

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED MARCH 31, 2018 AND 2017**

**INTERFAITH OUTREACH & COMMUNITY PARTNERS  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Interfaith Outreach & Community Partners  
Plymouth, Minnesota

We have audited the accompanying financial statements of Interfaith Outreach & Community Partners, which comprise the statements of financial position as of March 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Interfaith Outreach & Community Partners

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interfaith Outreach & Community Partners as of March 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
June 27, 2018

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,633,487	\$ 3,959,687
Short-Term Investments	851,022	-
Grants Receivable	95,000	18,750
Pledges Receivable, Current	210,000	205,000
Inventory	147,253	156,775
Other Assets	58,143	39,562
Total Current Assets	4,994,905	4,379,774
<b>PLEDGES RECEIVABLE, NET OF CURRENT</b>	200,000	371,882
<b>PROPERTY AND EQUIPMENT, NET</b>	5,374,288	5,547,631
<b>DEFERRED FINANCING COSTS, NET</b>	-	9,100
Total Assets	\$ 10,569,193	\$ 10,308,387
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 76,560	\$ 112,045
Accrued Expenses	63,046	61,431
Deferred Revenue	133,940	218,110
Long-Term Debt, Current	-	101,862
Capital Lease Obligations, Current	-	15,283
Total Current Liabilities	273,546	508,731
<b>LONG-TERM DEBT, NET OF CURRENT</b>	-	36,472
<b>CAPITAL LEASE OBLIGATIONS, NET OF CURRENT</b>	-	2,138
Total Liabilities	273,546	547,341
<b>NET ASSETS</b>		
Undesignated	1,297,459	1,170,433
Board-Designated	2,454,286	2,347,939
Invested in Property and Equipment	5,374,288	5,391,876
Total Unrestricted	9,126,033	8,910,248
Temporarily Restricted	1,169,614	850,798
Total Net Assets	10,295,647	9,761,046
Total Liabilities and Net Assets	\$ 10,569,193	\$ 10,308,387

See accompanying Notes to Financial Statements.

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED MARCH 31, 2018 AND 2017**

	2018				
	Operating	Board- Designated	Total Unrestricted	Temporarily Restricted	Total
<b>SUPPORT</b>					
Grants and Contributions	\$ 3,138,432	\$ -	\$ 3,138,432	\$ 1,483,977	\$ 4,622,409
In-Kind Donations and Donated Services	3,203,565	-	3,203,565	-	3,203,565
Fundraising Event Contributions	215,896	-	215,896	278,088	493,984
Total Support	<u>6,557,893</u>	<u>-</u>	<u>6,557,893</u>	<u>1,762,065</u>	<u>8,319,958</u>
<b>REVENUE</b>					
Resale Select Revenues	429,801	-	429,801	-	429,801
Rental Income	177,357	-	177,357	-	177,357
Fundraising Events, Net of Expenses of \$79,122 and \$52,242, Respectively	166,770	-	166,770	-	166,770
Program Service Revenues	65,452	-	65,452	-	65,452
Miscellaneous Income	1,000	-	1,000	-	1,000
Total Revenue	<u>840,380</u>	<u>-</u>	<u>840,380</u>	<u>-</u>	<u>840,380</u>
Net Assets Released from Restrictions	<u>1,443,249</u>	<u>-</u>	<u>1,443,249</u>	<u>(1,443,249)</u>	<u>-</u>
Total Support and Revenue	8,841,522	-	8,841,522	318,816	9,160,338
<b>EXPENSES</b>					
Program Expenses	7,245,537	-	7,245,537	-	7,245,537
Management and General Expenses	788,240	-	788,240	-	788,240
Fundraising Expenses	603,958	-	603,958	-	603,958
Total Expenses	<u>8,637,735</u>	<u>-</u>	<u>8,637,735</u>	<u>-</u>	<u>8,637,735</u>
<b>CHANGE IN OPERATING NET ASSETS</b>	203,787	-	203,787	318,816	522,603
<b>NONOPERATING ACTIVITIES</b>					
Interest Income	4,617	7,381	11,998	-	11,998
Transfer to (from) Board Designated Reserves	(98,966)	98,966	-	-	-
Total Nonoperating Activities	<u>(94,349)</u>	<u>106,347</u>	<u>11,998</u>	<u>-</u>	<u>11,998</u>
<b>CHANGE IN NET ASSETS</b>	109,438	106,347	215,785	318,816	534,601
Net Assets - Beginning of Year	<u>6,562,309</u>	<u>2,347,939</u>	<u>8,910,248</u>	<u>850,798</u>	<u>9,761,046</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 6,671,747</u>	<u>\$ 2,454,286</u>	<u>\$ 9,126,033</u>	<u>\$ 1,169,614</u>	<u>\$ 10,295,647</u>

See accompanying Notes to Financial Statements.

2017				
Operating	Board- Designated	Total Unrestricted	Temporarily Restricted	Total
\$ 3,115,232	\$ -	\$ 3,115,232	\$ 730,426	\$ 3,845,658
2,932,167	-	2,932,167	-	2,932,167
97,355	-	97,355	176,383	273,738
<u>6,144,754</u>	<u>-</u>	<u>6,144,754</u>	<u>906,809</u>	<u>7,051,563</u>
360,727	-	360,727	-	360,727
177,412	-	177,412	-	177,412
80,561	-	80,561	-	80,561
35,500	-	35,500	-	35,500
14,180	-	14,180	-	14,180
<u>668,380</u>	<u>-</u>	<u>668,380</u>	<u>-</u>	<u>668,380</u>
<u>1,849,652</u>	<u>-</u>	<u>1,849,652</u>	<u>(1,849,652)</u>	<u>-</u>
8,662,786	-	8,662,786	(942,843)	7,719,943
6,923,958	-	6,923,958	-	6,923,958
702,777	-	702,777	-	702,777
504,648	-	504,648	-	504,648
<u>8,131,383</u>	<u>-</u>	<u>8,131,383</u>	<u>-</u>	<u>8,131,383</u>
531,403	-	531,403	(942,843)	(411,440)
1,466	1,320	2,786	-	2,786
(383,286)	383,286	-	-	-
<u>(381,820)</u>	<u>384,606</u>	<u>2,786</u>	<u>-</u>	<u>2,786</u>
149,583	384,606	534,189	(942,843)	(408,654)
<u>6,412,726</u>	<u>1,963,333</u>	<u>8,376,059</u>	<u>1,793,641</u>	<u>10,169,700</u>
<u>\$ 6,562,309</u>	<u>\$ 2,347,939</u>	<u>\$ 8,910,248</u>	<u>\$ 850,798</u>	<u>\$ 9,761,046</u>

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED MARCH 31, 2018**

	Program Service Expenses						
	Discover Community Needs and Opportunities	Engage Stakeholders and Partners	Deliver Services	Total Program Expenses	Management and General Expenses	Fundraising Expenses	2018 Total
Food	\$ -	\$ -	\$ 1,776,003	\$ 1,776,003	\$ -	\$ -	\$ 1,776,003
Housing and Neighborhoods	-	-	1,048,914	1,048,914	-	-	1,048,914
Education and Youth	-	-	475,910	475,910	-	-	475,910
Transportation	-	-	269,114	269,114	-	-	269,114
Family Support	-	-	227,723	227,723	-	-	227,723
Employment	-	-	21,765	21,765	-	-	21,765
Subtotal with In-Kinds	-	-	3,819,429	3,819,429	-	-	3,819,429
Salaries	174,072	362,197	770,663	1,306,932	544,854	338,716	2,190,502
Employee Benefits	15,654	32,861	68,454	116,969	50,226	31,390	198,585
Payroll Taxes	12,603	26,162	56,087	94,852	39,916	24,815	159,583
Subtotal	202,329	421,220	895,204	1,518,753	634,996	394,921	2,548,670
Occupancy	34,192	93,835	112,806	240,833	23,672	18,956	283,461
Office Expenses	12,179	42,182	52,355	106,716	25,343	51,212	183,271
Professional Services	6,648	19,708	30,194	56,550	59,033	12,392	127,975
Marketing	4,760	21,840	7,537	34,137	11,486	55,328	100,951
Special Event Direct Expense	-	-	-	-	-	79,122	79,122
Miscellaneous Expense	6,765	14,872	18,641	40,278	15,396	6,802	62,476
Interest Expense	397	1,347	1,441	3,185	719	241	4,145
In-Kinds: Resale	-	734,860	129,681	864,541	-	-	864,541
In-Kinds: Other	-	185,021	211,383	396,404	1,280	50,898	448,582
Total Expenses Before Depreciation	267,270	1,534,885	5,278,671	7,080,826	771,925	669,872	8,522,623
Depreciation	21,238	65,502	77,971	164,711	16,315	13,208	194,234
Total Functional Expenses	288,508	1,600,387	5,356,642	7,245,537	788,240	683,080	8,716,857
Less: Special Event Direct Expense	-	-	-	-	-	(79,122)	(79,122)
Total Expenses per Statement of Activities	<u>\$ 288,508</u>	<u>\$ 1,600,387</u>	<u>\$ 5,356,642</u>	<u>\$ 7,245,537</u>	<u>\$ 788,240</u>	<u>\$ 603,958</u>	<u>\$ 8,637,735</u>

See accompanying Notes to Financial Statements.



**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED MARCH 31, 2017**

	Program Service Expenses						
	Discover Community Needs and Opportunities	Engage Stakeholders and Partners	Deliver Services	Total Program Expenses	Management and General Expenses	Fundraising Expenses	2017 Total
Food	\$ -	\$ -	\$ 1,610,912	\$ 1,610,912	\$ -	\$ -	\$ 1,610,912
Housing and Neighborhoods	-	-	1,164,326	1,164,326	-	-	1,164,326
Education and Youth	-	-	395,728	395,728	-	-	395,728
Transportation	-	-	250,932	250,932	-	-	250,932
Family Support	-	-	225,407	225,407	-	-	225,407
Employment	-	-	17,265	17,265	-	-	17,265
Subtotal with In-Kinds	-	-	3,664,570	3,664,570	-	-	3,664,570
Salaries	138,565	350,921	763,559	1,253,045	454,072	289,245	1,996,362
Employee Benefits	11,484	29,744	64,721	105,949	39,620	25,331	170,900
Payroll Taxes	10,194	25,627	56,277	92,098	33,674	21,451	147,223
Subtotal	160,243	406,292	884,557	1,451,092	527,366	336,027	2,314,485
Occupancy	31,051	111,523	89,603	232,177	22,565	17,988	272,730
Office Expenses	14,604	49,825	63,697	128,126	30,470	46,588	205,184
Professional Services	7,604	25,583	39,819	73,006	64,097	19,822	156,925
Marketing	2,248	15,337	4,918	22,503	10,349	45,416	78,268
Miscellaneous Expense	5,569	15,271	17,278	38,118	12,190	3,946	54,254
Special Event Direct Expense	-	-	-	-	-	52,242	52,242
Interest Expense	1,440	5,979	4,774	12,193	1,361	1,071	14,625
In-Kinds: Resale	-	660,273	116,519	776,792	-	-	776,792
In-Kinds: Other	-	48,474	306,220	354,694	17,655	20,169	392,518
Total Expenses Before Depreciation	222,759	1,338,557	5,191,955	6,753,271	686,053	543,269	7,982,593
Depreciation	20,494	85,326	64,867	170,687	16,724	13,621	201,032
Total Functional Expenses	243,253	1,423,883	5,256,822	6,923,958	702,777	556,890	8,183,625
Less: Special Event Direct Expense	-	-	-	-	-	(52,242)	(52,242)
Total Expenses per Statement of Activities	<u>\$ 243,253</u>	<u>\$ 1,423,883</u>	<u>\$ 5,256,822</u>	<u>\$ 6,923,958</u>	<u>\$ 702,777</u>	<u>\$ 504,648</u>	<u>\$ 8,131,383</u>

See accompanying Notes to Financial Statements.

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MARCH 31, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 534,601	\$ (408,654)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	194,234	201,032
Amortization of Deferred Financing Costs	9,100	6,424
Loss on Disposal of Property and Equipment	3,175	3,113
Donated Property and Equipment	-	(4,320)
Changes in Assets and Liabilities:		
Grants Receivable	(76,250)	10,000
Pledges Receivable	166,882	776,108
Inventory	9,522	(7,262)
Other Assets	(18,581)	4,593
Accounts Payable	(35,485)	33,341
Accrued Expenses	1,615	15,979
Deferred Revenue	(84,170)	143,975
Net Cash Provided by Operating Activities	704,643	774,329
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(24,066)	(65,831)
Purchase of Short-Term Investments	(851,022)	-
Net Cash Used by Investing Activities	(875,088)	(65,831)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Repayments of Long-Term Debt	(138,334)	(187,538)
Principal Payments Under Capital Lease Obligations	(17,421)	(17,465)
Net Cash Used by Financing Activities	(155,755)	(205,003)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(326,200)	503,495
Cash and Cash Equivalents - Beginning of Year	3,959,687	3,456,192
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 3,633,487	\$ 3,959,687
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 4,145	\$ 14,625
In-Kind Donations	\$ 3,203,565	\$ 2,932,167

See accompanying Notes to Financial Statements.

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 AND 2017**

**NOTE 1 NATURE OF OPERATIONS**

Interfaith Outreach & Community Partners (Interfaith Outreach) is led by a vision of the community it works to build — an attentive, responsive, inclusive community where all are welcome, where everyone counts, where family life is valued and supported by all, and where all children are cherished and provided opportunities to become all they can be.

The mission of Interfaith Outreach is to engage the heart and will of the community to respond to emergency needs and create opportunities for all to thrive. A suburban human service nonprofit serving low-income families and individuals of eight west Hennepin County communities, Interfaith Outreach mobilizes human, financial and in-kind resources that help residents move past crises, overcome barriers to successful living, and access opportunities to build strong futures. Interfaith Outreach delivers services in the areas of family support, food, housing and neighborhoods, education and youth, employment, and transportation. Interfaith Outreach has been serving residents of Hamel, Long Lake, Medicine Lake, Medina, Minnetonka Beach, Orono, Plymouth, and Wayzata since 1979.

**Discover Community Needs and Opportunities**

Interfaith Outreach and its community partners stay in touch with changing needs, trends, aspirations, and opportunities that inform and position the Organization and the community for timely collective action and impact.

**Engage Stakeholders and Partners**

Interfaith Outreach engages community partners, stakeholders, volunteers, and program participants in addressing complex socio-economic issues; leveraging resources (money, tangible goods, time and expertise); building mutually beneficial relationships; creating a welcoming and inclusive community experience; and enhancing overall service delivery and community impact.

Since 1979, Interfaith Outreach has successfully partnered across community sectors and systems — with thousands of volunteers and donors, faith communities, charitable foundations, public/private education systems, corporations, local businesses, health systems, government entities, civic/community groups, and other family service organizations — to lead, rally and ignite the power of a caring community to respond to need in times of crises, to remove barriers that marginalize families and kids, and to create opportunities for all to thrive. Located on-site, our partners (Hennepin County and Wayzata Public Schools) extend our impact.

Since 2011, Resale Select, a thrift/resale store open to the general public, has sold contemporary, top-quality clothing, and household goods donated by the community. The store, located on-site, benefits Interfaith Outreach by making donated clothing and household goods available to local struggling families while engaging volunteers in service and leadership.

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 AND 2017**

**NOTE 1 NATURE OF OPERATIONS (CONTINUED)**

**Deliver Services**

Interfaith Outreach delivers individualized services to help families stabilize, strengthen, and thrive each year. In the 2018 fiscal year, we helped 1,966 families:

**STABILIZE:** Families resolve immediate crises, are meeting basic needs, and have a support plan in place.

**STRENGTHEN:** Families have fewer emergency needs, are able to navigate and overcome barriers, create plans and pursue opportunities to achieve their goals.

**THRIVE:** Families' basic needs are met. They've established support networks, gained a working knowledge of community resources and ways to access them, are engaged in the community, and are achieving their goals.

We provide services in six impact areas:

**FOOD:** The food shelf provides a food safety net and supplemental resource for families and individuals who live on low and fixed incomes.

**FAMILY SUPPORT:** Case managers work side by side with families in times of need such as job loss, pending eviction, family breakup, a medical crisis, car repair, childcare needs and more. In addition, holiday and birthday gifts, baby layettes, and other services engage our community in caring for the little things in the life of a family that often make a huge difference.

**HOUSING AND NEIGHBORHOODS:** We provide rent assistance to prevent homelessness, offer transitional housing support for homeless families with children, provide comprehensive support for families who live in nine multi-unit affordable housing neighborhoods, and partner with developers to increase the number of affordable rental units in our community.

**EDUCATION AND YOUTH:** We partner with local early childhood care providers, the Wayzata and Orono school districts, community health care providers, volunteers, and stakeholders to provide programs and services designed to close educational opportunity and achievement gaps of preschool and school-age children and youth of our community.

**EMPLOYMENT:** We partner with local businesses and training centers to help people pursue living wage jobs that reduce the gap between income and ordinary living costs to meet basic needs and make household budgets work.

**TRANSPORTATION:** We provide transportation assistance to ensure people can find and keep jobs, a critical need in the suburbs where public transportation options are limited. Volunteer drivers provide rides to medical appointments, as well as Adult Basic Education and English Language Learning classes.

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 AND 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statement Presentation**

Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of Interfaith Outreach and changes therein are classified and reported as follows:

Unrestricted — Resources over which the board of directors has discretionary control. Board-designated amounts represent those revenues which the board has set aside for a particular purpose.

Temporarily Restricted — Those resources subject to donor-imposed restrictions which will be satisfied by actions of Interfaith Outreach or passage of time.

Permanently Restricted — Those resources subject to a donor-imposed restriction that they be maintained permanently.

At March 31, 2018 and 2017, Interfaith Outreach had only unrestricted and temporarily restricted net assets.

**Cash and Cash Equivalents**

Interfaith Outreach considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At various times throughout the year, Interfaith Outreach had cash balances in excess of FDIC insurance limits.

**Short-Term Investments**

In 2018, Interfaith Outreach began investing excess reserves in short-term investments. Short-term investments consist of brokered certificates of deposit with maturity dates of 12 months or less. Short-term investments are recorded at cost, which approximates fair value.

**Grants and Pledges Receivable**

Grants and pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Grants and pledges that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the grant or pledge is received. Amortization of the discount is included in contribution revenue. Conditional grants and pledges are not included as support until such time as the conditions are substantially met.

Bad debts are provided for using the reserve method based upon management's assessment of collectability. When all collection efforts are exhausted, the balance is written off against the related allowance. At March 31, 2018 and 2017, no allowance was recorded.

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 AND 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventory**

Inventory consists of food shelf inventory and Resale Select inventory.

Food shelf inventory represents perishable and nonperishable food and other household products on hand at year-end. Items have either been purchased by Interfaith Outreach or donated. Items are valued at an average cost per pound of \$1.75 and \$1.69 at March 31, 2018 and 2017, respectively.

Pounds of food distributed to clients from the food shelf during the years ended March 31, 2018 and 2017 totaled 1,004,344 and 944,450, respectively. The total value of food distributed, using \$1.75 and \$1.69 per pound, was \$1,757,603 and \$1,596,121 for the years ended March 31, 2018 and 2017, respectively. In-kind food contributions totaled \$1,782,374 and \$1,610,047 for the years ended March 31, 2018 and 2017, respectively. Interfaith Outreach purchased food inventory of \$95,491 and \$83,941 for the years ended March 31, 2018 and 2017, respectively.

Resale Select inventory represents donated clothing and other household goods on hand at year-end that are available for sale. Items are recorded at an estimated value based upon the type of item. In-kind contributions totaled \$868,739 and \$787,403 for the years ended March 31, 2018 and 2017, respectively.

**Property and Equipment**

Interfaith Outreach capitalizes all expenditures for property and equipment in excess of \$2,500. Purchases of personal computers, including desktops, laptops, and personal printers are expensed. Property and equipment is carried at cost, if purchased, or fair market value at the date of gift, if received as contributions.

Depreciation is computed on a straight-line basis over estimated useful lives of 15 to 40 years for building and building improvements and 5 to 10 years for equipment. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance, repairs, and minor replacements are expensed as incurred.

**Gift Cards**

Gift cards provided to clients are expensed when redeemed at Resale Select.

**Revenue Recognition**

Contributions are recognized as revenue when they are received or unconditionally pledged.

Interfaith Outreach reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as Net Assets Released from Restrictions.

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 AND 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

Program service revenue is recognized as earned.

Rental income is recognized on a straight-line basis over the term of the contract.

**In-Kind Donations**

Contributions of noncash items (e.g., food, clothing, and household goods) are recorded at their fair values in the period received. Interfaith Outreach receives a significant amount of donated items each year. The amount of in-kind donations received totaled \$3,089,429 and \$2,792,197 for the years ended March 31, 2018 and 2017, respectively.

**Donated Services**

Interfaith Outreach receives a substantial amount of services donated by its volunteers in carrying out its mission and exempt purpose. Contributions of services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received. The amount of donated services recorded for the years ended March 31, 2018 and 2017 was \$114,136 and \$139,970, respectively.

In addition, there was a significant amount of services provided by volunteers that have not been reflected in the accompanying statements of activities because the accounting criteria for recognition of such volunteer efforts have not been satisfied. These additional volunteer hours totaled approximately 62,000 and 54,000 and were valued at approximately \$1,500,000 and \$1,400,000 for the years ended March 31, 2018 and 2017, respectively.

**Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Nonoperating Activities**

Nonoperating activities consist of gains and losses and other occurrences that fall outside of the normal operations of Interfaith Outreach and reserve transfers designated by the board for long-term housing projects and operating reserves.

**INTERFAITH OUTREACH & COMMUNITY PARTNERS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018 AND 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Tax-Exempt Status**

Interfaith Outreach is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and applicable state statutes and is generally not subject to income taxes. It has been classified as an organization that is not a private foundation under the Internal Revenue Code. Charitable contributions by donors are tax deductible.

Interfaith Outreach follows the income tax standard regarding the recognition and measurement of uncertain tax positions. Interfaith Outreach's tax returns are subject to review by federal and state authorities. Interfaith Outreach is not aware of any activities that would jeopardize its tax-exempt status.

**Subsequent Events**

In preparing these financial statements, Interfaith Outreach has evaluated subsequent events and transactions for potential recognition or disclosure through June 27, 2018, the date the financial statements were available to be issued.

**NOTE 3 PLEDGES RECEIVABLE**

Pledges receivable at March 31 are expected to be collected as follows:

	2018	2017
Receivable in:		
Less than One Year	\$ 210,000	\$ 205,000
One to Three Years	210,000	400,000
Gross Pledges Receivable	420,000	605,000
Less: Present Value Discount	(10,000)	(28,118)
Pledges Receivable, Net	\$ 410,000	\$ 576,882

The discount rate used in both periods for calculating the present value of long-term pledges was 5%.



**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 AND 2017**

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment at March 31 consists of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,463,769	\$ 1,463,769
Building	4,490,524	4,490,524
Equipment	599,748	671,517
Total Property and Equipment	<u>6,554,041</u>	<u>6,625,810</u>
Less: Accumulated Depreciation	<u>(1,179,753)</u>	<u>(1,078,179)</u>
Property and Equipment, Net	<u><u>\$ 5,374,288</u></u>	<u><u>\$ 5,547,631</u></u>

Depreciation expense was \$194,234 and \$201,032 for the years ended March 31, 2018 and 2017, respectively.

**NOTE 5 LONG-TERM DEBT**

In December 2010, Interfaith Outreach entered into a \$2,250,000 bond payable facility to assist in the financing of the purchase of the new building and related renovations. The bond was originally scheduled to mature in December 2020, with an interest rate of 4.5%, collateralized by the property and subject to financial covenants, including maintaining an unrestricted cash balance of \$350,000.

The debt was fully paid off in January 2018.

During the year ended March 31, 2018, Interfaith Outreach made cash payments for interest of \$3,546 and an additional principal payment of \$53,794. During the year ended March 31, 2017, Interfaith Outreach made cash payments for interest of \$12,956 and an additional principal payment of \$94,525.

**NOTE 6 LINE OF CREDIT**

Interfaith Outreach has an available line of credit with a bank enabling it to borrow up to \$200,000. The line of credit is unsecured and bears interest at a variable rate of 5.75% at March 31, 2018 and 2017. The line of credit agreement will mature in January 2019. There was no outstanding balance at March 31, 2018 and 2017.

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 AND 2017**

**NOTE 7 NET ASSETS**

**Unrestricted**

Unrestricted net assets consist of the following at March 31:

	<u>2018</u>	<u>2017</u>
Invested in Property and Equipment	\$ 5,374,288	\$ 5,391,876
Undesignated	1,297,459	1,170,433
Board-Designated:		
Philanthropic Equity Reserve	1,351,433	1,249,080
Long-Term Housing Reserve	403,557	401,996
Building Reserve	385,296	382,863
Operating Reserve	264,000	264,000
Capital Reserve	50,000	50,000
Total Board-Designated	<u>2,454,286</u>	<u>2,347,939</u>
Total Unrestricted Net Assets	<u>\$ 9,126,033</u>	<u>\$ 8,910,248</u>

The designated reserves are to be used with board authorization.

**Temporarily Restricted**

Temporarily restricted net assets are restricted for the following purposes at March 31:

	<u>2018</u>	<u>2017</u>
Philanthropic Equity Campaign Pledges	\$ 410,000	\$ 551,882
Programs	759,614	273,916
Building	-	25,000
Total	<u>\$ 1,169,614</u>	<u>\$ 850,798</u>

**Releases from Restriction**

Net assets released from restriction for the years ended March 31 included the following:

	<u>2018</u>	<u>2017</u>
Programs	\$ 1,258,069	\$ 1,043,453
Philanthropic Equity Campaign	160,000	780,959
Building	25,180	25,240
Total	<u>\$ 1,443,249</u>	<u>\$ 1,849,652</u>

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 AND 2017**

**NOTE 8 IN-KIND DONATIONS**

Interfaith Outreach receives various in-kind donations throughout the year. In-kind donations are valued at their estimated fair value and consisted of the following for the years ended March 31:

	<u>2018</u>	<u>2017</u>
Food	\$ 1,932,891	\$ 1,740,882
Resale Select	935,022	870,790
Family Support	151,115	136,527
Education and Youth	104,597	94,537
Fundraising	50,898	23,359
Employment	20,330	35,060
Transportation	7,433	5,989
Other	1,279	17,655
Housing and Neighborhoods	-	7,368
Total	<u>\$ 3,203,565</u>	<u>\$ 2,932,167</u>

**NOTE 9 RENTAL INCOME**

Interfaith Outreach leases portions of its building to governmental organizations under lease agreements that expire through December 2021. Rental income is charged at a fixed rate based on square footage used by the other organizations. Rental income related to these leases was \$177,357 and \$177,412 for the years ended March 31, 2018 and 2017, respectively. Included within rental income is revenue related to the tenants' share of expenses in the amount of \$50,623 and \$50,835 for the years ended March 31, 2018 and 2017, respectively.

Future minimum rental income is as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2019	\$ 130,436
2020	133,590
2021	136,819
2022	79,684
Total	<u>\$ 480,529</u>

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 AND 2017**

**NOTE 10 PROGRAM EXPENSES BY IMPACT AREA**

Programs are delivered across six impact areas: Food, Housing and Neighborhoods, Education and Youth, Family Support, Transportation, and Employment. Resale Select and Community Engagement support these six areas. Expenses, including in-kind, follow as of March 31:

	2018	2017
Food	\$ 2,304,538	\$ 2,078,750
Housing and Neighborhoods	1,355,413	1,633,509
Education and Youth	1,043,951	904,372
Family Support	701,520	493,204
Transportation	317,661	356,591
Employment	247,392	283,490
Resale Select	1,119,343	1,039,505
Community Engagement	155,719	134,537
Total Program Expenses	<u>\$ 7,245,537</u>	<u>\$ 6,923,958</u>

**NOTE 11 RETIREMENT PLAN**

Interfaith Outreach has a 401(k) defined contribution plan for all employees. Employer contributions are 1% of compensation to be approved at the discretion of the board of directors. Total employer contributions expensed for the years ended March 31, 2018 and 2017 totaled \$19,033 and \$18,649, respectively.

**NOTE 12 CONCENTRATION OF CREDIT RISK**

**Cash and Cash Equivalents**

Interfaith Outreach maintains its cash balances in financial institutions located in Wayzata and Plymouth, Minnesota, which at times may exceed federally insured limits. Excess balances in Interfaith Outreach's operating account are invested overnight under a repurchase agreement secured by marketable U.S. government or agency securities. Interfaith Outreach has not experienced any losses in its bank accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Concentration of Revenue and Receivables**

As of March 31, 2018 and 2017, one individual made up 95% of pledges receivable. As of March 31, 2018 and 2017, one organization made up 79% and one organization made up 100%, respectively, of grant receivables.

**Economic Dependency**

Interfaith Outreach is dependent on continuing contributions from supporting individuals, faith communities, foundations, corporations, businesses, civic and government entities and the community to meet annual operating expenses.

**INTERFAITH OUTREACH & COMMUNITY PARTNERS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018 AND 2017**

**NOTE 13 RELATED PARTY TRANSACTIONS**

**Interfaith Outreach and Community Partners Endowment Fund**

Interfaith Outreach and Community Partners Endowment Fund (the Endowment Fund) is a separate nonprofit corporation governed by a board of directors to which Interfaith Outreach can appoint three members, which is a minority percentage of the total board. The Endowment Fund's purpose is to receive gifts, monitor the investments of the funds, and to make an annual grant to Interfaith Outreach. Though not required to be consolidated, the Endowment Fund is considered a related party. During the years ended March 31, 2018 and 2017, Interfaith Outreach received grants totaling \$154,487 and \$138,549, respectively, from the Endowment Fund.

**Board Member Contributions**

Interfaith Outreach's board members make donations to the organization throughout the year. During the years ended March 31, 2018 and 2017, Interfaith Outreach current and former board members' donations and pledges to Interfaith Outreach totaled \$450,743 and \$1,003,638, respectively. Pledges receivable from current and former board members at March 31, 2018 and 2017 totaled \$20,000 and \$30,000, respectively.