

MENDOCINO FOOD AND NUTRITION PROGRAM, INC.

INDEPENDENT AUDITOR'S REPORT

and

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2013

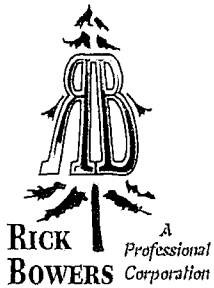
Rick Bowers, CPA
A Professional Corporation

MENDOCINO FOOD AND NUTRITION PROGRAM, INC.

TABLE OF CONTENTS

DECEMBER 31, 2013

| | <u>PAGE NUMBER</u> |
|---|-------------------------------|
| Independent Auditor's Report..... | 1 - 1a |
| Financial Statements | |
| Statement of Financial Position..... | 2 |
| Statement of Activities..... | 3 |
| Statement of Cash Flows..... | 4 |
| Statement of Functional Expenses..... | 5 |
| Notes to Financial Statements..... | 6 - 9 |



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Certified Public Accountant
Personal Financial Specialist
Certified Management Accountant

Independent Auditor's Report

Board of Directors
Mendocino Food and Nutrition Program, Inc.
Fort Bragg, CA

I have audited the accompanying financial statements of Mendocino Food and Nutrition Program, Inc. (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, cash flows and functional expenses for the year 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 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mendocino Food and Nutrition Program, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, appearing to read "Rick Bowers".

Rick Bowers, CPA
August 28, 2014

MENDOCINO FOOD AND NUTRITION PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2013

ASSETS

Current Assets

| | |
|---------------------------------|------------|
| Cash and Cash Equivalents | \$ 193,807 |
| Accounts Receivable | 2,220 |
| Workmens Comp Refund Receivable | 2,253 |
| Food Inventory | 91,835 |
| Prepaid Expenses | 5,149 |
| Employee Advance | 150 |

Total Current Assets 295,414

Fixed Assets

| | |
|--------------------------|------------------|
| Property and Equipment | 625,955 |
| Accumulated Depreciation | <u>(225,484)</u> |

Net Fixed Assets 400,471

TOTAL ASSETS \$ 695,885

LIABILITIES AND NET ASSETS

Current Liabilities

| | |
|-------------------------------|--------------|
| Accounts Payable | \$ 664 |
| Accrued Payroll and P/R Taxes | 7,456 |
| Accrued Vacation Pay | 2,665 |
| Deferred Revenue | <u>4,888</u> |

Total Liabilities 15,673

Net Assets

| | |
|---------------------------------|---------------|
| Unrestricted | 492,511 |
| Unrestricted - Board Designated | 93,646 |
| Temporarily Restricted | <u>94,055</u> |

Total Net Assets 680,212

TOTAL LIABILITIES AND NET ASSETS \$ 695,885

See accompanying Notes to Financial Statements.

MENDOCINO FOOD AND NUTRITION PROGRAM, INC.
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2013

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-------------------|
| Support and Revenues | | | |
| Contributions and Grants | \$ 328,096 | \$ 9,800 | \$ 337,896 |
| Food Donations | | 1,403,585 | 1,403,585 |
| Special Events - Net | 3,357 | | 3,357 |
| Other Fundraising Activities | 4,300 | | 4,300 |
| Interest Income | 151 | | 151 |
| Recycling Income | 1,229 | | 1,229 |
| Gain on Sale of Fixed Assets | 3,896 | | 3,896 |
| Total Support and Revenue | <u>341,029</u> | <u>1,413,385</u> | <u>1,754,414</u> |
| Net Assets Released From Restrictions | | | |
| Food Distribution | <u>1,462,501</u> | <u>(1,462,501)</u> | <u>0</u> |
| | <u>1,803,530</u> | <u>(49,116)</u> | <u>1,754,414</u> |
| Expenses | | | |
| Program Services: | | | |
| Food Distribution | 1,509,383 | | 1,509,383 |
| Payroll Expenses | 131,772 | | 131,772 |
| Other Direct and Allocated | 69,797 | | 69,797 |
| Total Program Services | <u>1,710,952</u> | | <u>1,710,952</u> |
| Support Services: | | | |
| General and Administrative | 44,673 | | 44,673 |
| Fund Raising | 8,235 | | 8,235 |
| Total Support Services | <u>52,908</u> | | <u>52,908</u> |
| Total Expenses | <u>1,763,860</u> | | <u>1,763,860</u> |
| Change in Net Assets | 39,670 | (49,116) | (9,446) |
| Net Assets - Beginning of Year | 564,578 | 143,171 | 707,749 |
| Prior Period Adjustment | <u>(18,091)</u> | | <u>(18,091)</u> |
| Net Assets - End of Year | <u>\$ 586,157</u> | <u>\$ 94,055</u> | <u>\$ 680,212</u> |

See accompanying Notes to Financial Statements.

MENDOCINO FOOD AND NUTRITION, INC.
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2013

Cash Flows From Operating Activities

| | |
|--|----------------|
| Change in Net Assets | \$ (9,446) |
| Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities: | |
| Depreciation | 26,604 |
| Gain on Sale of Fixed Assets | (3,896) |
| Donated Capital Asset | (5,000) |
| (Increase) / Decrease in Receivables | (1,566) |
| (Increase) / Decrease in Inventories | 44,678 |
| (Increase) / Decrease in Prepaids and Other Current Assets | (5,299) |
| Increase / (Decrease) in Accounts Payable and Accrued Expenses | 4,535 |
| Increase / (Decrease) in Deferred Revenue | 4,888 |
| Prior Period Adjustments | <u>(7,841)</u> |
| Net Cash Provided by Operating Activities | <u>47,657</u> |

Cash Flows From Investing Activities

| | |
|--|-------------------------|
| Sale of Fixed Assets | 3,896 |
| Acquisition of Fixed Assets | <u>(2,282)</u> |
| Net Cash Provided by Investing Activities | <u>1,614</u> |
| Net Increase in Cash | 49,271 |
| Cash - Beginning of Year | <u>144,536</u> |
| Cash - End of Year | <u><u>\$193,807</u></u> |

See accompanying Notes to Financial Statements.

MENDOCINO FOOD AND NUTRITION PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2013

| | Program Services | General and Administrative | Fundraising | Totals |
|-----------------------------------|---------------------|----------------------------------|-----------------|-------------------|
| Salaries and Wages | \$ 99,386 | \$ 18,635 | \$ 6,211 | \$ 124,232 |
| Payroll Taxes | 10,189 | 1,910 | 637 | 12,736 |
| Employee Benefits | 22,197 | 4,162 | 1,387 | 27,746 |
| Total Payroll Expenses | 131,772 | 24,707 | 8,235 | 164,714 |
| Accounting and Auditing | | 7,097 | | 7,097 |
| Advertising | | 147 | | 147 |
| Bank Fees | | 422 | | 422 |
| Depreciation | 23,944 | 2,660 | | 26,604 |
| Dues | | 1,454 | | 1,454 |
| Insurance | 3,709 | 3,708 | | 7,417 |
| Office Expenses | 1,626 | 1,627 | | 3,253 |
| Repairs and Maintenance | 1,280 | | | 1,280 |
| Telephone and Utilities | 20,726 | 2,303 | | 23,029 |
| Training | 183 | | | 183 |
| Travel | 548 | 548 | | 1,096 |
| Truck Expenses | 14,222 | | | 14,222 |
| Volunteer Expenses | 1,073 | | | 1,073 |
| Warehouse Supplies | 2,486 | | | 2,486 |
| Total Direct and Allocated | 69,797 | 19,966 | 0 | 89,763 |
| Total Functional Expenses | \$ 201,569 | \$ 44,673 | \$ 8,235 | \$ 254,477 |

See accompanying Notes to Financial Statements.

MENDOCINO FOOD AND NUTRITION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1. ORGANIZATION

The Mendocino Food and Nutrition Program, Inc. (the “Food Bank”) was formed in 1979 to provide outreach, education and accessibility to food and nutrition programs in Mendocino and Lake Counties. The Articles of Incorporation were amended in 1988 to remove Lake County from their sphere and also to more appropriately focus their charitable mission on the distribution of nutritional foods to those in need, as well as education and other outreach services.

The Food Bank is responsible for the distribution and oversight of various food distribution programs throughout Mendocino County. Those served at the local site averaged 1,594 household members per month, with an additional 2,644 household members served per month at sub-sites around the county. Approximately 10,201 meals per month were served at soup kitchens throughout Mendocino County.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with U.S. generally accepted accounting principles. Consequently, revenue is recognized when earned and expenses when obligations are incurred.

Net assets and activities are required to be classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as unrestricted, temporarily restricted, or permanently restricted.

Unrestricted Net Assets – includes those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation.

Temporarily Restricted Net Assets – includes those net assets whose use by the Food Bank has been limited by donors to either later periods of time or for a specified purpose. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Permanently Restricted Net Assets – includes those net assets that must be maintained by the Food Bank in perpetuity. The Food Bank has no permanently restricted net assets as of December 31, 2013.

MENDOCINO FOOD AND NUTRITION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013

Included in unrestricted net assets are Board of Directors designated net assets of \$93,646. The Board of Directors has established this designation in recognition of the need to develop operating reserves to protect the Food Bank in the event of temporary, short-lived cash flow shortfall, and for capital replacement reserves.

b. Cash and Cash Equivalents

Cash and cash equivalents consist of amounts on hand and in checking and savings accounts, and highly liquid investments with initial maturities of three months or less. Cash accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

c. Accounts Receivable

Accounts receivable consists of donations on behalf of the Food Bank held at a local grocer. Amounts are available for purchasing turkeys for Food Bank clients for Thanksgiving and Christmas. Accounts receivable of \$2,220 has been included in temporarily restricted net assets.

d. Food Inventory

For USDA contributions of food remaining in ending inventory amounts are reported at wholesale values provided by the USDA. Other donations to the Food Bank are valued at \$1.66 per pound using average wholesale values as determined by Feeding America, a nationwide network of food banks. As of December 31, 2013 food inventory consisted of approximately \$47,052 of USDA food and \$44,783 of other purchased and donated food.

e. Fixed Assets

Property and equipment are reported at historical cost or, if acquired by donation, at fair market value as of the date of the donation. Depreciation is computed over the estimated useful lives of the assets on a straight-line basis as follows:

| | <u>Years</u> |
|-----------------------------------|--------------|
| Building and Improvements | 15 – 30 |
| Equipment, Furniture and Fixtures | 5 – 10 |
| Trucks and Vehicles | 5 – 15 |

f. Deferred Revenue

Grants collected but unearned at December 31, 2013 are reflected in the accompanying financial statements as deferred revenue.

MENDOCINO FOOD AND NUTRITION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013

g. Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted revenue, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized.

The Food Bank recognizes revenue on contributed food and products as temporarily restricted support at the time the contribution is received, either at wholesale prices or at a value based on Feeding America's Product Valuation Survey. The related cost is recognized at the time the products are distributed to individuals or agencies in the community, also based on these values.

h. Donated Services

During the year ended December 31, 2013 the Food Bank received approximately 9,500 hours of volunteer service. The volunteers helped the Food Bank carry out its direct programs, and is critical to the success of the Food Bank. However, as this volunteer service does not meet the recognition requirements of U.S. generally accepted accounting principles, no amount has been recorded in these financial statements.

i. Income Taxes

The Food Bank is organized as a not-for-profit corporation exempt from federal income taxes under Internal Revenue Service Code Section 501(c)(3), and California Franchise Board taxes under Revenue and Taxation Code Section 23701(d), and therefore has made no provision for federal and state income taxes.

j. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

k. Functional Allocation of Expenses

The costs of providing the Food Bank's various programs and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

MENDOCINO FOOD AND NUTRITION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013

NOTE 3. FIXED ASSETS

Property and equipment at December 31, 2013 consist of the following:

| | |
|-----------------------------------|-------------------|
| Land | \$ 140,000 |
| Buildings and Improvements | 220,298 |
| Equipment, Furniture and Fixtures | 155,931 |
| Trucks and Vehicles | <u>109,726</u> |
| Total | 625,955 |
| Less: Accumulated Depreciation | <u>225,484</u> |
| Net Fixed Assets | \$ <u>400,471</u> |

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of food that has been received but not yet distributed included in inventory of \$91,835, and a donation account at a local grocer for holiday turkey purchases with a balance of \$2,220.

NOTE 5. PRIOR PERIOD ADJUSTMENT

The net prior period adjustment of \$18,091 consist of adjustments to beginning accumulated depreciation of \$10,250, opening deferred revenue of \$6,559, accrued payroll of \$4,763, offset by prepaid costs expensed in the prior year of \$3,481.