

# Financial Statements

## St. Louis Park Emergency Program, Inc. (a Nonprofit Corporation)

St. Louis Park, Minnesota

For the Years Ended  
June 30, 2016 and 2015

ST. LOUIS PARK EMERGENCY PROGRAM, INC.  
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
St. Louis Park Emergency Program, Inc.  
St. Louis Park, Minnesota

We have audited the accompanying financial statements of St. Louis Park Emergency Program, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, 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 (GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 audit 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 auditor's 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Louis Park Emergency Program, Inc. as of June 30, 2016 and 2015, 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.

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
September 26, 2016

## FINANCIAL STATEMENTS

ST. LOUIS PARK EMERGENCY PROGRAM, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2016 AND 2015

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 223,178	\$ 169,455
Accounts receivable	18,840	11,109
Pledges receivable, current portion	10,000	27,000
Inventory	108,313	123,853
Food, gas and other client certificates	5,396	7,881
<b>TOTAL CURRENT ASSETS</b>	<b>365,727</b>	<b>339,298</b>
<b>PROPERTY AND EQUIPMENT</b>		
Building	804,782	804,782
Building improvements	46,500	46,500
Land	160,000	160,000
Equipment and furniture	87,457	85,786
<b>TOTAL PROPERTY AND EQUIPMENT</b>	1,098,739	1,097,068
<b>LESS: ACCUMULATED DEPRECIATION</b>	<b>(305,221)</b>	<b>(251,449)</b>
<b>TOTAL PROPERTY AND EQUIPMENT, NET</b>	<b>793,518</b>	<b>845,619</b>
<b>OTHER ASSETS</b>		
Pledges receivable	5,000	10,000
Funds held by Minnesota Community Foundation	302,998	250,989
<b>TOTAL OTHER ASSETS</b>	<b>307,998</b>	<b>260,989</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,467,243</b>	<b>\$ 1,445,906</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 22,890	\$ 29,232
Accrued expenses	6,569	6,872
<b>TOTAL CURRENT LIABILITIES</b>	<b>29,459</b>	<b>36,104</b>
<b>NET ASSETS</b>		
<b>Unrestricted</b>		
Board designated	302,998	250,989
Undesignated	1,108,256	1,152,114
<b>Total unrestricted</b>	1,411,254	1,403,103
Temporarily restricted	26,530	6,699
<b>TOTAL NET ASSETS</b>	<b>1,437,784</b>	<b>1,409,802</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,467,243</b>	<b>\$ 1,445,906</b>

See Independent Auditor's Report and Notes to Financial Statements.

ST. LOUIS PARK EMERGENCY PROGRAM, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Grants and contracts	\$ 218,786	\$ 11,530	\$ 230,316
Contributions	558,725	15,000	573,725
Noncash contributions	1,074,939	-	1,074,939
Interest income	427	-	427
Unrealized gain (loss) on investments	(7,870)	-	(7,870)
Miscellaneous	737	-	737
Net assets released from restrictions	6,699	(6,699)	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>1,852,443</b>	<b>19,831</b>	<b>1,872,274</b>
EXPENSES			
Program services	1,584,693	-	1,584,693
Supporting services			
Management and general	197,433	-	197,433
Fundraising	62,166	-	62,166
<b>TOTAL EXPENSES</b>	<b>1,844,292</b>	<b>-</b>	<b>1,844,292</b>
CHANGE IN NET ASSETS	8,151	19,831	27,982
NET ASSETS, JULY 1	1,403,103	6,699	1,409,802
NET ASSETS, JUNE 30	<u>\$ 1,411,254</u>	<u>\$ 26,530</u>	<u>\$ 1,437,784</u>

See Independent Auditor's Report and Notes to Financial Statements.

ST. LOUIS PARK EMERGENCY PROGRAM, INC.  
STATEMENTS OF ACTIVITIES - CONTINUED  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2015		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Grants and contracts	\$ 209,480	\$ 6,699	\$ 216,179
Contributions	467,440	-	467,440
Noncash contributions	1,328,632	-	1,328,632
Interest income	1,950	-	1,950
Unrealized gain (loss) on investments	989	-	989
Miscellaneous	515	-	515
Net assets released from restrictions	98,962	(98,962)	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>2,107,968</b>	<b>(92,263)</b>	<b>2,015,705</b>
EXPENSES			
Program services	1,728,450	-	1,728,450
Supporting services			
Management and general	184,528	-	184,528
Fundraising	56,312	-	56,312
<b>TOTAL EXPENSES</b>	<b>1,969,290</b>	<b>-</b>	<b>1,969,290</b>
CHANGE IN NET ASSETS	138,678	(92,263)	46,415
NET ASSETS, JULY 1	1,264,425	98,962	1,363,387
NET ASSETS, JUNE 30	<u>\$ 1,403,103</u>	<u>\$ 6,699</u>	<u>\$ 1,409,802</u>

See Independent Auditor's Report and Notes to Financial Statements.

ST. LOUIS PARK EMERGENCY PROGRAM, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016						Total Program Services	Supporting Services		Total Expenses
	Program Services							Management and General	Fundraising	
	Clothes Closet	Holiday Program	Back to School	Food Shelf	Emergency Assistance	Transportation				
EXPENSES										
Donated goods distributed	\$ 239,408	\$ 17,269	\$ 16,843	\$ 713,775	\$ -	\$ -	\$ 987,295	\$ -	\$ -	\$ 987,295
Discarded inventory	56,966	-	-	44,718	-	-	101,684	-	-	101,684
Program assistance	-	18,516	2,225	85,429	27,602	6,905	140,677	-	-	140,677
Salaries	5,298	5,487	4,541	172,829	12,110	30,714	230,979	129,044	28,567	388,590
Payroll taxes and benefits	741	768	635	23,714	1,694	2,911	30,463	18,051	4,420	52,934
Office supplies and equipment	161	131	108	6,519	289	523	7,731	3,078	1,018	11,827
Postage and printing	328	55	29	1,531	236	307	2,486	1,070	6,671	10,227
Telephone	49	51	42	1,576	113	393	2,224	1,200	294	3,718
Occupancy	366	379	314	12,403	837	1,957	16,256	8,921	2,185	27,362
Depreciation	753	899	645	24,090	1,721	2,957	31,065	18,337	4,370	53,772
Insurance	113	117	97	3,605	258	1,755	5,945	2,744	671	9,360
Recruitment and training	58	128	50	2,019	132	227	2,614	1,407	367	4,388
Professional services	466	483	400	15,720	1,066	1,897	20,032	11,357	2,781	34,170
Miscellaneous	81	83	69	3,971	184	391	4,779	1,961	7,245	13,985
Bank service and other charges	6	13	7	360	37	30	453	251	3,577	4,281
Interest expense	-	-	-	10	-	-	10	12	-	22
<b>TOTAL EXPENSES</b>	<b>\$ 304,794</b>	<b>\$ 44,379</b>	<b>\$ 26,005</b>	<b>\$ 1,112,269</b>	<b>\$ 46,279</b>	<b>\$ 50,967</b>	<b>\$ 1,584,693</b>	<b>\$ 197,433</b>	<b>\$ 62,166</b>	<b>\$ 1,844,292</b>

See Independent Auditor's Report and Notes to Financial Statements.



ST. LOUIS PARK EMERGENCY PROGRAM, INC.  
STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2015									
	Program Services						Supporting Services			Total Expenses
	Clothes Closet	Holiday Program	Back to School	Food Shelf	Emergency Assistance	Transportation	Total Program Services	Management and General	Fundraising	
EXPENSES										
Donated goods distributed	\$ 247,702	\$ 17,577	\$ 23,540	\$ 939,760	\$ -	\$ -	\$ 1,228,579	\$ -	\$ -	\$ 1,228,579
Discarded inventory	-	-	-	-	-	-	-	-	-	-
Program assistance	-	17,429	2,016	103,664	34,959	3,480	161,548	-	-	161,548
Salaries	2,937	6,241	3,304	173,268	17,620	14,684	218,054	121,141	27,899	367,094
Payroll taxes and benefits	531	1,129	598	31,354	3,188	2,657	39,457	21,921	5,048	66,426
Office supplies and equipment	124	125	66	4,413	353	323	5,404	2,424	4,584	12,412
Postage and printing	328	55	29	1,531	236	307	2,486	1,070	6,497	10,053
Telephone	25	54	29	1,499	153	375	2,135	1,049	241	3,425
Occupancy	220	468	248	13,005	1,322	1,102	16,365	9,091	2,094	27,550
Depreciation	423	899	476	24,951	2,537	2,114	31,400	17,444	4,015	52,859
Insurance	40	85	45	2,347	239	1,628	4,384	1,642	378	6,404
Recruitment and training	18	38	20	1,062	141	90	1,369	744	173	2,286
Professional services	114	242	128	6,711	682	639	8,516	4,692	1,081	14,289
Miscellaneous	122	198	77	6,546	400	398	7,741	2,749	654	11,144
Bank service and other charges	6	13	7	360	37	30	453	251	3,577	4,281
Interest expense	8	16	8	444	45	38	559	310	71	940
<b>TOTAL EXPENSES</b>	<b>\$ 252,598</b>	<b>\$ 44,569</b>	<b>\$ 30,591</b>	<b>\$ 1,310,915</b>	<b>\$ 61,912</b>	<b>\$ 27,865</b>	<b>\$ 1,728,450</b>	<b>\$ 184,528</b>	<b>\$ 56,312</b>	<b>\$ 1,969,290</b>

See Independent Auditor's Report and Notes to Financial Statements.

ST. LOUIS PARK EMERGENCY PROGRAM, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 27,982	\$ 46,415
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	53,772	52,859
Unrealized (gain) loss on investments	7,870	(989)
Noncash contributions of goods	(1,073,439)	(1,309,632)
Noncash contributions of services	(1,500)	(1,500)
Noncash contributions of property and equipment	-	(17,500)
Noncash donations to clients	987,295	1,228,579
Noncash discarded inventory	101,684	-
Other noncash donations for entity's use	1,500	1,702
(Increase) decrease in assets:		
Accounts receivable	(7,731)	(9,869)
Pledges receivable	22,000	28,500
Food, gas and other client certificates	2,485	2,180
Increase (decrease) in liabilities:		
Accounts payable	(6,342)	4,130
Accrued expenses	(303)	(9,611)
	115,273	15,264
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,671)	(5,751)
Contributions to holdings at Minnesota Community Foundation	(69,860)	(250,000)
Redemption of holdings at Minnesota Community Foundation	9,981	-
Redemption of certificates of deposit	-	147,977
	(61,550)	(107,774)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>		
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	53,723	(92,510)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	169,455	261,965
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	\$ 223,178	\$ 169,455
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for:		
Interest	\$ 22	\$ 940
Income taxes	\$ -	\$ -
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:</b>		
Donated goods, services, and property and equipment received	\$ 1,074,939	\$ 1,328,632
Donated goods, services, and property and equipment distributed	\$ 987,295	\$ 1,228,579
Discarded noncash inventory	\$ 101,684	
Acquisition of property and equipment through in-kind donations	\$ -	\$ 17,500

See Independent Auditor's Report and Notes to Financial Statements.

ST. LOUIS PARK EMERGENCY PROGRAM, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

St. Louis Park Emergency Program, Inc. (the Organization or STEP) provides direct assistance and support services to residents of St. Louis Park targeting households with low incomes and those faced with a financial crisis.

The Organization's programs are as follows:

- Social work services are provided in the context of each program. At each food shelf visit, clients have access to crisis counseling, general support and guidance, advocacy, and referral to medical, mental health, child care, job readiness, and other services from a professional social worker. During this fiscal year, STEP had 7,022 household client contacts with social workers.
- Food shelf program provides food and personal products in community members in need of assistance. During this fiscal year, STEP distributed 577,054 pounds of food among 7,022 household food shelf visits. There were individual food shelf visits with the average size of 3 people per household. An average of 27 pounds of food was distributed to each individual during each visit to the food shelf.
- Emergency financial assistance is provided for eligible housing and other essential life expenses. The primary goal of the program is to prevent homelessness. During this fiscal year, \$27,002 was distributed to 35 households.
- Transportation program offers residents assistance accessing healthcare, social service and other essential appointments, typically via volunteer drivers. Those eligible under this program include seniors, individuals with disabilities, families and other adults. Volunteer drivers drove 7,050 miles giving 1,464 rides in this fiscal year.
- Bus and gas certificates totaling \$2,840 were distributed to help 236 individuals and families with transportation needs identified under social service plans.
- Holiday program supplies food and grocery certificates specific to holidays to eligible families to enable them to fully participate in holiday traditions. STEP provided 60,737 pounds of food to 560 families in November. STEP's holiday toy drive supplied gifts or gift certificates to families of 601 children at an average of \$30 per child.
- Back to school program provides required school supplies and related items to eligible students to ensure all community students are fully equipped to start the school year. STEP provided backpacks to 307 children and custom school supplies kits to 454 children in the summer of 2015.
- Clothes Closet provides no-cost, gently-used clothing and household items to 6,150 eligible families and individuals. STEP distributed 8,054 bags of clothing and 1,104 coats during this fiscal year.

ST. LOUIS PARK EMERGENCY PROGRAM, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**B. Financial Statement Presentation**

Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Resources over which the Board of Directors has discretionary control. Designated amounts represent revenue, which the Board has set aside for a particular purpose.

Temporarily restricted net assets – Resources subject to donor imposed restrictions, which will be satisfied by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Permanently restricted net assets are those resources subject to donor imposed restrictions that they be maintained permanently by the Organization. There were no permanently restricted net assets at June 30, 2016 and 2015.

Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions. Temporarily restricted contributions whose restrictions are met in the same period are recorded as unrestricted contributions.

**C. Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

**D. Use of Estimates**

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**E. Cash and Cash Equivalents**

The Organization considers all short-term debt instruments purchased with maturity of three months or less to be cash equivalents. The Organization maintains cash in bank deposit accounts at high credit quality financial institutions. Cash accounts are insured by FDIC. The balances, at times, may exceed federally insured limits.

**F. Certificates of Deposit**

Certificates of deposit are generally purchased with maturity of five years or less. Certificates of deposit are recorded at original cost plus accrued interest which is estimated to approximate of fair value.

**G. Accounts Receivable**

Accounts receivable generally consists of reimbursement requests under grant awards. These receivables have been adjusted for all known uncollectible accounts. Management considers historical write-off and recovery information in determining the estimated bad debt provision. No allowance for doubtful accounts has been provided as of June 30, 2016 and 2015, since management expects all receivables to be collectible.

ST. LOUIS PARK EMERGENCY PROGRAM, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**H. Pledges Receivable**

Pledges receivable consists primarily of Capital campaign pledges that are payable in 1 - 5 years. Management considers historical write-off and recovery information in determining the estimated bad debt provision. No allowance for doubtful accounts has been provided as of June 30, 2016 and 2015, since management expects all receivables to be collectible.

**I. Inventory**

Inventory consisting of donated food, clothing, and non-food supplies, is stated at estimated values based on management prepared cost studies and estimates.

**J. Property and Equipment**

Property and equipment is recorded at cost or estimated fair value at the date of contribution. The Organization capitalizes all property and equipment acquisitions in excess of \$1,000. Depreciation is recognized using the straight-line method based on estimated useful lives of three to twenty years.

**K. Minnesota Community Foundation Holdings**

Minnesota Community Foundation (the Foundation) holdings reside in the Multi Asset Endowment Portfolio in separate funds designated as St. Louis Park Emergency Program funds. The Organization's agreement with Minnesota Community Foundation include variance power to the Foundation allowing the Foundation's Board of Directors to modify restrictions if conditions in the agreement become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. Provisions of the agreement include that, upon request from the Organization, the Foundation will transfer the assets, the return on the assets, or both, back to the Organization to be used at the Organization Board of Director's discretion.

**L. In-Kind Contributions**

Donated goods and services that meet the recognition criteria for measurement of ASC 958-605-25 are recorded at estimated values.

See Note 7 for additional information on in-kind contributions and other volunteers and their support.

**M. Functional Expenses**

Salary and related payroll expenses are allocated to the program or supporting services based upon payroll records and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management. Volunteers, whose time is not reported in these financial statements, perform program support including fundraising activities for the Organization.

ST. LOUIS PARK EMERGENCY PROGRAM, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**N. Income Tax Status**

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Organization is not a private foundation and contributions to the Organization qualify as a charitable tax deduction by the contributor.

The Organization has evaluated for uncertain tax positions. Management has expressed that there are no uncertain tax positions as of June 30, 2016. The Organization's tax returns are subject to possible examination by the taxing authorities. For federal tax purposes the tax returns essentially remain open for possible examination for a period of three years after the date on which those returns are filed. The Organization believes it is no longer subject to federal and state income tax examinations for the years prior to 2012.

During the years ended June 30, 2016 and 2015, the Organization has not incurred any interest or penalties on its tax returns.

**O. Subsequent Events**

In preparing these financial statements the Organization has evaluated events and transactions for potential recognition or disclosure through September 26, 2016, the date the financial statements were available to be issued.

**Note 2: FAIR VALUE MEASUREMENTS**

The Organization has adopted ASC Topic 820, Fair Value Measurements and Disclosures. ASC Topic 820 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. It emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that the market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value, as follows:

- Level 1:** Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.
- Level 2:** Inputs that included quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.
- Level 3:** Inputs that are unobservable inputs for the assets or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls into is based on the lowest level input that is significant to the fair value measurement in its entity.

Investments recorded at fair value on a recurring basis are as follows:

	2016	2015
Multi-Asset Endowment Fund		
Level 1	\$ 302,998	\$ 250,989
Total Investments	\$ 302,998	\$ 250,989

The MN Philanthropy Partners Endowment Fund had an unrealized loss of \$7,870 and an unrealized gain of \$989 for the years ended June 30, 2016 and 2015, respectively.

ST. LOUIS PARK EMERGENCY PROGRAM, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**Note 3: PLEDGES RECEIVABLE**

Pledges receivable consist of the following as of June 30, 2016 and 2015:

	2016	2015
In less than one year	\$ 10,000	\$ 27,000
In one to five years	5,000	10,000
Total pledges receivable	\$ 15,000	\$ 37,000

Pledges receivable are net of unamortized present value discount calculated using a risk-adjusted rate. This rate is based on the risk-free rate of return at June 30, 2016, which approximates U.S. Treasury yield curve rates, and an additional risk premium for general market risk. In calculating the additional risk premium, management has considered the creditworthiness of donors, the donor's prior collection history, the Organization's ability to enforce the commitments and other factors based on the circumstances.

**Note 4: INVENTORY**

Inventory consists of the following as of June 30, 2016 and 2015:

	2016	2015
Food and non-food supplies	\$ 88,625	\$ 65,317
School supplies and toys	15,190	22,162
Clothing	4,498	36,374
Total	\$ 108,313	\$ 123,853

**Note 5: LINE OF CREDIT**

The Organization has a \$250,000 revolving credit line, which was renewed in January 2015 and is extended until January 1, 2017. The line is secured by the real property commonly known as 6812 Lake Street West, St. Louis Park, MN 55416. Interest is accrued and paid monthly at the Wall Street Journal Prime Rate plus 1.0 percent or a floor of 4.25 percent interest. The interest rate was 4.25 percent at June 30, 2016 and 2015.

As of June 30, 2016 and 2015, the Organization's line of credit had no outstanding balance.

**Note 6: TEMPORARILY RESTRICTED NET ASSETS**

Temporary restricted net assets consist of the following as of June 30, 2016 and 2015:

	2016	2015
Emergency assistance	\$ 15,000	\$ -
Funds for food assistance	1,700	4,249
Funds restricted by time	9,830	2,450
Total	\$ 26,530	\$ 6,699

ST. LOUIS PARK EMERGENCY PROGRAM, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**Note 7: IN-KIND CONTRIBUTIONS**

The Organization receives donations from public and private sources. Donated goods and services are recorded at estimated values based on various studies and are included in the contributions and expenses in the statement of activities. The statistics noted below do not include purchased food, school supplies and toys.

The Organization receives significant services from unpaid volunteers who support the Organization’s primary programs and its management and fundraising activities. During the year ended June 30, 2016, approximately 329 volunteers and volunteer groups gave approximately 16,686 hours of service to STEP. During the year ended June 30, 2015, approximately 331 individuals and volunteer groups gave approximately 18,488 hours of services to STEP. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer effort under ASC Subtopic 958-605 *Not-for-Profit Entities Revenue Recognition* have not been satisfied.

In-kind contributions for years ended June 30, 2016 and 2015 are as follows:

	2016	2015
<b>Food:</b>		
473,337 lbs. and 618,675 lbs. of food and non-food supplies valued at \$1.65/lb for years ended June 30, 2016 and 2015, respectively	\$ 781,666	\$ 1,020,813
<b>Clothes Closet:</b>		
10,173 bags and 9,527 bags of various clothing valued at \$26/bag for the years ended June 30, 2016 and 2015, respectively	264,498	247,702
<b>School Supplies</b> - valued estimated average retail value	16,505	23,540
<b>Miscellaneous other donations</b>	1,500	19,000
<b>Holiday Program Toys</b> - valued estimated average retail value	10,770	17,577
	\$ 1,074,939	\$ 1,328,632

**Note 8: RETIREMENT PLAN**

The Organization maintains a SIMPLE IRA defined contribution plan covering all eligible employees. Participants may contribute up to the maximum allowable by law and are fully invested immediately. The Organization provides a matching contribution of 100 percent of the first 3 percent of salary contributions by employees. Organization contributions were \$10,227 and \$8,462 during the years ended June 30, 2016 and 2015, respectively.



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**Note 9: ENDOWMENT**

In January 2015, the Board of Directors approved the designation of a fund at the Foundation to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. The intent of the Organization is for the annual distribution income from the funds will be used for the core missions and operations of the Organization. The Board of Directors retains the power to modify any endowment restriction through a two-thirds majority vote.

**Endowment composition and changes in endowment net assets**

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board designated endowment funds	\$ 302,998	\$ -	\$ -	\$ 302,998

Endowment net asset composition by type of fund as of June 30, 2015 is as follows:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board designated endowment funds	\$ 250,989	\$ -	\$ -	\$ 250,989

The following is a summary of the changes in endowment net assets for the year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 250,989	\$ -	\$ -	\$ 250,989
Contributions, net	69,484	-	-	69,484
Interest and dividends	3,765	-	-	3,765
Investment earnings, realized and unrealized	(7,870)	-	-	(7,870)
Amounts appropriated for expenditures	(9,981)	-	-	(9,981)
Expenses	(3,389)	-	-	(3,389)
Endowment net assets, end of year	\$ 302,998	\$ -	\$ -	\$ 302,998

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**Note 9: ENDOWMENT - CONTINUED**

The following is a summary of the changes in endowment net assets for the year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ -	\$ -
Contributions, net	250,000	-	-	250,000
Interest and dividends	830	-	-	830
Investment earnings, realized and unrealized	1,099	-	-	1,099
Amounts appropriated for expenditures	-	-	-	-
Other changes	(940)	-	-	(940)
	<u>\$ 250,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,989</u>

**Return objectives and risk parameters**

The Organization has selected the Foundation's Multi Asset Endowment Portfolio based on the spending and investment policy of the Portfolio to provide a predictable stream of funding to the Organization while seeking to maintain the purchasing power of the endowment assets. The return objective is to maintain purchasing power over long periods of time (generally 10 to 20 years). The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent annually. Actual returns in any given year may vary from this amount.

**Strategies employed for achieving objectives**

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). This objective is currently being accomplished through diversification of funds between equity, fixed income, real asset, and low volatility absolute return funds.

**Spending policy and how the investment objectives relate to spending policy**

The Organization expects to appropriate for distribution each year 2 percent of its endowment fund's average fair value over the prior calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow at an average of 3 percent annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held.