

ECUMENICAL HUNGER PROGRAM
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

ECUMENICAL HUNGER PROGRAM

TABLE OF CONTENTS

JUNE 30, 2012

Audited Financial Statements	<u>Page</u>
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

Morton
& Associates
INCORPORATED
CERTIFIED PUBLIC ACCOUNTANTS
250 Cambridge Avenue, Suite 101
Palo Alto, CA 94306

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, 2012, 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, 2012. 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, 2012 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, 2012 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, 2011, from which the summarized information was derived.

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

January 15, 2013

ECUMENICAL HUNGER PROGRAM
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2012

(With Summarized Financial Information for the Year Ended June 30, 2011)

		Total All Funds June 30	
	Unrestricted	Total 2012	Total 2011
ASSETS			
Current Assets			
Cash & Equivalents	\$ 763,052	\$ 763,052	\$ 598,741
Prepaid Expenses	<u>1,380</u>	<u>1,380</u>	<u>11,009</u>
Total Current Assets	<u>764,432</u>	<u>764,432</u>	<u>609,750</u>
Fixed Assets			
Property & Equipment	2,493,890	2,493,890	2,480,256
Less: Accumulated Depreciation	<u>(488,781)</u>	<u>(488,781)</u>	<u>(418,407)</u>
Book Value of Fixed Assets	<u>2,005,109</u>	<u>2,005,109</u>	<u>2,061,849</u>
Total Assets	<u>\$ 2,769,541</u>	<u>\$ 2,769,541</u>	<u>\$ 2,671,599</u>
LIABILITIES			
Current Liabilities			
Payroll & Related Liabilities	\$ 14,158	\$ 14,158	\$ 15,279
Mortgage Payable			30,472
Loan Payable	<u>230,115</u>	<u>230,115</u>	<u>241,456</u>
Total Current Liabilities	<u>244,273</u>	<u>244,273</u>	<u>287,207</u>
Long Term Liabilities			
Mortgage Payable			<u>183,800</u>
Total Long Term Liabilities			<u>183,800</u>
Total Liabilities	<u>244,273</u>	<u>244,273</u>	<u>471,007</u>
NET ASSETS			
Operating Fund	750,274	750,274	353,015
Property & Equipment Fund	<u>1,774,994</u>	<u>1,774,994</u>	<u>1,847,577</u>
Total Net Assets	<u>2,525,268</u>	<u>2,525,268</u>	<u>2,200,592</u>
Total Liabilities & Net Assets	<u>\$ 2,769,541</u>	<u>\$ 2,769,541</u>	<u>\$ 2,671,599</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, 2012

(With Summarized Financial Information for the Year Ended June 30, 2011)

		Total All Funds June 30	
	Unrestricted	Total 2012	Total 2011
SUPPORT			
Contributions	\$ 747,847	\$ 747,847	\$ 663,560
Contributions In-Kind	1,357,300	1,357,300	1,313,121
Foundation Grants	<u>556,571</u>	<u>556,571</u>	<u>304,383</u>
Total Support	<u>2,661,718</u>	<u>2,661,718</u>	<u>2,281,064</u>
REVENUE			
Interest & Dividends	1,452	1,452	2,931
Other Income	<u>1,813</u>	<u>1,813</u>	<u>8,781</u>
Total Revenue	<u>3,265</u>	<u>3,265</u>	<u>11,712</u>
Total Increases in Net Assets	\$ <u>2,664,983</u>	\$ <u>2,664,983</u>	\$ <u>2,292,776</u>
EXPENSES			
Program Services			
Program Services	\$ <u>1,977,277</u>	\$ <u>1,977,277</u>	\$ <u>1,848,919</u>
Total Program Services	<u>1,977,277</u>	<u>1,977,277</u>	<u>1,848,919</u>
Support Services			
Management & General	211,661	211,661	223,707
Fundraising	<u>151,370</u>	<u>151,370</u>	<u>144,339</u>
Total Support Services	<u>363,031</u>	<u>363,031</u>	<u>368,046</u>
Total Expenses	<u>2,340,308</u>	<u>2,340,308</u>	<u>2,216,965</u>
Net Increase (Decrease) In Assets	324,675	324,675	75,811
Net Assets Beginning	<u>2,200,593</u>	<u>2,200,593</u>	<u>2,124,781</u>
Net Assets Ending	\$ <u>2,525,268</u>	\$ <u>2,525,268</u>	\$ <u>2,200,592</u>

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

ECUMENICAL HUNGER PROGRAM
STATEMENT OF FUNCTIONAL REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2012

(With Summarized Financial Information for the Year Ended June 30, 2011)

	Program Services	Management & General	Fundraising	Support Services	Total 2012	Total 2011
SUPPORT & REVENUE						
SUPPORT						
Contributions	\$ 1,357,300	\$ 87,053	\$ 660,794	\$ 747,847	\$ 747,847	\$ 663,560
Contributions In-Kind	556,571				1,357,300	1,313,121
Foundation Grants	1,913,871	87,053	660,794	747,847	556,571	304,383
REVENUE						
Interest & Dividends		1,452		1,452	1,452	2,931
Other Income		1,813		1,813	1,813	8,781
Total Revenue		3,265		3,265	3,265	11,712
EXPENSES						
Total Support & Revenue	1,913,871	90,318	660,794	751,112	2,664,983	2,292,776
Salaries	218,193	94,583	46,174	140,757	358,950	338,009
Benefits	63,771	27,643	13,495	41,138	104,909	99,202
Payroll Taxes	19,835	8,598	4,198	12,796	32,631	30,528
Total Salaries & Benefits	301,799	130,824	63,867	194,691	496,490	467,739
Professional Fees	71,085	30,814	15,043	45,857	116,942	100,039
Contributed Services	18,595				18,595	20,241
Supplies	6,348	2,752	1,343	4,095	10,443	20,379
Contributed Supplies	1,338,705				1,338,705	1,292,880
Telephone	7,540	3,269	1,596	4,865	12,405	11,398
Postage & Shipping	4,825	2,092	1,021	3,113	7,938	5,440
Occupancy	40,877	5,450	8,175	13,625	54,502	49,616
Repairs & Maintenance	767	333	162	495	1,262	5,596
Building & Grounds	1,445	627	306	933	2,378	187
Printing & Publications	9,608	4,165	2,033	6,198	15,806	1,942
Dues & Publications	435	188	92	280	715	2,131
Advertising	8,708	3,775	1,843	5,618	14,326	25,043
Fundraising Costs			35,162	35,162	35,162	29,425
Travel & Transportation	13,001	5,636	2,751	8,387	21,388	12,245
Conferences & Meetings		125		125	125	3,400
Insurance	15,246	2,033	3,049	5,082	20,328	22,420
Miscellaneous		9,627		9,627	9,627	6,748
Interest Expense	21,853	2,914	4,371	7,285	29,138	49,732
Depreciation	52,781	7,037	10,556	17,593	70,374	61,548
Program Expense	63,659				63,659	28,816
Total Expense	1,977,277	211,661	151,370	363,031	2,340,308	2,216,965
Increase(Decrease) in Net Assets	\$ (63,406)	\$ (121,343)	\$ 509,424	\$ 388,081	\$ 324,675	\$ 75,811

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, 2012

	<u>TOTAL CURRENT YEAR</u>	<u>TOTAL PRIOR YEAR</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Increase (Decrease) in Net Assets	\$ 324,675	\$ 75,811
Adjustments to Reconcile Net Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	70,374	61,548
(Increase) Decrease in Assets:		
Prepaid Expenses	9,629	(9,569)
(Increase) Decrease in Liabilities:		
Accounts Payable		(5,110)
Payroll & Related Liabilities	(1,120)	(2,758)
Line of Credit	<u>(11,341)</u>	<u>(10,746)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	392,217	109,176
CASH FLOWS FROM INVESTING ACTIVITIES		
Property & Equipment	<u>(13,634)</u>	<u>(63,026)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:	(13,634)	(63,026)
CASH FLOWS FROM FINANCING ACTIVITIES		
Mortgage Payable	<u>(214,272)</u>	<u>(309,824)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:	<u>(214,272)</u>	<u>(309,824)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>164,311</u>	<u>(263,674)</u>
CASH & CASH EQUIVALENTS, BEGINNING	<u>598,741</u>	<u>862,415</u>
CASH & CASH EQUIVALENTS, ENDING	<u>\$ 763,052</u>	<u>\$ 598,741</u>
NON CASH TRANSACTIONS		
Contributed Goods & Services	<u>\$ 1,357,300</u>	<u>\$ 1,313,121</u>
Interest Paid	<u>\$ 29,137</u>	<u>\$ 49,732</u>

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

ECUMENICAL HUNGER PROGRAM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012

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, 2012, the Organization has \$711,901 of uninsured cash balances.

NOTE 4: NOTE PAYABLE

EHP has a Note Payable with Comerica Bank due February 2015 for \$230,115 which bears interest at 6% and requires monthly payments of \$2,150. Annual payments are as follows:

<u>Year</u>	<u>Amount</u>
2012	25,797
2013	25,797
Thereafter	178,521
Total	<u>\$ 230,115</u>

ECUMENICAL HUNGER PROGRAM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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 \$18,595. 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, 2012 which valued at \$10 per hour would amount to \$143,885. The Organization also received \$1,338,705 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:

	June 30, 2012	June 30, 2011
Buildings	\$ 1,371,668	\$ 1,371,668
Land	600,000	600,000
Warehouse	142,298	142,298
Landscaping	236,250	236,250
Furniture & Equipment	60,072	58,367
Vehicles	83,602	71,673
Fixed Assets, Cost	2,493,890	2,480,256
Less Accumulated Dep.	(488,781)	(418,407)
Fixed Assets, Net	\$ 2,005,109	\$ 2,061,849

NOTE 7: MORTGAGE PAYABLE

A mortgage dated May 13, 2010 and maturing May 13, 2015 payable to Cordes Lake Family Trust was paid off early at the end of the current fiscal year.

ECUMENICAL HUNGER PROGRAM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012 was \$7,548 and for the year ended June 30, 2011 was \$7,459.

NOTE 9: 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 10: DATE OF MANAGERMENTS REVIEW

In preparing the financial statements, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure through January 15, 2013, the date that the financial statements were available to be issued.