

**MENDOCINO FOOD AND NUTRITION PROGRAM, INC.**

**AUDITED  
FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2017**

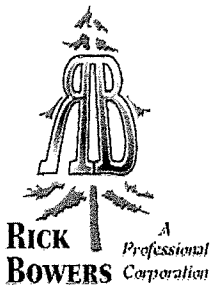
Rick Bowers, CPA  
A Professional Corporation

**MENDOCINO FOOD AND NUTRITION PROGRAM, INC.**

TABLE OF CONTENTS

DECEMBER 31, 2017

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



**RICK BOWERS, CPA, PFS, CMA**  
**A Professional Corporation**  
730 S. Dora Street  
Ukiah, CA 95482

office (707) 468-9210  
fax (707) 468-1260  
email [rbcpacorp@yahoo.com](mailto:rbcpacorp@yahoo.com)

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

### **Report on the Financial Statements**

I have audited the accompanying financial statements of Mendocino Food and Nutrition Program, Inc. (a not-for-profit corporation) (the Food Bank), which comprise the statement of financial position as of December 31, 2017, 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, 2017, 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 black ink, appearing to read "Rick Bowers". The signature is written in a cursive style with a large, stylized "R" and "B".

Rick Bowers, CPA  
October 3, 2018

**MENDOCINO FOOD AND NUTRITION PROGRAM, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2017

---

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 494,484
Prepaid Expenses	3,621
Grants Receivable	16,474
Food Inventory	<u>114,890</u>

**Total Current Assets** 629,469

**Fixed Assets**

Property and Equipment	781,830
Accumulated Depreciation	<u>(336,285)</u>

**Net Fixed Assets** 445,545

**TOTAL ASSETS** \$ 1,075,014

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 4,992
Accrued Payroll and P/R Taxes	3,565
Accrued Vacation Pay	4,730
Deferred Revenue	<u>17,560</u>

**Total Liabilities** 30,847

**Net Assets**

Unrestricted	824,113
Unrestricted - Board Designated	126,328
Temporarily Restricted	<u>93,726</u>

**Total Net Assets** 1,044,167

**TOTAL LIABILITIES AND NET ASSETS** \$ 1,075,014

The accompanying notes are an integral part of these financial statements.

**MENDOCINO FOOD AND NUTRITION PROGRAM, INC.**  
**STATEMENT OF ACTIVITIES**  
For The Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenues</b>			
Contributions and Grants	\$ 430,761	\$ -	\$ 430,761
Bequest	150,000		150,000
Food Donations		1,465,757	1,465,757
Special Events - Net	6,770		6,770
Interest Income	390		390
Other Income	973		973
<b>Total</b>	<b>588,894</b>	<b>1,465,757</b>	<b>2,054,651</b>
<b>Net Assets Released From Restrictions</b>			
Food Distribution	1,487,754	(1,487,754)	0
<b>Total Support and Revenues</b>	<b>2,076,648</b>	<b>(21,997)</b>	<b>2,054,651</b>
<b>Expenses</b>			
Program Services:			
Food Distribution Expense	1,568,630		1,568,630
Payroll and Benefit Expenses	156,603		156,603
Other Direct and Allocated	96,011		96,011
<b>Total Program Services</b>	<b>1,821,244</b>		<b>1,821,244</b>
Support Services:			
General and Administrative	50,659		50,659
Fundraising	9,835		9,835
<b>Total Support Services</b>	<b>60,494</b>		<b>60,494</b>
<b>Total Expenses</b>	<b>1,881,738</b>		<b>1,881,738</b>
<b>Change in Net Assets</b>	<b>194,910</b>	<b>(21,997)</b>	<b>172,913</b>
<b>Net Assets - Beginning of Year</b>	<b>755,531</b>	<b>115,723</b>	<b>871,254</b>
<b>Net Assets - End of Year</b>	<b>\$ 950,441</b>	<b>\$ 93,726</b>	<b>\$ 1,044,167</b>

The accompanying notes are an integral part of these financial statements.

**MENDOCINO FOOD AND NUTRITION PROGRAM, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For The Year Ended December 31, 2017

	Program Services	General and Administrative	Fundraising	Totals
Salaries and Wages	\$ 127,264	\$ 23,870	\$ 8,000	\$ 159,134
Payroll Taxes	12,848	2,410	805	16,063
Employee Benefits	16,491	3,090	1,030	20,611
<b>Total Payroll Expenses</b>	<b>156,603</b>	<b>29,370</b>	<b>9,835</b>	<b>195,808</b>
Accounting and Auditing		6,688		6,688
Bank and Credit Card Fees		861		861
Depreciation	33,513	2,673		36,186
Dues		1,900		1,900
Freight Charges	1,400			1,400
Insurance	3,796	3,795		7,591
Office Expenses	3,467	3,468		6,935
Telephone and Utilities	16,880	1,875		18,755
Training	206			206
Travel		29		29
Truck Expenses	27,712			27,712
Volunteer Expenses	1,267			1,267
Warehouse Expense	7,770			7,770
<b>Total Direct and Allocated</b>	<b>96,011</b>	<b>21,289</b>	<b>0</b>	<b>117,300</b>
<b>Total Functional Expenses</b>	<b>\$ 252,614</b>	<b>\$ 50,659</b>	<b>\$ 9,835</b>	<b>\$ 313,108</b>

The accompanying notes are an integral part of these financial statements.

**MENDOCINO FOOD AND NUTRITION PROGRAM, INC.**  
**STATEMENT OF CASH FLOWS**  
For The Year Ended December 31, 2017

---

**Cash Flows From Operating Activities**

Change in Net Assets	\$ 172,913
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:	
Depreciation	36,186
In-Kind Solar Capital Contribution	(75,000)
Changes in Operating Assets and Liabilities:	
(Increase) / Decrease in Prepaids	575
(Increase) / Decrease in Grants Receivable	(16,474)
(Increase) / Decrease in Inventories	2,905
Increase / (Decrease) in Accounts Payable and Accrued Expenses	3,907
Increase / (Decrease) in Deferred Revenue	<u>9,286</u>
<b>Net Cash Provided by Operating Activities</b>	<b>134,298</b>

**Cash Flows From Investing Activities**

Purchase of Fixed Assets	<u>(10,044)</u>
<b>Net Increase in Cash</b>	<b>124,254</b>
<b>Cash - Beginning of Year</b>	<u>370,230</u>
<b>Cash - End of Year</b>	<u><u>\$ 494,484</u></u>

The accompanying notes are an integral part of these financial statements.



**MENDOCINO FOOD AND NUTRITION PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**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. This year the Food Bank distributed 1.224 million pounds of food to eligible low-income residents. Those served at the local site averaged 1,650 household members per month, with an additional 2,338 household members served per month at sub-sites around the county. Approximately 8,666 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, 2017.

**MENDOCINO FOOD AND NUTRITION PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2017**

Included in unrestricted net assets are Board of Directors designated funds of \$126,328. 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. Prepaid Expenses**

Prepaid expenses consist of insurance and other costs that benefit the subsequent year.

**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 \$1.52 per pound using average wholesale values as determined by Feeding America, a nationwide network of food banks. As of December 31, 2017, food inventory consisted of approximately \$67,526 of USDA food and \$47,364 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, 2017 are reflected in the accompanying financial statements as deferred revenue.

**MENDOCINO FOOD AND NUTRITION PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2017**

**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, 2017 the Food Bank received approximately 11,000 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 2015, 2016 and 2017 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, 2017.

**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, 2017**

**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 October 3, 2018, which is the date the financial statements were available to be issued. No material events have occurred since December 31, 2017 that would require recognition or disclosure in the financial statements.

**NOTE 3. FIXED ASSETS**

Property and equipment at December 31, 2017 consists of the following:

Land	140,000
Buildings and Improvements	335,960
Equipment, Furniture and Fixtures	196,144
Trucks and Vehicles	<u>109,726</u>
Total	784,830
Less: Accumulated Depreciation	<u>336,285</u>
Net Fixed Assets	\$ <u>445,545</u>

Depreciation expense was \$36,186 for the year ended December 31, 2017.

The Solar System Project was put into service in February of 2017 at a total cost of \$111,723. The Food Bank signed a 5-year Community Development Block Grant (CDBG) Deferred Payment Loan for \$75,000 with the City of Fort Bragg dated July 18, 2016. This loan amount was paid directly to the contractor, and recorded as an in-kind capital contribution. The principal balance of the loan shall be forgiven at the end of the 5-year term if no Triggering Event has occurred, such as transfer of property or change in use. The Food Bank anticipates forgiveness of the loan.

**NOTE 4. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of donated food that has been received but not yet distributed included in inventory of \$93,726.