

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED MARCH 31, 2019 AND 2018**

**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, 2019 and 2018, 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, 2019 and 2018, 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 26, 2019

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,662,501	\$ 3,633,487
Short-Term Investments	852,767	851,022
Grants Receivable	-	95,000
Pledges Receivable, Current	210,000	210,000
Inventory	163,650	147,253
Other Assets	169,116	58,143
Total Current Assets	5,058,034	4,994,905
<b>PLEDGES RECEIVABLE, NET OF CURRENT</b>	-	200,000
<b>PROPERTY AND EQUIPMENT, NET</b>	5,234,116	5,374,288
Total Assets	\$ 10,292,150	\$ 10,569,193
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 98,953	\$ 76,560
Accrued Expenses	61,887	63,046
Deferred Revenue	209,895	133,940
Total Current Liabilities	370,735	273,546
<b>NET ASSETS</b>		
Undesignated	1,282,214	1,297,459
Board-Designated	2,526,852	2,454,286
Invested in Property and Equipment	5,234,116	5,374,288
Total Net Assets Without Donor Restrictions	9,043,182	9,126,033
Net Assets With Donor Restrictions	878,233	1,169,614
Total Net Assets	9,921,415	10,295,647
Total Liabilities and Net Assets	\$ 10,292,150	\$ 10,569,193

See accompanying Notes to Financial Statements.

**INTERFAITH OUTREACH & COMMUNITY PARTNERS  
STATEMENTS OF ACTIVITIES  
YEARS ENDED MARCH 31, 2019 AND 2018**

	2019				Total
	Operating - Without Donor Restrictions	Board- Designated	Total Without Donor Restrictions	With Donor Restrictions	
<b>SUPPORT</b>					
Grants and Contributions	\$ 3,251,798	\$ -	\$ 3,251,798	\$ 906,463	\$ 4,158,261
In-Kind Donations and Donated Services	3,132,984	-	3,132,984	-	3,132,984
Fundraising Event Contributions	140,757	-	140,757	235,527	376,284
Total Support	<u>6,525,539</u>	<u>-</u>	<u>6,525,539</u>	<u>1,141,990</u>	<u>7,667,529</u>
<b>REVENUE</b>					
Resale Select Revenues	473,100	-	473,100	-	473,100
Rental Income	182,062	-	182,062	-	182,062
Fundraising Events, Net of Expenses of \$65,352 and \$79,122, Respectively	84,389	-	84,389	-	84,389
Program Service Revenues	58,803	-	58,803	-	58,803
Miscellaneous Income	12,443	-	12,443	-	12,443
Total Revenue	<u>810,797</u>	<u>-</u>	<u>810,797</u>	<u>-</u>	<u>810,797</u>
Net Assets Released from Restrictions	<u>1,433,371</u>	<u>-</u>	<u>1,433,371</u>	<u>(1,433,371)</u>	<u>-</u>
Total Support and Revenue	8,769,707	-	8,769,707	(291,381)	8,478,326
<b>EXPENSES</b>					
Program Expenses	7,414,110	-	7,414,110	-	7,414,110
Management and General Expenses	825,054	-	825,054	-	825,054
Fundraising Expenses	639,965	-	639,965	-	639,965
Total Expenses	<u>8,879,129</u>	<u>-</u>	<u>8,879,129</u>	<u>-</u>	<u>8,879,129</u>
<b>CHANGE IN OPERATING NET ASSETS</b>	(109,422)	-	(109,422)	(291,381)	(400,803)
<b>NONOPERATING ACTIVITIES</b>					
Interest Income	7,088	19,483	26,571	-	26,571
Transfer to (from) Board-Designated Reserves	<u>(53,083)</u>	<u>53,083</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Nonoperating Activities	<u>(45,995)</u>	<u>72,566</u>	<u>26,571</u>	<u>-</u>	<u>26,571</u>
<b>CHANGE IN NET ASSETS</b>	(155,417)	72,566	(82,851)	(291,381)	(374,232)
Net Assets - Beginning of Year	<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>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 6,516,330</u>	<u>\$ 2,526,852</u>	<u>\$ 9,043,182</u>	<u>\$ 878,233</u>	<u>\$ 9,921,415</u>

See accompanying Notes to Financial Statements.

**INTERFAITH OUTREACH & COMMUNITY PARTNERS  
STATEMENTS OF ACTIVITIES (CONTINUED)  
YEARS ENDED MARCH 31, 2019 AND 2018**

2018				
Operating - Without Donor Restrictions	Board- Designated	Total Without Donor Restrictions	With Donor Restrictions	Total
\$ 3,138,432	\$ -	\$ 3,138,432	\$ 1,483,977	\$ 4,622,409
3,203,565	-	3,203,565	-	3,203,565
215,896	-	215,896	278,088	493,984
<u>6,557,893</u>	<u>-</u>	<u>6,557,893</u>	<u>1,762,065</u>	<u>8,319,958</u>
429,801	-	429,801	-	429,801
177,357	-	177,357	-	177,357
166,770	-	166,770	-	166,770
65,452	-	65,452	-	65,452
1,000	-	1,000	-	1,000
<u>840,380</u>	<u>-</u>	<u>840,380</u>	<u>-</u>	<u>840,380</u>
<u>1,443,249</u>	<u>-</u>	<u>1,443,249</u>	<u>(1,443,249)</u>	<u>-</u>
8,841,522	-	8,841,522	318,816	9,160,338
7,245,537	-	7,245,537	-	7,245,537
788,240	-	788,240	-	788,240
603,958	-	603,958	-	603,958
<u>8,637,735</u>	<u>-</u>	<u>8,637,735</u>	<u>-</u>	<u>8,637,735</u>
203,787	-	203,787	318,816	522,603
4,617	7,381	11,998	-	11,998
(98,966)	98,966	-	-	-
<u>(94,349)</u>	<u>106,347</u>	<u>11,998</u>	<u>-</u>	<u>11,998</u>
109,438	106,347	215,785	318,816	534,601
<u>6,562,309</u>	<u>2,347,939</u>	<u>8,910,248</u>	<u>850,798</u>	<u>9,761,046</u>
<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.

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED MARCH 31, 2019**

	Program Service Expenses						
	Discover Community Needs and Opportunities	Engage Stakeholders and Partners	Deliver Services	Total Program Expenses	Management and General Expenses	Fundraising Expenses	2019 Total
Food	\$ -	\$ -	\$ 1,678,799	\$ 1,678,799	\$ -	\$ -	\$ 1,678,799
Housing and Neighborhoods	-	-	1,101,378	1,101,378	-	-	1,101,378
Education and Youth	-	-	453,749	453,749	-	-	453,749
Transportation	-	-	448,886	448,886	-	-	448,886
Family Support	-	-	250,891	250,891	-	-	250,891
Employment	-	-	14,871	14,871	-	-	14,871
Subtotal with In-Kinds	-	-	3,948,574	3,948,574	-	-	3,948,574
Salaries	174,890	367,519	771,987	1,314,396	541,732	335,573	2,191,701
Employee Benefits	17,843	37,705	78,112	133,660	56,247	35,054	224,961
Payroll Taxes	12,724	26,693	56,378	95,795	39,885	24,706	160,386
Subtotal	205,457	431,917	906,477	1,543,851	637,864	395,333	2,577,048
Occupancy	34,444	94,894	113,836	243,174	24,072	19,227	286,473
Office Expenses	17,164	52,627	77,668	147,459	29,801	68,353	245,613
Professional Services	13,032	27,457	47,573	88,062	55,775	33,830	177,667
Marketing	2,508	9,994	11,639	24,141	9,707	62,351	96,199
Special Event Direct Expense	-	-	-	-	-	65,352	65,352
Miscellaneous Expense	6,626	12,180	21,601	40,407	18,488	6,848	65,743
In-Kinds: Resale	-	756,096	133,429	889,525	-	-	889,525
In-Kinds: Other	-	138,002	201,037	339,039	34,500	42,004	415,543
Total Expenses Before Depreciation	279,231	1,523,167	5,461,834	7,264,232	810,207	693,298	8,767,737
Depreciation	19,325	59,602	70,951	149,878	14,847	12,019	176,744
Total Functional Expenses	298,556	1,582,769	5,532,785	7,414,110	825,054	705,317	8,944,481
Less: Special Event Direct Expense	-	-	-	-	-	(65,352)	(65,352)
Total Expenses per Statement of Activities	<u>\$ 298,556</u>	<u>\$ 1,582,769</u>	<u>\$ 5,532,785</u>	<u>\$ 7,414,110</u>	<u>\$ 825,054</u>	<u>\$ 639,965</u>	<u>\$ 8,879,129</u>

See accompanying Notes to Financial Statements.



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

	Program Service Expenses						2018 Total
	Discover Community Needs and Opportunities	Engage Stakeholders and Partners	Deliver Services	Total Program Expenses	Management and General Expenses	Fundraising Expenses	
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
Miscellaneous Expense	-	-	-	-	-	79,122	79,122
Special Event Direct 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  
STATEMENTS OF CASH FLOWS  
YEARS ENDED MARCH 31, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (374,232)	\$ 534,601
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	176,744	194,234
Amortization of Deferred Financing Costs	-	9,100
Loss on Disposal of Property and Equipment	1,314	3,175
Changes in Assets and Liabilities:		
Grants Receivable	95,000	(76,250)
Pledges Receivable	200,000	166,882
Inventory	(16,397)	9,522
Other Assets	(110,973)	(18,581)
Accounts Payable	22,393	(35,485)
Accrued Expenses	(1,159)	1,615
Deferred Revenue	75,955	(84,170)
Net Cash Provided by Operating Activities	68,645	704,643
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(40,136)	(24,066)
Proceeds on Sale of Property and Equipment	2,250	-
Purchase of Short-Term Investments	(1,745)	(851,022)
Net Cash Used by Investing Activities	(39,631)	(875,088)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Repayments of Long-Term Debt	-	(138,334)
Principal Payments Under Capital Lease Obligations	-	(17,421)
Net Cash Used by Financing Activities	-	(155,755)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	29,014	(326,200)
Cash and Cash Equivalents - Beginning of Year	3,633,487	3,959,687
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 3,662,501	\$ 3,633,487
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ -	\$ 4,145
In-Kind Donations	\$ 3,132,984	\$ 3,203,565

See accompanying Notes to Financial Statements.

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**NOTE 1 NATURE OF OPERATIONS**

The mission of Interfaith Outreach & Community Partners (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. Fourteen percent of residents living in the Interfaith Outreach service area struggle with poverty. 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, 2019 AND 2018**

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

**Deliver Services**

Interfaith Outreach delivers individualized services to help families stabilize, strengthen, and thrive each year. In the 2019 fiscal year, we helped 1,943 families:

**STABILIZE:** Families have resolved immediate crises, are meeting basic needs, and have a plan for immediate support.

**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, child care needs, access to mental health services 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 preserve and 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, 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, 2019 AND 2018**

**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:

Net Assets Without Donor Restrictions – Resources that are not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources.

Net Assets With Donor Restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by actions of Interfaith Outreach or passage of time.

**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 Federal Deposit Insurance Corporation insurance limits.

**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, 2019 and 2018, no allowance was recorded.

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**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 \$1.71 and \$1.75 at March 31, 2019 and 2018, respectively.

Pounds of food distributed to clients from the food shelf during the years ended March 31, 2019 and 2018 totaled 971,195 and 1,004,344, respectively. The total value of food distributed, using \$1.71 and \$1.75 per pound, was \$1,660,744 and \$1,757,603 for the years ended March 31, 2019 and 2018, respectively. In-kind food contributions totaled \$1,674,297 and \$1,782,374 for the years ended March 31, 2019 and 2018, respectively. Interfaith Outreach purchased food inventory of \$108,620 and \$95,491 for the years ended March 31, 2019 and 2018, 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 \$911,985 and \$868,739 for the years ended March 31, 2019 and 2018, 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**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 \$3,019,021 and \$3,089,429 for the years ended March 31, 2019 and 2018, 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, 2019 and 2018 was \$113,963 and \$114,136, 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 56,000 and 62,000 and were valued at approximately \$1,400,000 and \$1,500,000 for the years ended March 31, 2019 and 2018, 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.

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**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 (IRC) 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 IRC. 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.

**Change in Accounting Principle**

Interfaith Outreach adopted Financial Accounting Standards Board (FASB) ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in the period ending March 31, 2019. These changes were applied retrospectively to ensure comparability with the prior year presented herein.

**Subsequent Events**

In preparing these financial statements, Interfaith Outreach has evaluated subsequent events and transactions for potential recognition or disclosure through June 26, 2019, the date the financial statements were available to be issued.

**NOTE 3 LIQUIDITY AND AVAILABILITY OF RESOURCES**

Interfaith Outreach routinely monitors liquidity for operations in accordance with its financial policies. In the event of an unanticipated liquidity need, the Philanthropic Equity Reserve and general operating reserve could be accessed with board approval. In addition, Interfaith Outreach has a committed line of credit in the amount of \$200,000, which it could draw upon as needed (see Note 6).



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**NOTE 3 LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consist of the following:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 3,662,501	\$ 3,633,487
Short-Term Investments	852,767	851,022
Total	<u>4,515,268</u>	<u>4,484,509</u>
Less Balances Restricted by Donor or Board Designation:		
Restrictions by Donors Making Financial Assets		
Unavailable for General Expenditure	-	(25,000)
Funds designated by the Board for Housing	(408,215)	(403,557)
Funds designated by the Board for future Building Needs	(389,902)	(385,296)
Funds designated by the Board as a		
General Operating Reserve	(538,000)	(314,000)
Funds designated by the Board as a Founders Fund	(134,652)	-
Funds designated by the Board Raised by the		
Philanthropic Equity Campaign	<u>(1,056,083)</u>	<u>(1,351,433)</u>
Total	<u>\$ 1,988,416</u>	<u>\$ 2,005,223</u>

Other assets estimated to be available within 12 months include grants receivable of \$-0- and \$95,000, and accounts receivable of \$78,527 and \$1,322 for the years ended March 31, 2019 and 2018, respectively.

According to its financial policies, Interfaith Outreach maintains reserves to ensure the stability of its mission, programs, employment, and ongoing operations of the organization. Authority to use reserves is governed by the Reserve Policy, with approvals required by the board or committee of the board. Reserves include the following:

- Housing Reserve – For projects to increase the number of affordable housing properties in our service area. Board policy is to maintain this fund at \$200,000-\$400,000, with the intention to fund housing projects at \$200,000 per project.
- Building Reserve – For maintaining the assets of the Interfaith Outreach headquarters building. A Facilities Committee meets periodically to assess major maintenance needs of the building such as roofing, HVAC, parking lot, etc. and the target balance is calculated using a five-year estimated cost projection.
- Operating Reserve – To ensure a ready source of funds for unexpected or unplanned expenses, a target minimum of one month of budgeted operating costs, excluding depreciation, in-kinds, and one-time expenses is reserved.
- Founders Fund – Launched in FY19, these funds are used to maintain and grow programming around three critical areas in our community: expand affordable housing, enhance academic success of children and youth, and access to mental health services.

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
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**NOTE 3 LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)**

- Philanthropic Equity Reserve – Funds raised in 2014 during a one-time philanthropic equity campaign, known as the Stabilize, Strengthen, and Thrive (SST) Campaign, are used to strengthen programs, increase revenue-generation capabilities, expand organizational and community impact, and support the organization finances and operating budget. The SST Reserve is expected to be exhausted over time and not replenished.

**NOTE 4 PLEDGES RECEIVABLE**

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

	<u>2019</u>	<u>2018</u>
Receivable in:		
Less than One Year	\$ 210,000	\$ 210,000
One to Three Years	-	210,000
Gross Pledges Receivable	<u>210,000</u>	<u>420,000</u>
Less: Present Value Discount	-	(10,000)
Pledges Receivable, Net	<u>\$ 210,000</u>	<u>\$ 410,000</u>

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

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment at March 31 consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,463,769	\$ 1,463,769
Building	4,490,524	4,490,524
Equipment	<u>624,160</u>	<u>599,748</u>
Total Property and Equipment	6,578,453	6,554,041
Less: Accumulated Depreciation	<u>(1,344,337)</u>	<u>(1,179,753)</u>
Property and Equipment, Net	<u>\$ 5,234,116</u>	<u>\$ 5,374,288</u>

Depreciation expense was \$176,744 and \$194,234 for the years ended March 31, 2019 and 2018, respectively.

**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 5.50% at March 31, 2019 and 2018. The line of credit agreement will mature in January 2020. There was no outstanding balance at March 31, 2019 and 2018.

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
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**NOTE 7 NET ASSETS**

**Without Donor Restrictions**

Net assets without donor restrictions consist of the following at March 31:

	<u>2019</u>	<u>2018</u>
Invested in Property and Equipment	\$ 5,234,116	\$ 5,374,288
Undesignated	1,282,214	1,297,459
Board-Designated:		
Philanthropic Equity Reserve	1,056,083	1,351,433
Long-Term Housing Reserve	408,215	403,557
Building Reserve	389,902	385,296
Operating Reserve	538,000	314,000
Founders Fund	134,652	-
Total Board-Designated	<u>2,526,852</u>	<u>2,454,286</u>
Total Net Assets Without Donor Restrictions	<u>\$ 9,043,182</u>	<u>\$ 9,126,033</u>

The designated reserves are to be used with board authorization, as outlined in Note 3.

**With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes at March 31:

	<u>2019</u>	<u>2018</u>
Subject to Passage of Time:		
Philanthropic Equity Campaign Pledges	\$ 210,000	\$ 410,000
Programs	-	25,000
Subject to Expenditure for Specific Purpose:		
Programs	668,233	734,614
Total	<u>\$ 878,233</u>	<u>\$ 1,169,614</u>

**Releases from Restriction**

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

	<u>2019</u>	<u>2018</u>
Time Restrictions Expired:		
Philanthropic Equity Campaign	\$ 210,000	\$ 160,000
Building	-	25,180
Programs	25,000	-
Purpose Restrictions Accomplished:		
Programs	1,198,371	1,258,069
Total	<u>\$ 1,433,371</u>	<u>\$ 1,443,249</u>

**INTERFAITH OUTREACH & COMMUNITY PARTNERS**  
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**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>2019</u>	<u>2018</u>
Food	\$ 1,814,096	\$ 1,932,891
Resale Select	956,227	935,022
Family Support	138,664	151,115
Education and Youth	123,455	104,597
Fundraising	42,004	50,898
Employment	17,170	20,330
Transportation	6,869	7,433
Other	34,499	1,279
Total	<u>\$ 3,132,984</u>	<u>\$ 3,203,565</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 \$182,062 and \$177,357 for the years ended March 31, 2019 and 2018, respectively. Included within rental income is revenue related to the tenants' share of expenses in the amount of \$54,637 and \$50,623 for the years ended March 31, 2019 and 2018, respectively.

Future minimum rental income is as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2020	\$ 106,641
2021	103,881
2022	68,628
Total	<u>\$ 279,150</u>

**INTERFAITH OUTREACH & COMMUNITY PARTNERS  
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**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-kinds and depreciation, follow as of March 31:

	2019	2018
Food	\$ 2,189,367	\$ 2,304,538
Housing and Neighborhoods	1,417,519	1,355,413
Education and Youth	1,059,218	1,043,951
Family Support	681,922	701,520
Transportation	501,048	317,661
Employment	264,538	247,392
Resale Select	1,142,902	1,119,343
Community Engagement	157,596	155,719
Total Program Expenses	<u>\$ 7,414,110</u>	<u>\$ 7,245,537</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, 2019 and 2018 totaled \$19,110 and \$19,033, 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, 2019 and 2018, one individual made up 95% of pledges receivable. As of March 31, 2018, one organization made up 79% 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  
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**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, 2019 and 2018, Interfaith Outreach received grants totaling \$158,524 and \$154,487, 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, 2019 and 2018, Interfaith Outreach current and former board members' donations and pledges to Interfaith Outreach totaled \$441,411 and \$450,743, respectively. Pledges receivable from current and former board members at March 31, 2019 and 2018 totaled \$10,000 and \$20,000, respectively.