

**MENDOCINO COAST HOSPITAL FOUNDATION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**



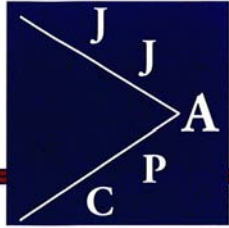
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**Mendocino Coast Hospital Foundation  
Financial Statements  
For the year ended December 31, 2018  
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JJACPA, Inc.

A Professional Accounting Services Corp.

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### **Independent Auditor's Report**

Governing Board  
Mendocino Coast Hospital Foundation  
Fort Bragg, California

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

We have audited the accompanying financial statements of the Mendocino Coast Hospital Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Foundation's December 31, 2017, financial statements in which another auditor expressed an unmodified opinion on July 5, 2018, on those 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***

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 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, 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.

Governing Board  
Mendocino Coast Hospital Foundation  
Fort Bragg, California

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2018, and the changes in its Net Position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

June 27, 2019

*JJACPA, Inc.*  
**JJACPA, Inc.**  
**Dublin, CA**

# Mendocino Coast Hospital Foundation

## Statement of Financial Position

December 31, 2018

(with summarized financial information for December 31, 2017)

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
Cash and cash equivalents - without donor restrictions	\$ 471,516	\$ 943,427
Cash and cash equivalents - with donor restrictions	-	-
Accounts receivable	3,167	205
Prepaid expenses and deposits	33,214	35,262
Property and equipment, net	424	565
Investments	1,709,010	1,282,802
Other noncurrent assets	76,083	69,698
<b>Total assets</b>	<b>\$ 2,293,414</b>	<b>\$ 2,331,959</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 19,027	\$ 1,725
Accrued expenses	8,153	20,496
<b>Total liabilities</b>	<b>27,180</b>	<b>22,221</b>
<b>Net Assets:</b>		
Without donor restrictions		
Undesignated	1,891,352	1,870,108
Designated by the Board to sustaining fund	-	4,668
Invested in property and equipment	-	565
With donor restrictions		
Purpose restrictions	374,882	434,397
<b>Total net assets</b>	<b>2,266,234</b>	<b>2,309,738</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,293,414</b>	<b>\$ 2,331,959</b>

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

# Mendocino Coast Hospital Foundation

## Statement of Activities

For the year ended December 31, 2018

(with summarized financial information for the year ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total	2017
<b>REVENUE, SUPPORT AND GAINS</b>				
Support:				
Gifts, grants and contributions	\$ 130,048	\$ 305,280	\$ 435,328	\$ 470,386
In-kind contributions	81,872	-	81,872	103,904
Total support	211,920	305,280	517,200	574,290
Investment return:				
Interest and dividends	81,777	-	81,777	56,720
Rental Income	-	-	-	-
Realized gains or (losses), net	(1,215)	-	(1,215)	112,827
Unrealized gains (losses), net	(108,471)	-	(108,471)	37,672
Total investment return	(27,909)	-	(27,909)	207,219
Gross Special Events and Fund Raising	483,813	-	483,813	512,583
Other revenues	38,311	-	38,311	-
Net assets released from restrictions	-	-	-	-
Total revenue, support and gains	706,135	305,280	1,011,415	1,294,092
<b>EXPENSES AND LOSSES</b>				
Program services	373,372	-	373,372	589,659
Supporting services:				
Management and general	172,999	-	172,999	181,827
Fundraising and development	508,547	-	508,547	465,462
Total expenses and losses	1,054,918	-	1,054,918	1,236,948
CHANGE IN NET ASSETS	(348,783)	305,280	(43,503)	57,144
NET ASSETS - Beginning of year	2,309,737		2,309,737	2,252,594
NET ASSETS - End of year	\$ 1,960,954	\$ 305,280	\$ 2,266,234	\$ 2,309,738

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



**Mendocino Coast Hospital Foundation**  
**Statement of Cash Flows**  
**For the year ended December 31, 2018**  
**(with comparative balances for the year ended December 31, 2017)**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from contributions and memberships	\$ 464,292	\$ 470,182
Receipts from grants	81,872	103,904
Receipts from special events	483,813	512,583
Receipts from program service fees and other support	-	-
Payments to vendors for services and supplies	(917,966)	(1,045,463)
Payments to employees for services	(129,805)	(195,718)
<b>Net cash from operating activities</b>	<u>(17,794)</u>	<u>(154,512)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(426,208)	(45,762)
Proceeds from sales of investments	-	273,692
Investment income received	(27,909)	-
<b>Net cash from investing activities</b>	<u>(454,117)</u>	<u>227,930</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Proceeds from borrowings	-	-
<b>Net cash from financing activities</b>	<u>-</u>	<u>-</u>
Net change in Cash, Cash Equivalents, and Restricted Cash	(471,911)	73,418
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	943,427	870,009
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 471,516</u>	<u>\$ 943,427</u>

(continued)

**Mendocino Coast Hospital Foundation**  
**Statement of Cash Flows**  
**For the year ended December 31, 2018**  
**(with comparative balances for the year ended December 31, 2017)**

**Reconciliation of Change in Net Assets to Net Cash from Operating Activities**

Change in net assets	\$ (43,503)	\$ 57,145
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	141	141
Net realized and unrealized (gain) loss on investments	27,909	(207,219)
Writedown of capital assets		
Changes in operating assets and liabilities:		
Accounts receivable	(2,962)	(205)
Prepays and deposits	2,048	(237)
Inventory		
Other assets	(6,385)	-
Accounts payable	17,301	676
Accrued payroll and benefits	(12,343)	(4,813)
Vacation accrual	-	-
Unearned revenue	-	-
<b>Net cash provided by operating activities</b>	<b>\$ (17,794)</b>	<b>\$ (154,512)</b>

*Supplemental disclosures*

Noncash transactions		
Office rent	16,000	\$ 16,000
In-kind contributions	\$ 52,730	\$ 87,904
Cash paid for:		
Interest	\$ -	\$ -
Taxes	\$ -	\$ 10

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

(concluded)

# Mendocino Coast Hospital Foundation

## Statement of Functional Expenses

For the year ended December 31, 2018

	Supporting Expenses			Total Expenses
	Program	Management and General	Fundraising	
Grants and other assistance	\$ 363,527	\$ -	\$ -	\$ 363,527
Salaries and wages	5,035	110,974	55,633	171,642
Pension plan contributions	-	4,770	-	4,770
Other employee benefits	517	6,488	9,863	16,868
Payroll taxes	420	9,269	4,663	14,352
Legal fees	-	(2,165)	-	(2,165)
Accounting fees	-	11,239	-	11,239
Professional services	-	728	181,795	182,523
Bank and registration fees	217	1,640	17,539	19,396
Advertising and promotion	-	-	6,440	6,440
Office expenses	-	5,734	3,261	8,995
Information technology	-	3,260	2,082	5,342
Occupancy	-	16,000	-	16,000
Travel	-	207	-	207
Depreciation and amortization	-	141	-	141
Insurance	-	2,286	-	2,286
Postage and shipping	-	1,148	2,661	3,809
Printing and publications	656	1,566	20,131	22,353
Hospitality	-	494	6,082	6,576
Bad debt expense	-	-	1,207	1,207
Other expenses	-	(843)	(572)	(1,415)
Equipment rental	-	63	39,168	39,231
Special events expenses	3,000	-	158,594	161,594
Total expenses	<u>\$ 373,372</u>	<u>\$ 172,999</u>	<u>\$ 508,547</u>	<u>\$ 1,054,918</u>

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

# Mendocino Coast Hospital Foundation

## Statement of Functional Expenses

For the year ended December 31, 2017

	Supporting Expenses			Total Expenses
	Program	Management and General	Fundraising	
Grants and other assistance	584,284	-	-	584,284
Salaries and wages	5,375	102,460	60,635	168,470
Pension plan contributions	-	4,947	-	4,947
Other employee benefits	-	8,283	9,205	17,488
Payroll taxes	-	10,067	5,025	15,092
Accounting fees	-	14,313	-	14,313
Professional services	-	3,142	-	3,142
Bank and registration fees	-	2,052	15,058	17,110
Advertising and promotion	-	40	10,410	10,450
Office expenses	-	3,168	-	3,168
Information technology	-	4,953	4,059	9,012
Occupancy	-	16,000	-	16,000
Travel	-	1,622	2,622	4,244
Depreciation and amortization	-	141	-	141
Conferences and meetings	-	3,170	588	3,758
Insurance	-	1,229	-	1,229
Postage and shipping	-	1,330	3,340	4,670
Printing and publications	-	1,375	15,553	16,928
Hospitality	-	423	-	423
Other expenses	-	3,112	-	3,112
Special events expenses	-	-	338,967	338,967
Total expenses	\$ 589,659	\$ 181,827	\$ 465,462	\$ 1,236,948

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

**Mendocino Coast Hospital Foundation**  
**Notes to Financial Statements**  
**For the year ended December 31, 2018**

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**1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

**Summary of Organization**

The Mendocino Coast Hospital Foundation (the Foundation) is a nonprofit public benefit corporation formed in August 1984 for the charitable purpose of providing the Mendocino Coast District Hospital (the Hospital) financial aid for patient services and funds allowing it to acquire, replace and upgrade its facilities and equipment. Winesong, an annual wine tasting and auction event, is the primary fundraising event produced by the Foundation.

The Foundation has an office in Fort Bragg, California and its operations are funded by support from donors, contracts from various county, state and federal agencies, and from fee for service work.

***Basis of Accounting***

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

***Cash and Cash Equivalents***

The Foundation considers cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments for purposes of the statement of cash flows exclude restricted cash and cash equivalents.

***Investments***

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. After that, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

***Property and Equipment***

The Foundation records property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from five to fifteen years, or in the case of capitalized leased assets or leasehold improvements, the lesser or the useful life of the asset or the lease term. The assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

**Mendocino Coast Hospital Foundation**  
**Notes to Financial Statements, Continued**  
**For the year ended December 31, 2018**

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**1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Net Assets*

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions*

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a sustaining fund.

*Net Assets With Donor Restrictions*

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

*Revenue and Revenue Recognition*

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

*Donated Services and In-kind Contributions*

Volunteers contribute significant amounts of time in supporting Mendocino Coast Hospital Foundation's activities. However, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Foundation records donated professional services at the respective fair values of the services received.

**Mendocino Coast Hospital Foundation**  
**Notes to Financial Statements, Continued**  
**For the year ended December 31, 2018**

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**1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Advertising*

Advertising costs are expensed as incurred and approximately \$6,440 for the year ended December 31, 2018.

*Functional Allocation of Expenses*

The costs of program and supporting have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Income Taxes*

Mendocino Coast Hospital Foundation is organized as a California nonprofit public benefit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi), and have been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation has evaluated uncertain tax positions and related disclosures in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10-50-15. Management does not believe that any material uncertain tax positions exist. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

*Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and gains, and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Mendocino Coast Hospital Foundation  
Notes to Financial Statements, Continued  
For the year ended December 31, 2018**

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**1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Financial Instruments and Credit Risk*

Financial instruments that potentially subject Mendocino Coast Hospital Foundation to concentrations of credit risk consist of cash deposits and investments. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per banking institution.

The Foundation maintains investments at Edward Jones Investment Company. Investments are subject to a formal investment policy, which provides for diversification and oversight. Balances in investment accounts are insured up to \$500,000, including a limit of \$250,000 for cash, by the Securities Investor Protection Corporation (SIPC). Edward Jones purchases additional protection from Underwriters at Lloyd's. Although these investments are exposed to numerous risks, including interest rate fluctuation, market volatility, and credit risks, management believes that the investment policy and guidelines are prudent for the long-term welfare of the Foundation. Due to the level of risk associated with certain investments, changes in fair values of the investments could occur, which would materially affect the Foundation's financial statements and future financial position.

At December 31, 2018, Mendocino Coast Hospital Foundation had uninsured cash balances of approximately \$10,850.

**2. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

Financial assets at December 31, 2018:	
Cash and cash equivalents	\$ 471,516
Accounts receivable	3,167
Investments	1,709,010
Total financial assets	<u>2,183,693</u>
Less amounts not available to be used within on year:	
Net assets with donor restrictions	<u>(374,882)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,808,811</u>

Although the Foundation does not intend to spend from the board-designated sustaining fund, these amounts could be made available if necessary.



**Mendocino Coast Hospital Foundation**  
**Notes to Financial Statements, Continued**  
**For the year ended December 31, 2018**

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**3. PREPAID EXPENSES**

Prepaid expenses consist of the following at December 31, 2018:

A production contract for 2018 Winesong deposit	\$ 32,500
Insurance	465
Membership	249
Total	<u>\$ 33,214</u>

**4. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

The following is a summary of changes for furniture, equipment, and leasehold improvements as of December 31, 2018:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletion / Retirements</u>	<u>June 30, 2018</u>
<b>Depreciable assets:</b>				
Office equipment	\$ 26,489	\$ 1,563	\$ (19,417)	\$ 8,635
Furniture & Fixtures	8,778	-	(1,480)	7,298
<b>Total depreciable assets</b>	<u>35,267</u>	<u>1,563</u>	<u>(20,897)</u>	<u>15,933</u>
<b>Total accumulated depreciation</b>	<u>(34,702)</u>	<u>(141)</u>	<u>19,334</u>	<u>19,193</u>
<b>Total capital assets</b>	<u>\$ 565</u>	<u>\$ 1,422</u>	<u>\$ (1,563)</u>	<u>\$ 424</u>

Depreciation expense charged to operations for the year ended December 31, 2018, was \$1,319.

**5. FAIR VALUE MEASUREMENTS AND INVESTMENTS**

Mendocino Coast Hospital Foundation reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

**Mendocino Coast Hospital Foundation**  
**Notes to Financial Statements, Continued**  
**For the year ended December 31, 2018**

**5. FAIR VALUE MEASUREMENTS AND INVESTMENTS, Continued**

A three-tier hierarchy categorizes the inputs as follows:

*Level 1* – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

*Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

*Level 3* – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to management’s assessment of the quality, risk, or liquidity profile of the asset or liability.

The following table presents investments measured at fair value on a recurring basis, except those measured at cost, at December 31, 2018:

Description	Cost Basis	Fair Market Value at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 139,619	\$ 139,619	\$ -	\$ -
Common stock	40,433	60,119	-	-
Certificates of Deposit	350,000	350,398	-	-
Mutual fund investments	996,196	1,158,874	-	-
	<u>\$1,526,248</u>	<u>\$ 1,709,010</u>	<u>\$ -</u>	<u>\$ -</u>

**Mendocino Coast Hospital Foundation  
Notes to Financial Statements, Continued  
For the year ended December 31, 2018**

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**6. OTHER ASSET - MENDOCINO COAST MEDICAL PLAZA, LLC**

In 2003 the Foundation purchased an interest in a Limited Liability Company which has developed a medical office building in Fort Bragg, CA. The Foundation is a 10.53% owner of this entity. The investment cost as of December 31, 2017, is \$69,698. Level 3 measurements determine the fair value for investment in Mendocino Coast Medical Plaza, LLC. To minimize the use of unobservable inputs that are significant to the fair value measurement, the Foundation carries the investment in Mendocino Coast Medical Plaza, LLC at cost.

**7. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted as of December 31, 2018, for the following purposes:

<u>Name of Fund</u>	<u>Balance</u>
Ambulance Fund	\$ 32,224
Gloria Fredrickson Nurses Fund	2,527
Cox Cancer Care Fund	54,849
Chaplaincy Program	345
Patient Refurb Project	34,937
FAN - Expanding Cancer Care	250,000
Total	<u>\$ 374,882</u>

The Foundation reserved cash and investments in the amount of \$374,882 as of December 31, 2018. These assets are limited as to use for purposes specifically designated by donors of the Foundation to support the programs and services of the District.

At December 31, 2018, Mendocino Coast Hospital Foundation does not have net assets with donor-imposed restrictions that are perpetual in nature.

**8. BOARD DESIGNATED NET ASSETS**

During 2017 the Board of Directors authorized a transfer of \$4,668 to a sustaining fund account. Since this is not a donor-imposed restriction, the designated assets are classified and reported as part of net assets without donor restrictions. The total board designated net assets at December 31, 2017, is \$4,668.

**9. LINE OF CREDIT**

Mendocino Coast Hospital Foundation maintained a non-revolving line of credit with Edward Jones Investment Company. This line of credit is based on and collateralized by the Foundation's investment accounts. At December 31, 2018, \$776,877 of credit was approved at 5% interest rate. There were no borrowings during 2018 on this credit facility.

**Mendocino Coast Hospital Foundation**  
**Notes to Financial Statements, Continued**  
**For the year ended December 31, 2018**

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**10. RELATED PARTY**

The Foundation has a close association with the Mendocino Coast District Hospital which operates the local hospital. The District provides office space to the Foundation at no cost under an informal agreement. The fair market value of this donation is properly recorded in the statement of activities under other income and the related expense. The amount recorded for the year ended December 31, 2018, was \$16,000.

In addition, the Directors and fixed assets of the Foundation are covered under insurance policies carried by the District. It would be impracticable to estimate the cost savings of this donation and would be immaterial to the financial statements taken as a whole, therefore it is not recorded in the financial statements.

During the year ended December 31, 2018, the Foundation made payments in the amount of \$363,527 to the Mendocino Coast District Hospital as pass-through donations and funds raised during the Winesong event.

**11. FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits and payroll taxes, which are allocated on the basis of estimates of time and effort.

Mendocino Coast Hospital Foundation classifies its expenses based on the following functional expense categories:

*Program* - Contributions and grants awarded to Mendocino Coast District Hospital.

*Management & General* - Supporting activities that are not identifiable with one or more program or fundraising activity, such as expenses for board, committee or staff meetings; accounting; insurance; office management and administration, and human resources.

*Fundraising* - Special events, campaigns, annual appeals, marketing, donor development, and stewardship.

**Mendocino Coast Hospital Foundation**  
**Notes to Financial Statements, Continued**  
**For the year ended December 31, 2018**

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**12. NONCASH DONATIONS**

During the year ended December 31, 2018, the Foundation received the following noncash donations of materials, services, and free use of facilities that have been reflected in the statement of activities:

Use of facilities - office	\$	16,000
Marketable securities		2,429
Lodging		13,522
Food and beverages		5,389
Advertising		6,918
Supplies		4,100
Auction event trades		33,514
	\$	<u>81,872</u>

**13. RETIREMENT BENEFITS**

Mendocino Coast Hospital Foundation has established a retirement savings plan under Section 403(b) of the U.S. Internal Revenue Code (the 403(b) Plan). The 403(b) Plan covers employees of the organization who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. Employer contributions are discretionary and are determined and authorized by the Board of Directors each plan year. The Foundation's contribution to the 403(b) plan for the year ended December 31, 2018, amounted to \$4,770.

**14. FUNDRAISING ACTIVITIES – WINESONG**

The Foundation hosts various special events throughout the year. A weekend fundraising event produced once a year called Winesong, which includes wine tasting and an auction, comprise a significant portion of Mendocino Coast Hospital Foundation's revenues.

For the year ended December 31, 2018, Winesong generated fundraising revenues as follows:

Ticket sales	\$	99,478
Auction revenue		371,090
Product sales		1,351
Advertising sales		2,000
Registration fees		9,894
	\$	<u>483,813</u>

Additionally, \$38,200 was contributed by donors and sponsors of the event, in-kind donations of \$81,872 and donations of \$281,704 to Fund-A- Need lots as included in the total of Gift, grants, and contributions on the statement of activities.

**Mendocino Coast Hospital Foundation  
Notes to Financial Statements, Continued  
For the year ended December 31, 2018**

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**14. FUNDRAISING ACTIVITIES – WINESONG, Continued**

The following table presents details of direct expenses of Winesong event:

Professional services	\$ 181,795
Bank fees and registrations	17,539
Advertising	6,440
Office expenses	3,261
Information technology	2,082
Postage and shipping	2,661
Printing and publications	20,131
Hospitality	6,082
Bad debt expense	1,207
Other expenses	(572)
Equipment and rental maintenance	39,168
Purchases and supplies	158,594
Total	<u>\$ 438,388</u>

Also, the Foundation attributes direct payroll and employee benefits expenses of \$70,159 to coordinate the Winesong event.

**15. CONTINGENCIES AND GUARANTEES**

At the end of December 31, 2018, Mendocino Coast Hospital Foundation has guaranteed payments on various contracts in the amount of \$85,000 with various suppliers and consultants for 2018 Winesong event.

The contract with Mendocino Coast Botanical Gardens for a venue use is a three-year agreement with an expectation of renewing the contract twice for an additional two years through the year 2023. The usage fee is \$20,000 each year with annual review for unforeseen changes and cost increases. Mendocino Coast Hospital Foundation will not be liable for any venue use fee if inclement weather forces the events to an alternate indoor location, except for actual cost incurred by Mendocino Coast Botanical Gardens in the preparation of the event.

**Mendocino Coast Hospital Foundation**  
**Notes to Financial Statements, Continued**  
**For the year ended December 31, 2018**

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**16. RECENT ACCOUNTING GUIDANCE**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

In August 2016, FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230), *Classification of Certain Cash Receipts and Cash Payments*. This guidance is intended to reduce the diversity in practice in how certain transactions are classified in the statement of cash flows. In addition, in November 2016, FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230), *Restricted Cash*. This ASU provides additional guidance related to transfers between cash and restricted cash and how entities present, in their statements of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. We have adopted these provisions in the accompanying financial statements.

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. We have implemented Topic 606 and have adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

**17. MANAGEMENT REVIEW OF SUBSEQUENT EVENTS**

Management has evaluated events that have occurred subsequent to the financial statement date through June 27, 2019, the date the financial statements were available to be issued. There were no subsequent material events that required recognition or additional disclosure in the statements.