

ECUMENICAL HUNGER PROGRAM  
AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
WITH SUMMARIZED FINANCIAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

ECUMENICAL HUNGER PROGRAM

TABLE OF CONTENTS

JUNE 30, 2011

	<u>Page</u>
Audited Financial Statements	
Independent Auditors' Report.....	1
Statement of Financial Position.....	2
Statement of Activities and Changes in Net Assets.....	3
Statement of Functional Revenue and Expense.....	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6 - 9

INDEPENDENT AUDITORS' REPORT



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 (a non-profit organization) as of June 30, 2011, 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, 2011. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011 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, 2011 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, 2010, from which the summarized information was derived.

*Morton & Associates, Inc.*  
Morton & Associates Inc.  
Certified Public Accountants

January 19, 2012

ECUMENICAL HUNGER PROGRAM  
STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2011

(With Summarized Financial Information for the Year Ended June 30, 2010)

	<u>Unrestricted</u>	<u>Total All Funds June 30</u>	
		<u>Total 2011</u>	<u>Total 2010</u>
<b>ASSETS</b>			
Current Assets			
Cash & Equivalents	\$ 598,741	\$ 598,741	\$ 862,415
Prepaid Expenses	<u>11,009</u>	<u>11,009</u>	<u>1,440</u>
Total Current Assets	<u>609,750</u>	<u>609,750</u>	<u>863,855</u>
Fixed Assets			
Property & Equipment	2,480,256	2,480,256	2,473,669
Less: Accumulated Depreciation	<u>(418,407)</u>	<u>(418,407)</u>	<u>(413,299)</u>
Book Value of Fixed Assets	<u>2,061,849</u>	<u>2,061,849</u>	<u>2,060,370</u>
<b>Total Assets</b>	<b><u>\$ 2,671,599</u></b>	<b><u>\$ 2,671,599</u></b>	<b><u>\$ 2,924,225</u></b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	\$ 15,279	\$ 15,279	\$ 5,110
Payroll & Related Liabilities	30,472	30,472	18,036
Mortgage Payable	241,456	241,456	8,074
Loan Payable	<u>287,207</u>	<u>287,207</u>	<u>252,202</u>
Total Current Liabilities	<u>287,207</u>	<u>287,207</u>	<u>283,422</u>
Long Term Liabilities			
Mortgage Payable	<u>183,800</u>	<u>183,800</u>	<u>516,022</u>
Total Long Term Liabilities	<u>183,800</u>	<u>183,800</u>	<u>516,022</u>
Total Liabilities	<u>471,007</u>	<u>471,007</u>	<u>799,444</u>
<b>NET ASSETS</b>			
Operating Fund	353,015	353,015	588,507
Property & Equipment Fund	<u>1,847,577</u>	<u>1,847,577</u>	<u>1,536,274</u>
Total Net Assets	<u>2,200,592</u>	<u>2,200,592</u>	<u>2,124,781</u>
<b>Total Liabilities &amp; Net Assets</b>	<b><u>\$ 2,671,599</u></b>	<b><u>\$ 2,671,599</u></b>	<b><u>\$ 2,924,225</u></b>

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, 2011

(With Summarized Financial Information for the Year Ended June 30, 2010)

		Total All Funds June 30	
	<u>Unrestricted</u>	<u>Total 2011</u>	<u>Total 2010</u>
<b>SUPPORT</b>			
Contributions	\$ 663,560	\$ 663,560	\$ 758,877
Contributions In-Kind	1,313,121	1,313,121	1,433,142
Foundation Grants	<u>304,383</u>	<u>304,383</u>	<u>267,577</u>
Total Support	<u>2,281,064</u>	<u>2,281,064</u>	<u>2,459,596</u>
<b>REVENUE</b>			
Interest & Dividends	2,931	2,931	2,902
Rental Income			2,000
Other Income	<u>8,781</u>	<u>8,781</u>	<u>705</u>
Total Revenue	<u>11,712</u>	<u>11,712</u>	<u>5,607</u>
Total Increases in Net Assets	<u>\$ 2,292,776</u>	<u>\$ 2,292,776</u>	<u>\$ 2,465,203</u>
<b>EXPENSES</b>			
Program Services			
Program Services	<u>\$ 1,848,919</u>	<u>\$ 1,848,919</u>	<u>\$ 1,905,227</u>
Total Program Services	<u>1,848,919</u>	<u>1,848,919</u>	<u>1,905,227</u>
Support Services			
Management & General	223,707	223,707	224,085
Fundraising	<u>144,339</u>	<u>144,339</u>	<u>93,548</u>
Total Support Services	<u>368,046</u>	<u>368,046</u>	<u>317,633</u>
Total Expenses	<u>2,216,965</u>	<u>2,216,965</u>	<u>2,222,860</u>
Net Increase (Decrease) In Assets	75,811	75,811	242,343
Net Assets Beginning	<u>2,124,781</u>	<u>2,124,781</u>	<u>1,882,438</u>
Net Assets Ending	<u>\$ 2,200,592</u>	<u>\$ 2,200,592</u>	<u>\$ 2,124,781</u>

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ECUMENICAL HUNGER PROGRAM  
STATEMENT OF FUNCTIONAL REVENUE AND EXPENSE  
FOR THE YEAR ENDED JUNE 30, 2011  
(With Summarized Financial Information for the Year Ended June 30, 2010)

	Program Services	Management & General	Fundraising	Support Services	Total 2011	Total 2010
<b>SUPPORT &amp; REVENUE</b>						
<b>SUPPORT</b>						
Contributions	\$ 1,313,121	\$ 77,152	\$ 586,408	\$ 663,560	\$ 663,560	\$ 758,878
Contributions In-Kind	304,383				1,313,121	1,433,142
Foundation Grants	1,617,504	77,152	586,408	663,560	304,383	267,577
Total Support					2,281,064	2,459,597
<b>REVENUE</b>						
Interest & Dividends		2,931		2,931	2,931	2,902
Rental Income						2,000
Other Income		8,781		8,781	8,781	705
Total Revenue		11,712		11,712	11,712	5,607
Total Support & Revenue	1,617,504	88,864	586,408	675,272	2,292,776	2,465,204
<b>EXPENSES</b>						
Salaries	191,512	101,188	45,309	146,497	338,009	322,908
Benefits	56,207	29,697	13,298	42,995	99,202	79,536
Payroll Taxes	17,297	9,139	4,092	13,231	30,528	29,171
Total Salaries & Benefits	265,016	140,024	62,699	202,723	467,739	431,615
Professional Fees	56,681	29,948	13,410	43,358	100,039	97,451
Contributed Services	20,241				20,241	70,038
Supplies	11,546	6,101	2,732	8,833	20,379	6,285
Contributed Supplies	1,292,880				1,292,880	1,338,104
Telephone	6,458	3,412	1,528	4,940	11,398	10,180
Postage & Shipping	3,082	1,629	729	2,358	5,440	6,670
Occupancy	37,212	4,962	7,442	12,404	49,616	47,195
Repairs & Maintenance	3,171	1,675	750	2,425	5,596	6,222
Building & Grounds	106	56	25	81	187	3,784
Printing & Publications	1,101	581	260	841	1,942	15,049
Dues & Publications	1,207	638	286	924	2,131	424
Advertising	14,189	7,497				
Fundraising Costs	6,938	3,666	3,357	10,854	25,043	11,983
Travel & Transportation	16,815	3,400	29,425	29,425	29,425	15,838
Conferences & Meetings		2,242	1,641	5,307	12,245	12,748
Insurance		3,363		3,400	3,400	2,430
Miscellaneous		6,748		6,748	6,748	16,105
Interest Expense	37,299	4,973	7,460	12,433	49,732	56,468
Depreciation	46,161	6,155	9,232	15,387	61,548	52,963
Program Expense	28,816				28,816	16,499
Total Expense	1,848,919	223,707	144,339	368,046	2,216,965	2,222,860
Increase/(Decrease) in Net Assets	\$ (231,415)	\$ (134,843)	\$ 442,069	\$ 307,226	\$ 75,811	\$ 242,344

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

ECUMENICAL HUNGER PROGRAM  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>TOTAL CURRENT YEAR</u>	<u>TOTAL PRIOR YEAR</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Increase (Decrease) in Net Assets	\$ 75,811	\$ 242,344
Adjustments to Reconcile Net Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	61,548	52,963
(Increase) Decrease in Assets:		
Prepaid Expenses	(9,569)	
(Increase) Decrease in Liabilities:		
Accounts Payable	(5,110)	1,010
Payroll & Related Liabilities	(2,758)	270
Line of Credit	<u>(10,746)</u>	<u>(8,436)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	109,176	288,151
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments		2,989
Property & Equipment	<u>(63,026)</u>	<u>(25,000)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:	(63,026)	(22,011)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Mortgage Payable	<u>(309,824)</u>	<u>(12,882)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:	<u>(309,824)</u>	<u>(12,882)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(263,674)</u>	<u>253,258</u>
CASH & CASH EQUIVALENTS, BEGINNING	<u>862,415</u>	<u>609,157</u>
CASH & CASH EQUIVALENTS, ENDING	<u>\$ 598,741</u>	<u>\$ 862,415</u>
<b>NON CASH TRANSACTIONS</b>		
Contributed Goods & Services	<u>\$ 1,313,121</u>	<u>\$ 1,433,142</u>
Interest Paid	<u>\$ 49,732</u>	<u>\$ 56,469</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, 2011

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, 2011

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. During the fiscal year ended June 30, 2010, the Organization's cash balances were fully insured under the FDIC's Transaction Account Guarantee program which provided unlimited coverage for NOW accounts receiving interest of 0.50% or less. Effective July 1, 2010 the Organization's main bank elected to opt-out of the TAG program so that approximately \$618,500 became uninsured. At June 30, 2011, the Organization has \$353,151 of uninsured cash balances.

NOTE 4: NOTE PAYABLE

EHP has a Note Payable with Comerica Bank due February 2015 for \$241,456 which bears interest at 6% and requires monthly payments of \$2,150. Annual payments are as follows:

Year	Amount
2011	\$ 25,797
2012	25,797
2013	25,797
Thereafter	164,065
Total	\$ 241,456

ECUMENICAL HUNGER PROGRAM  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2011

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 \$20,241. 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 13,485 volunteer hours for the year ended June 30, 2011 which valued at \$10 per hour would amount to \$134,850. The Organization also received \$1,292,880 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, 2011</u>	<u>June 30, 2010</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	58,367	82,124
Vehicles	<u>71,673</u>	<u>41,330</u>
Fixed Assets, Cost	2,480,256	2,473,670
Less Accumulated Dep.	<u>(418,407)</u>	<u>(413,299)</u>
Fixed Assets, Net	<u>\$ 2,061,849</u>	<u>\$ 2,060,371</u>

NOTE 7: MORTGAGE PAYABLE

A mortgage dated May 13, 2010 and maturing May 13, 2015 is payable to Cordes Lake Family Trust in 60 monthly installments of \$3,709 with interest at 7%.

Required Annual payments are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 44,505
2012	44,505
2013	44,505
Thereafter	<u>80,757</u>
Total	<u>\$ 214,272</u>

ECUMENICAL HUNGER PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 8: 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, 2011 was \$7,459 and for the year ended June 30, 2010 was \$3,096.

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 19, 2012, the date that the financial statements were available to be issued.