

MENDOCINO FOOD AND NUTRITION PROGRAM, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

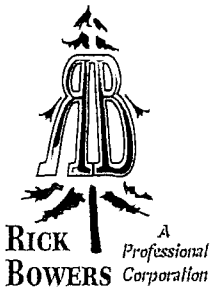
Rick Bowers, CPA
A Professional Corporation

MENDOCINO FOOD AND NUTRITION PROGRAM, INC.

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DECEMBER 31, 2014

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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, 2014, 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, 2014, 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
November 9, 2015

MENDOCINO FOOD AND NUTRITION PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2014

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 258,155
Grant Receivable	7,772
Prepaid Expenses	2,524
Food Inventory	<u>100,162</u>

Total Current Assets 368,613

Fixed Assets

Property and Equipment	626,700
Accumulated Depreciation	<u>(246,118)</u>

Net Fixed Assets 380,582

TOTAL ASSETS \$ 749,195

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 9,335
Accrued Payroll and P/R Taxes	4,942
Accrued Vacation Pay	3,703
Deferred Revenue	<u>7,263</u>

Total Liabilities 25,243

Net Assets

Unrestricted	523,088
Unrestricted - Board Designated	100,702
Temporarily Restricted	<u>100,162</u>

Total Net Assets 723,952

TOTAL LIABILITIES AND NET ASSETS \$ 749,195

See accompanying Notes to Financial Statements.

MENDOCINO FOOD AND NUTRITION PROGRAM, INC.
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Contributions and Grants	\$ 358,886	\$ -	\$ 358,886
Food Donations		1,656,922	1,656,922
Special Events - Net	4,541		4,541
Other Fundraising Activities	4,780		4,780
Interest Income	174		174
Recycling Income	1,415		1,415
	<u>369,796</u>	<u>1,656,922</u>	<u>2,026,718</u>
Net Assets Released From Restrictions			
Food Distribution	<u>1,650,815</u>	<u>(1,650,815)</u>	<u>0</u>
Total Support and Revenues	<u>2,020,611</u>	<u>6,107</u>	<u>2,026,718</u>
Expenses			
Program Services:			
Food Distribution	1,720,612		1,720,612
Payroll and Benefit Expenses	135,430		135,430
Other Direct and Allocated	72,910		72,910
Total Program Services	<u>1,928,952</u>		<u>1,928,952</u>
Support Services:			
General and Administrative	45,562		45,562
Fund Raising	8,464		8,464
Total Support Services	<u>54,026</u>		<u>54,026</u>
Total Expenses	<u>1,982,978</u>		<u>1,982,978</u>
Change in Net Assets	37,633	6,107	43,740
Net Assets - Beginning of Year	<u>586,157</u>	<u>94,055</u>	<u>680,212</u>
Net Assets - End of Year	<u>\$ 623,790</u>	<u>\$ 100,162</u>	<u>\$ 723,952</u>

See accompanying Notes to Financial Statements.

MENDOCINO FOOD AND NUTRITION PROGRAM, INC.
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2014

Cash Flows From Operating Activities

Change in Net Assets	\$ 43,740
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:	
Depreciation	27,170
In-Kind Donation	(3,177)
Changes in Operating Assets and Liabilities:	
(Increase) / Decrease in Receivables	(3,299)
(Increase) / Decrease in Prepaids and Other Current Assets	2,775
(Increase) / Decrease in Inventories	(8,327)
Increase / (Decrease) in Accounts Payable and Accrued Expenses	7,195
Increase / (Decrease) in Deferred Revenue	<u>2,375</u>
Net Cash Provided by Operating Activities	68,452
<u>Cash Flows From Investing Activities</u>	
Purchase of Fixed Assets	<u>(4,104)</u>
Net Increase in Cash	64,348
Cash - Beginning of Year	<u>193,807</u>
Cash - End of Year	<u><u>\$ 258,155</u></u>

See accompanying Notes to Financial Statements.

MENDOCINO FOOD AND NUTRITION PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2014

	Program Services	General and Administrative	Fundraising	Totals
Salaries and Wages	\$ 106,311	\$ 19,933	\$ 6,644	\$ 132,888
Payroll Taxes	10,447	1,959	653	13,059
Employee Benefits	18,672	3,501	1,167	23,340
Total Payroll Expenses	135,430	25,393	8,464	169,287
Accounting and Auditing		6,719		6,719
Advertising		141		141
Bank and Credit Card Fees		1,122		1,122
Depreciation	24,453	2,717		27,170
Dues		1,488		1,488
Insurance	3,491	3,490		6,981
Office Expenses	1,874	1,874		3,748
Repairs and Maintenance	1,591			1,591
Telephone and Utilities	21,077	2,342		23,419
Travel		276		276
Truck Expenses	17,607			17,607
Volunteer Expenses	216			216
Warehouse Supplies	2,601			2,601
Total Direct and Allocated	72,910	20,169	0	93,079
Total Functional Expenses	\$ 208,340	\$ 45,562	\$ 8,464	\$ 262,366

See accompanying Notes to Financial Statements.

MENDOCINO FOOD AND NUTRITION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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 1,642 household members per month, with an additional 2,624 household members served per month at sub-sites around the county. Approximately 9,800 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, 2014.

MENDOCINO FOOD AND NUTRITION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014

Included in unrestricted net assets are Board of Directors designated net assets of \$100,702. 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. Grants Receivable

Grants receivable consists of remaining amounts due from grants awarded during the year. No allowance for doubtful accounts has been recorded because amounts are considered fully collectible.

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, 2014 food inventory consisted of approximately \$61,010 of USDA food and \$39,152 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, 2014 are reflected in the accompanying financial statements as deferred revenue.

MENDOCINO FOOD AND NUTRITION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014

g. Revenue Recognition

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted revenue, depending on the existence and/or nature of any donor restrictions. Contributions and grants 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, 2014 the Food Bank received approximately 12,100 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 recognized as a not-for-profit organization 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.

Management has evaluated its tax positions for all open tax years. Currently the 2012, 2013 and 2014 tax years are open and subject to examination by the Internal Revenue Service. However, the Food Bank is not currently under audit nor has the organization been contacted by the Internal Revenue Service or state authorities. Based on an evaluation of the Food Bank's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the year ended December 31, 2014.

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.

MENDOCINO FOOD AND NUTRITION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014

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.

l. Subsequent Events

Management has evaluated subsequent events through November 9, 2015, which is the date the financial statements were available to be issued. No material events have occurred since December 31, 2014 that would require recognition or disclosure in the financial statements.

NOTE 3. FIXED ASSETS

Property and equipment at December 31, 2014 consist of the following:

Land	\$ 140,000
Buildings and Improvements	224,237
Equipment, Furniture and Fixtures	152,737
Trucks and Vehicles	<u>109,726</u>
Total	626,700
Less: Accumulated Depreciation	<u>246,118</u>
Net Fixed Assets	<u>\$ 380,582</u>

In 2014 the organization conducted a review of its property and equipment accounts. This review identified several fully depreciated fixed assets that were no longer in service. \$6,536 was written off against fixed assets and accumulated depreciation.

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 \$100,162.