

ECUMENICAL HUNGER PROGRAM
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

ECUMENICAL HUNGER PROGRAM

TABLE OF CONTENTS

JUNE 30, 2013

	<u>Page</u>
Audited Financial Statements	
Independent Auditors' Report.....	1 - 2
Statement of Financial Position.....	3
Statement of Activities and Changes in Net Assets.....	4
Statement of Functional Revenue and Expense.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7 - 10

INDEPENDENT AUDITORS' REPORT



2479 E. Bayshore Rd., Suite 285
Palo Alto, CA 94303

To the Board of Directors of
Ecumenical Hunger Program
East Palo Alto, California

We have audited the accompanying statement of financial position of Ecumenical Hunger Program as of June 30, 2013, and the related statements of activities and changes in net assets, functional revenue and expense for the year then ended and cash flows for the year ended June 30, 2013.

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 relevance 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 Ecumenical Hunger Program as of June 30, 2013 and the changes in its net assets, functional revenue and expense for the year then ended and its cash flows for the year ended June 30, 2013 in conformity with accounting principles generally accepted in the United States of America.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Morton & Associates, Inc.

Morton & Associates Inc.
Certified Public Accountants

January 16, 2014

ECUMENICAL HUNGER PROGRAM
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2013

(With Summarized Financial Information for the Year Ended June 30, 2012)

	<u>Unrestricted</u>	<u>Total All Funds June 30</u>	
		<u>Total 2013</u>	<u>Total 2012</u>
ASSETS			
Current Assets			
Cash & Equivalents	\$ 956,037	\$ 956,037	\$ 763,052
Accounts Receivable	3,453	3,453	
Prepaid Expenses	<u>4,580</u>	<u>4,580</u>	<u>1,380</u>
Total Current Assets	<u>964,070</u>	<u>964,070</u>	<u>764,432</u>
Fixed Assets			
Property & Equipment	2,498,180	2,498,180	2,493,890
Less: Accumulated Depreciation	<u>(560,384)</u>	<u>(560,384)</u>	<u>(488,781)</u>
Book Value of Fixed Assets	<u>1,937,796</u>	<u>1,937,796</u>	<u>2,005,109</u>
Total Assets	<u>\$ 2,901,866</u>	<u>\$ 2,901,866</u>	<u>\$ 2,769,541</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 6,830	\$ 6,830	\$ 14,158
Payroll & Related Liabilities	12,400	12,400	14,158
Loan Payable	<u>217,895</u>	<u>217,895</u>	<u>230,115</u>
Total Current Liabilities	<u>237,125</u>	<u>237,125</u>	<u>244,273</u>
Long Term Liabilities			
Total Liabilities	<u>237,125</u>	<u>237,125</u>	<u>244,273</u>
NET ASSETS			
Operating Fund	944,839	944,839	750,274
Property & Equipment Fund	<u>1,719,902</u>	<u>1,719,902</u>	<u>1,774,994</u>
Total Net Assets	<u>2,664,741</u>	<u>2,664,741</u>	<u>2,525,268</u>
Total Liabilities & Net Assets	<u>\$ 2,901,866</u>	<u>\$ 2,901,866</u>	<u>\$ 2,769,541</u>

The Accompanying Independent Auditors' Report and the Attached Notes
are an Integral Part of These Financial Statements.

ECUMENICAL HUNGER PROGRAM

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2013

(With Summarized Financial Information for the Year Ended June 30, 2012)

		Total All Funds June 30	
	<u>Unrestricted</u>	<u>Total 2013</u>	<u>Total 2012</u>
SUPPORT			
Contributions	\$ 739,271	\$ 739,271	\$ 747,847
Contributions In-Kind	1,624,854	1,624,854	1,357,300
Foundation Grants	<u>411,193</u>	<u>411,193</u>	<u>556,571</u>
Total Support	<u>2,775,318</u>	<u>2,775,318</u>	<u>2,661,718</u>
REVENUE			
Interest & Dividends	1,347	1,347	1,452
Other Income	2,506	2,506	1,813
Unrealized Gain or Loss	<u>19</u>	<u>19</u>	<u></u>
Total Revenue	<u>3,872</u>	<u>3,872</u>	<u>3,265</u>
Total Increases in Net Assets	\$ <u>2,779,190</u>	\$ <u>2,779,190</u>	\$ <u>2,664,983</u>
EXPENSES			
Program Services			
Program Services	\$ <u>2,261,492</u>	\$ <u>2,261,492</u>	\$ <u>1,977,277</u>
Total Program Services	<u>2,261,492</u>	<u>2,261,492</u>	<u>1,977,277</u>
Support Services			
Management & General	224,403	224,403	211,661
Fundraising	<u>153,823</u>	<u>153,823</u>	<u>151,370</u>
Total Support Services	<u>378,226</u>	<u>378,226</u>	<u>363,031</u>
Total Expenses	<u>2,639,718</u>	<u>2,639,718</u>	<u>2,340,308</u>
Net Increase (Decrease) In Assets	139,472	139,472	324,675
Net Assets Beginning	<u>2,525,269</u>	<u>2,525,269</u>	<u>2,200,593</u>
Net Assets Ending	\$ <u>2,664,741</u>	\$ <u>2,664,741</u>	\$ <u>2,525,268</u>

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ECUMENICAL HUNGER PROGRAM
STATEMENT OF FUNCTIONAL REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2013

(With Summarized Financial Information for the Year Ended June 30, 2012)

	Program Services	Management & General	Fundraising	Support Services	Total 2013	Total 2012
SUPPORT & REVENUE						
SUPPORT						
Contributions	\$	\$ 79,826	\$ 659,445	\$ 739,271	\$ 739,271	\$ 747,847
Contributions In-Kind	1,624,854				1,624,854	1,357,300
Foundation Grants	411,193				411,193	556,571
Total Support	2,036,047	79,826	659,445	739,271	2,775,318	2,661,718
REVENUE						
Interest & Dividends		1,347		1,347	1,347	1,452
Other Income		2,506		2,506	2,506	1,813
Unrealized Gain or Loss		19		19	19	
Total Revenue		3,872		3,872	3,872	3,265
Total Support & Revenue	2,036,047	83,698	659,445	743,143	2,779,190	2,664,983
EXPENSES						
Salaries	240,434	108,195	51,519	159,714	400,148	358,950
Benefits	49,967	22,485	10,707	33,192	83,159	104,909
Payroll Taxes	20,934	9,420	4,486	13,906	34,840	32,631
Total Salaries & Benefits	311,335	140,100	66,712	206,812	518,147	496,490
Professional Fees	77,267	34,770	16,556	51,326	128,593	116,942
Contributed Services	11,428				11,428	18,595
Supplies	6,235	2,806	1,336	4,142	10,377	10,443
Contributed Supplies	1,613,426				1,613,426	1,338,705
Telephone	7,544	3,395	1,617	5,012	12,556	12,405
Postage & Shipping	4,849	2,182	1,039	3,221	8,070	7,938
Occupancy	47,331	6,311	9,466	15,777	63,108	54,502
Repairs & Maintenance	8,724	3,926	1,869	5,795	14,519	1,262
Building & Grounds	1,186	534	254	788	1,974	2,378
Printing & Publications	9,266	4,170	1,986	6,156	15,422	15,806
Dues & Publications	690	310	148	458	1,148	715
Advertising	2,950	1,327	632	1,959	4,909	14,326
Fundraising Costs			33,283	33,283	33,283	35,162
Travel & Transportation	13,237	5,957	2,836	8,793	22,030	21,388
Conferences & Meetings		1,200		1,200	1,200	125
Insurance	16,561	2,208	3,312	5,520	22,081	20,328
Miscellaneous		6,689		6,689	6,689	9,627
Interest Expense	10,183	1,358	2,037	3,395	13,578	29,138
Depreciation	53,702	7,160	10,740	17,900	71,602	70,374
Program Expense	65,578				65,578	63,659
Total Expense	2,261,492	224,403	153,823	378,226	2,639,718	2,340,308
Increase(Decrease) in Net Assets	\$ (225,445)	\$ (140,705)	\$ 505,622	\$ 364,917	\$ 139,472	\$ 324,675

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ECUMENICAL HUNGER PROGRAM
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>TOTAL CURRENT YEAR</u>	<u>TOTAL PRIOR YEAR</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Increase (Decrease) in Net Assets	\$ 139,472	\$ 324,675
Adjustments to Reconcile Net Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	71,602	70,374
(Increase) Decrease in Assets:		
Accounts & Grants Receivable	(3,453)	
Prepaid Expenses	(3,200)	9,629
(Increase) Decrease in Liabilities:		
Accounts Payable	6,831	
Payroll & Related Liabilities	(1,757)	(1,120)
Line of Credit	<u>(12,220)</u>	<u>(11,341)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	197,275	392,217
CASH FLOWS FROM INVESTING ACTIVITIES		
Property & Equipment	<u>(4,290)</u>	<u>(13,634)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:	(4,290)	(13,634)
CASH FLOWS FROM FINANCING ACTIVITIES		
Mortgage Payable	<u> </u>	<u>(214,272)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:	<u> </u>	<u>(214,272)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>192,985</u>	<u>164,311</u>
CASH & CASH EQUIVALENTS, BEGINNING	<u>763,052</u>	<u>598,741</u>
CASH & CASH EQUIVALENTS, ENDING	<u>\$ 956,037</u>	<u>\$ 763,052</u>
NON CASH TRANSACTIONS		
Contributed Goods & Services	<u>\$ 1,624,854</u>	<u>\$ 1,357,300</u>
Interest Paid	<u>\$ 13,577</u>	<u>\$ 29,137</u>

The Accompanying Independent Auditors' Report and the Attached Notes
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ECUMENICAL HUNGER PROGRAM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1: ORGANIZATION

The Ecumenical Hunger Program (the Organization) is a non-profit public benefit corporation which was founded February 16, 1978 to channel food and resources to families experiencing hunger or poverty in the communities of East Palo Alto, Palo Alto and Menlo Park, California. The Organization works with families to eliminate their hunger and to break the cycle of poverty. The Organization provides food, clothing, household essentials, social advocacy and referral services. By providing its programs with compassion and respect, the Organization promotes the personal dignity of those it serves while encouraging self-reliance.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by the American Institute of Certified Public Accountants. In accordance with FASB ASC subtopic 958-205-05-6, the Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of EHP. Under this category, the Organization maintains an Operating and Property and Equipment Fund. Any net assets designated by the Board for specific purposes would also be categorized as unrestricted net assets. The Organization has elected to report as an increase in unrestricted net assets any restricted revenue received in the current period for which the restrictions have been met in the current period.
- Temporarily Restricted Net Assets include those assets which are subject to a donor restriction and for which the applicable restriction was not met as of the end of the current reporting period. There were no Temporarily Restricted Net Assets as of year end.
- Permanently restricted net assets includes assets which are subject to a non-expiring donor restriction such as a donor restricted endowment fund. The Organization does not currently have an Endowment Fund.

Revenue Recognition is in accord with the accrual basis of accounting. Grant revenue and program fees are recognized as revenue in the period in which the service is provided.

Cash and Cash Equivalents include highly liquid investments and those investments with a maturity of three months or less.

ECUMENICAL HUNGER PROGRAM
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Contributions are recorded when cash is received and are considered to be available for unrestricted use unless specifically restricted by the donor.

Furniture and Equipment with a useful life of three or more years and a cost or value in excess of \$1,000 is recorded at cost or, if contributed, at the estimated fair market value when donated. Depreciation is computed using the straight-line method over the assets' estimated useful lives ranging from three to thirty-nine years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Functional Expenses have been allocated between Program Services and Supporting Services based on an analysis of personnel time and space utilized.

Income Taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and Section 23701D of the Revenue and Taxation Code of California. EHP has not been classified as a private foundation.

NOTE 3: CONCENTRATION OF CREDIT RISK ARISING FROM CASH HELD IN EXCESS OF INSURED LIMITS

The Organization maintains cash balances at financial institutions in excess of the standard FDIC coverage limit of \$250,000. At June 30, 2013, the Organization has \$722,695 of uninsured cash balances.

NOTE 4: NOTE PAYABLE

EHP has a Note Payable with Comerica Bank due February 2015 for \$217,895 which bears interest at 6% and requires monthly payments of \$2,150. Annual payments are as follows:

<u>Year</u>	<u>Amount</u>
June 30, 2014	25,800
Thereafter	<u>192,095</u>
Total	<u>\$ 217,895</u>

In July 2013, EHP paid off the entire remaining balance of its Note Payable with Comerica Bank. Consequently, there is no outstanding line of credit balance at this time.

ECUMENICAL HUNGER PROGRAM
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

NOTE 5: CONTRIBUTIONS IN-KIND

Contributions In-Kind are recorded at their estimated fair market values as of the date of donation. During the current period, the Organization received volunteer professional services valued at \$11,428. Services were valued based on the number of hours provided multiplied by the hourly rate which would have had to have been paid had these services not been contributed. The Organization pays for most services requiring specific expertise. However, individuals volunteer their time and perform a variety of tasks that assist the Organization with its specific assistance programs and various committee assignments. The Organization received 14,389 volunteer hours for the year ended June 30, 2013 which valued at \$10 per hour would amount to \$143,885. The Organization also received \$1,613,426 of contributed supplies, which were valued at an estimated value for a typical food, toy or clothing donation.

NOTE 6: FIXED ASSETS

Fixed assets are recorded at cost or, if donated, at estimated fair market value. As of June 30, fixed assets consisted of:

	<u>June 30, 2013</u>	<u>June 29, 2012</u>
Buildings	\$ 1,371,668	\$ 1,371,668
Land	600,000	600,000
Warehouse	142,298	142,298
Landscaping	236,250	236,250
Furniture & Equipment	64,362	60,072
Vehicles	<u>83,603</u>	<u>83,602</u>
Fixed Assets, Cost	2,498,181	2,493,890
Less Accumulated Dep.	<u>(560,384)</u>	<u>(488,781)</u>
Fixed Assets, Net	<u>\$ 1,937,797</u>	<u>\$ 2,005,109</u>

NOTE 7: SIMPLE IRA PLAN

During the fiscal year ended 2010, EHP started a Simple IRA Plan. For employees to qualify they need to earn a minimum of \$5,000 and work for one full year. Employees can contribute to the plan by making Elective Deferrals from January through December. EHP has chosen nonelective contributions of 2% of compensation to be contributed on behalf of the employee. Total amount contributed for the year ended June 30, 2013 was \$5,122 and for the year ended June 30, 2012 was \$7,548.

ECUMENICAL HUNGER PROGRAM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 8: RELATED PARTY TRANSACTIONS

In compliance with its policy on transactions between a related party such as a Board Member or alternatively a family member of staff or of a Board Member and between the Organization, the Board reviews such transactions to determine that it is paying no more than it believes it would under an arm's length transaction. During the current period, the Board reviewed and approved payments to the sister-in-law of the Executive Director for fund raising services.

NOTE 9: DATE OF MANAGERMENTS REVIEW

In preparing the financial statements, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure through January 16, 2014, the date that the financial statements were available to be issued.