	(15,712)	5,089
Grant Receivable	25,000	25,000
Prepaid Expenses	(1,311)	276
Beneficial Interest in Assets Held by Community Foundation	(62,142)	15,029
Increase (Decrease) in Current Liabilities:		
Accounts Payable	10,054	(18,877)
Accrued Payroll	(4,666)	(3,046)
Accrued Vacation		(21,565)
Refundable Advances	(4,555)	(35,418)
Net Cash Flows from Operating Activities	<u>197,048</u>	<u>232,980</u>
<u>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</u>		
Purchases of Property and Equipment	(20,666)	(309,526)
Purchases of Investments	(300,000)	
Withdrawals from Investments	2,997	
Net Cash Flows from (used in) Investing Activities	<u>(317,669)</u>	<u>(309,526)</u>
<u>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</u>		
Contributions Received for Long-Term Purposes	5,420	1,140
Net Cash Flows from Financing Activities	<u>5,420</u>	<u>1,140</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(115,201)</u>	<u>(75,406)</u>
Cash and Cash Equivalents, Beginning of Year	879,376	954,782
Cash and Cash Equivalents, End of Year	<u>\$ 764,175</u>	<u>\$ 879,376</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Nature of the Organization

Hastings Family Service (“HFS”) is a community-based nonprofit agency providing a range of emergency, supportive, and community services since 1970 to assist and guide neighbors from the Hastings, Minnesota, area who are struggling to meet their basic needs of food, clothing, shelter, support, or transportation. HFS engages the community to provide help and hope to neighbors, striving to assist those in need while providing fulfilling opportunities for volunteers and community members to support these efforts.

Hastings Family Service provides:

Emergency Services

Market Food Programs – Provide 7-10 days of food through an in-person choice model Market food shelf or a drive-thru option; includes personal care products and pet supplies options; vouchers for local grocery stores are offered for specific dietary or cultural needs.

Market on the Move (“MOM”) – A refrigerated van that distributes a mobile produce option to senior living facilities, the senior center, and Meals on Wheels recipients. MOM is also used for food rescue efforts with local grocers, distributing food throughout the community and preventing a significant amount of food waste.

Market Express – Neighbors can receive a smaller food order through drive-thru; emergency food bags are available if immediate appointments are not available.

Emergency Assistance – HFS provides emergency grants and/or vouchers to individuals and families to assist with some expenses, such as housing, utilities, automobile repairs, gas, prescriptions, etc. Referral and resource assistance is also offered.

Supportive Services

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 – 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 and/or gifts during the holidays through an adopt-a-family program.

School Supplies – Children at all grade levels are able to choose a backpack and fill it with the supplies needed for a successful school year.

Clothing Vouchers – Provided through the Rivertown Treasures thrift store to those who need assistance.

Community Services

Rivertown Treasures – Clean, seasonal, carefully inspected, gently used clothing and household items are available for sale to the public, with all revenue supporting HFS programs. Provides affordable options to all neighbors in the community.

Donation Center – The entire inventory of Rivertown Treasures is donated by the community.

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

Volunteers – HFS relies on nearly 500 volunteers to provide help and hope to neighbors. HFS is an accredited Service Enterprise, providing a variety of schedules and opportunities for volunteers to share their time and talents, create connections, and serve the 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 affiliate (collectively, the “Organization”), Gobble Gait, LLC. All inter-entity transactions and balances have been eliminated. The primary purpose of this affiliate is to operate a fundraising event for the benefit of Hastings Family Service.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2023 AND 2022**2. Summary of Significant Accounting Policies (Continued)**

Principles of Consolidation (Continued) – Gobble Gait, LLC, hosts a Thanksgiving Day walk/run event, the proceeds and related expenses of which are included in the Organization's consolidated financial statements. The Organization's consolidated financial statements include \$3,486 and \$2,338 of net assets that are board-designated as Gobble Gait funds as of December 31, 2023 and 2022, respectively.

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions may be designated for specific purposes by the board of directors. Board-designated net assets without donor restrictions are presented by category on the statements of financial position.

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 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.

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, 2023 and 2022, 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. All grants receivable are expected to be collected within one year of December 31, 2023.

Inventory – Inventory consists of donated clothing, household items, 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, 2023 AND 2022

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 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.

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, 2023 and 2022.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2023 AND 2022**2. Summary of Significant Accounting Policies (Continued)**

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, 2023. 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, 2023 and 2022, uninsured cash and cash equivalents balances were approximately \$294,000 and \$95,000, 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 9, 2024, 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, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 764,175	\$ 879,376
Investments	312,590	2,353
Accounts receivable	26,381	10,669
Grants receivable – current portion	25,000	25,000
Beneficial interest in assets held by community foundation	169,498	107,356
Less: Board-designated net assets	(202,429)	(103,622)
Less: Net assets with donor restrictions	(92,545)	(96,060)
Total	<u>\$ 1,002,670</u>	<u>\$ 825,072</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2023 AND 2022**3. Liquidity and Availability (Continued)**

As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in money market funds and certificates of deposit. The Organization's money market funds include 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, 2023 and 2022, the balances in the operating reserve account were \$507,028 and \$329,468, 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 certificates of deposit. The mutual funds are classified within Level 1 of the fair value hierarchy, because they have readily determinable fair values based on daily redemption values. The certificates of deposit are classified within Level 2 and are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions. During the year ended December 31, 2022, the Organization also held cash in its investment account, which is presented at cost.

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, 2023 and 2022, are described in Note 6.

The following table presents assets measured at fair value on a recurring basis as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit		\$ 312,590		\$ 312,590
Beneficial interest in assets held by community foundation			\$ 169,498	169,498
Total investments		<u>\$ 312,590</u>	<u>\$ 169,498</u>	<u>\$ 482,088</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2023 AND 2022**4. Fair Value Measurements and Disclosures (Continued)**

The following table presents assets measured at fair value on a recurring basis as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 2,106			\$ 2,106
Beneficial interest in assets held by community foundation			\$ 107,356	107,356
Total measured at fair value	<u>\$ 2,106</u>		<u>\$ 107,356</u>	109,462
Cash held in investment accounts				247
Total investments				<u>\$ 109,709</u>

5. Property and Equipment

Property and equipment consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 394,867	\$ 394,867
Buildings	1,003,338	1,003,338
Building improvements	634,188	611,156
Vehicle	82,656	82,656
Computer equipment	55,506	52,428
Other equipment	141,514	138,498
Total property and equipment	<u>2,312,069</u>	<u>2,282,943</u>
Less: Accumulated depreciation	<u>(505,670)</u>	<u>(424,724)</u>
Property and equipment, net	<u>\$ 1,806,399</u>	<u>\$ 1,858,219</u>

6. Endowment

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

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, 2023 and 2022, 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2023 AND 2022**6. Endowment (Continued)**

Endowment net asset composition by type of fund was as follows at December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment	\$ 141,673		\$ 141,673
Donor-restricted endowment			
Original donor-restricted amounts required to be maintained in perpetuity by donor		\$ 30,819	30,819
Accumulated investment gains (losses)		2,426	2,426
Total	\$ 141,673	33,245	174,918
Less: Funds presented with reserved cash on the consolidated statement of financial position		(5,420)	(5,420)
Endowment funds held in beneficial interest in assets held by community foundation	\$ 141,673	\$ 27,825	\$ 169,498

Endowment net asset composition by type of fund was as follows at December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
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 (all held in beneficial interest in assets held by community foundation)	\$ 81,823	\$ 25,533	\$ 107,356

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, 2023 and 2022.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2023 AND 2022**6. Endowment (Continued)**

Changes in endowment net assets for the years ended December 31, 2023 and 2022, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2021	\$ 95,334	\$ 27,051	\$ 122,385
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)		(1,435)
Endowment net assets, December 31, 2022	81,823	25,533	107,356
Investment return			
Investment income, net of fees	1,616	505	2,121
Net realized and unrealized gain (loss)	5,727	1,787	7,515
Contributions	55,000	5,420	60,420
Appropriation of endowment assets for expenditure	(2,494)		(2,494)
Endowment net assets, December 31, 2023	<u>\$ 141,673</u>	<u>\$ 33,245</u>	<u>\$ 174,918</u>

7. Net Assets with Donor Restrictions

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

	2023	2022
Subject to expenditure for specified purpose		
Housing	\$ 8,216	\$ 4,856
Moving Forward	7,549	
THRIVE	6,968	
Other	11,567	15,671
Subject to the passage of time		
Grant receivable not restricted by grantor, but unavailable for expenditure until due	25,000	50,000
Endowments		
Subject to appropriation and expenditure when a specified event occurs:		
Available for general use	2,426	134
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
General use	30,819	25,399
Total	<u>\$ 92,545</u>	<u>\$ 96,060</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, 2023 and 2022:

	2023	2022
Satisfaction of purpose restrictions		
Housing	\$ 7,886	\$ 4,408
Food shelf expansion		8,010
Staff expansion		25,000
Other	2,623	3,523
Expiration of time restrictions	25,000	
Total	<u>\$ 35,509</u>	<u>\$ 40,941</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 2023 AND 2022**8. In-Kind Contributions**

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

	<u>2023</u>	<u>2022</u>
Food	\$ 442,657	\$ 271,148
Clothing and household items	373,110	295,575
Building improvements	10,749	
Total	<u>\$ 826,516</u>	<u>\$ 566,723</u>

Contributed food is used in program services. For the years ended December 31, 2023 and 2022, donated food was valued at \$1.70 per pound and \$1.00 per pound, respectively.

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.

Contributed building improvements are valued using estimated U.S. retail prices (principal market) of identical or similar products using pricing data under a “like-kind” methodology. Building improvements are capitalized and depreciated over their useful lives, and depreciation is allocated among the Organization’s various program and supporting services based on the allocation methodology described in Note 9.

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 provides a 403(b) retirement plan for all regular employees with at least one year of completed service. The Organization makes contributions equal to 3% of eligible compensation to all eligible employees’ accounts. Employees can also make voluntary contributions to their 403(b) accounts, which are matched by the Organization up to 1% of eligible compensation, in addition to the regular 3% employer contribution. The Organization’s retirement contributions were \$16,058 and \$12,027 for the years ended December 31, 2023 and 2022, 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 \$77,863 and \$74,519 at December 31, 2023 and 2022, respectively. The Organization received income distributions from this designated fund of \$2,168 and \$2,906 during the years ended December 31, 2023 and 2022, respectively.

12. Concentrations

Grants receivable from one entity comprised 48.7% and 82.4% of the Organization’s total receivables at December 31, 2023 and 2022, respectively.