

MENDOCINO COAST HEALTHCARE FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019



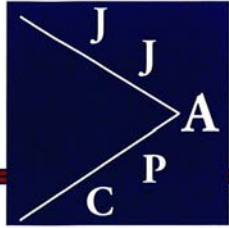
MENDOCINO COAST
HEALTHCARE FOUNDATION

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Mendocino Coast Healthcare Foundation
Financial Statements
For the year ended December 31, 2019
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JJACPA, Inc.

A Professional Accounting Services Corp.

Independent Auditor's Report

Governing Board
Mendocino Coast Healthcare Foundation
Fort Bragg, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Mendocino Coast Healthcare Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2019, 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, 2018, financial statements in which we expressed an unmodified opinion on June 27, 2019, 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 Healthcare 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, 2019, 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.

July 17, 2020

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

Mendocino Coast Healthcare Foundation

Statement of Financial Position

December 31, 2019

(with summarized financial information for December 31, 2018)

ASSETS	2019	2018
Cash and cash equivalents - without donor restrictions	\$ 405,362	\$ 471,516
Accounts receivable	9,000	3,167
Prepaid expenses and deposits	48,377	33,214
Property and equipment, net	-	424
Investments	2,428,531	1,709,010
Other assets	87,608	76,083
Total assets	\$ 2,978,878	\$ 2,293,414
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 10,721	\$ 19,027
Accrued expenses	5,778	8,153
Grant payable	130,000	-
Total liabilities	146,499	27,180
Net Assets:		
Without donor restrictions		
Undesignated	1,995,225	1,891,352
With donor restrictions		
Purpose restrictions	837,154	374,882
Total net assets	2,832,379	2,266,234
Total liabilities and net assets	\$ 2,978,878	\$ 2,293,414

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

Mendocino Coast Hospital Foundation

Statement of Activities

For the year ended December 31, 2019

(with summarized financial information for the year ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	2018
REVENUE, SUPPORT AND GAINS				
Support:				
Gifts, grants and contributions	\$ 57,140	\$ 759,796	\$ 816,936	\$ 435,328
In-kind contributions	94,144	-	94,144	81,872
Total support	151,284	759,796	911,080	517,200
Investment return:				
Interest and dividends	85,667	-	85,667	81,776
Rental Income	-	-	-	-
Realized gains or (losses), net	(11)	-	(11)	(1,215)
Unrealized gains (losses), net	150,049	-	150,049	(108,471)
Total investment return	235,705	-	235,705	(27,910)
Gross Special Events and Fund Raising	507,998	-	507,998	483,813
Other revenues	55,350	-	55,350	38,311
Less cost of goods sold	(1,564)	-	(1,564)	-
Net assets released from restrictions	297,524	(297,524)	-	-
Total revenue, support and gains	1,246,297	462,272	1,708,569	1,011,414
EXPENSES AND LOSSES				
Program services	446,214	-	446,214	373,372
Supporting services:				
Management and general	216,765	-	216,765	172,999
Fundraising and development	479,445	-	479,445	508,547
Total expenses and losses	1,142,424	-	1,142,424	1,054,918
CHANGE IN NET ASSETS	103,873	462,272	566,145	(43,504)
NET ASSETS - Beginning of year	1,891,352	374,882	2,266,234	2,309,738
NET ASSETS - End of year	\$ 1,995,225	\$ 837,154	\$ 2,832,379	\$ 2,266,234

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, 2019
(with comparative balances for the year ended December 31, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from contributions and memberships	\$ 882,776	\$ 464,292
Receipts from grants	10,946	81,872
Receipts from special events	561,784	483,813
Payments to vendors for services and supplies	(826,124)	(917,966)
Payments to employees for services	(211,720)	(129,805)
Net cash from operating activities	417,662	(17,794)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(719,521)	(426,208)
Investment income received	235,705	(27,909)
Net cash from investing activities	(483,816)	(454,117)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Proceeds from borrowings	-	-
Net cash from financing activities	-	-
Net change in Cash, Cash Equivalents, and Restricted Cash	(66,154)	(471,911)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	471,516	943,427
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 405,362	\$ 471,516

(continued)

Mendocino Coast Hospital Foundation
Statement of Cash Flows
For the year ended December 31, 2019
(with comparative balances for the year ended December 31, 2018)

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

	<u>2019</u>	<u>2018</u>
Change in net assets	\$ 566,145	\$ (43,504)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	424	141
Net realized and unrealized (gain) loss on investments	(235,705)	27,910
Changes in operating assets and liabilities:		
Accounts receivable	(5,833)	(2,962)
Prepays and deposits	(15,163)	2,048
Other assets	(11,525)	(6,385)
Accounts payable	(8,306)	17,301
Accrued payroll and benefits	(2,375)	(12,343)
Grants payable	130,000	-
Net cash provided by operating activities	<u>\$ 417,662</u>	<u>\$ (17,794)</u>

Supplemental disclosures

Noncash transactions		
Office and venue rent	\$ 29,800	\$ 16,000
In-kind contributions	\$ 64,344	\$ 65,872
Cash paid for:		
Interest	\$ -	\$ -
Taxes	\$ -	\$ -

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, 2019

	Supporting Expenses			Total Expenses
	Program	Management and General	Fundraising	
Grants and other assistance	\$ 440,015	\$ -	\$ -	\$ 440,015
Salaries and wages	3,048	118,998	63,280	185,326
Pension plan contributions	-	3,830	1,559	5,389
Other employee benefits	-	12,449	6,181	18,630
Payroll taxes	-	11,255	4,146	15,401
Worker's comp insurance	-	3,570	-	3,570
Payroll expenses	-	2,484	-	2,484
Legal fees	-	5,476	-	5,476
Accounting fees	-	11,985	-	11,985
Professional services	-	15,274	180,445	195,719
Advertising and promotion	-	243	11,445	11,688
Office expenses	-	5,391	2,513	7,904
Information technology	-	2,955	1,508	4,463
Occupancy	-	16,300	7,600	23,900
Travel	-	157	1,935	2,092
Conferences and meetings	-	282	393	675
Supplies	151	232	-	383
Depreciation and amortization	-	424	-	424
Postage and shipping	-	978	881	1,859
Printing and publications	-	1,689	23,340	25,029
Bank and registration fees	-	1,474	15,639	17,113
Hospitality	-	100	7,482	7,582
Other expenses	-	360	80	440
Equipment rental	-	859	44,623	45,482
Special events expenses	3,000	-	106,395	109,395
Total expenses	<u>\$ 446,214</u>	<u>\$ 216,765</u>	<u>\$ 479,445</u>	<u>\$ 1,142,424</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, 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 Healthcare Foundation
Notes to Financial Statements
For the year ended December 31, 2019

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Summary of Organization

The Mendocino Coast Healthcare 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 fees 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 of the useful life of the asset or the lease term. When 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 Healthcare Foundation
Notes to Financial Statements, Continued
For the year ended December 31, 2019**

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 Healthcare 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 Healthcare Foundation
Notes to Financial Statements, Continued
For the year ended December 31, 2019

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

Advertising

Advertising costs are expensed as incurred and were \$11,688 for the year ended December 31, 2019.

Functional Allocation of Expenses

Program and supporting costs 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 Healthcare 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 Healthcare Foundation
Notes to Financial Statements, Continued
For the year ended December 31, 2019**

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

Financial Instruments and Credit Risk

Financial instruments that potentially subject Mendocino Coast Healthcare 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, 2019, Mendocino Coast Healthcare 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, 2019:	
Cash and cash equivalents	\$ 405,362
Accounts receivable	9,000
Investments	2,428,531
Total financial assets	<u>2,842,893</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(837,154)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,005,739</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 Healthcare Foundation
Notes to Financial Statements, Continued
For the year ended December 31, 2019

3. PREPAID EXPENSES

Prepaid expenses consist of the following at December 31, 2019:

A production contract for 2020 Winesong deposit	\$ 45,000
Storage rent	2,715
Insurance	413
Membership	249
Total	<u>\$ 48,377</u>

4. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

The following is a summary of changes for furniture, equipment, and leasehold improvements as of December 31, 2019:

	<u>January 1, 2019</u>	<u>Additions</u>	<u>Deletion/ Retirements</u>	<u>December 31, 2019</u>
Depreciable assets:				
Computers and equipment	\$ 8,635	\$ -	\$ 2,900	\$ 11,535
Furniture and fixtures	7,298	-	(1,996)	5,302
Total depreciable assets	<u>15,933</u>	<u>-</u>	<u>904</u>	<u>16,837</u>
Total accumulated depreciation	<u>(15,509)</u>	<u>(424)</u>	<u>(904)</u>	<u>(16,837)</u>
Total capital assets	<u>\$ 424</u>	<u>\$ (424)</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense charged to operations for the year ended December 31, 2019, was \$424.

5. FAIR VALUE MEASUREMENTS AND INVESTMENTS

Mendocino Coast Healthcare 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 Healthcare Foundation
Notes to Financial Statements, Continued
For the year ended December 31, 2019

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, 2019:

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	\$ 797,600	\$ 797,601	\$ -	\$ -
Common stock	41,524	77,781	-	-
Certificates of Deposit	225,000	226,250	-	-
Mutual fund investments	1,326,899	1,326,899	-	-
	<u>\$ 2,391,023</u>	<u>\$ 2,428,531</u>	<u>\$ -</u>	<u>\$ -</u>

**Mendocino Coast Healthcare Foundation
Notes to Financial Statements, Continued
For the year ended December 31, 2019**

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, 2019, is \$86,735. 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, 2019, for the following purposes:

<u>Name of Fund</u>	<u>Balance</u>
Ambulance Fund	\$ 36,829
Gloria Fredrickson Nurses Fund	2,527
Cox Cancer Care Fund	56,671
Chaplaincy Program	1,347
Patient Refurb Project	21,379
FAN - Expanding Cancer Care	226,188
Jack B & Mary W Tomas Trust	492,213
Total	<u>\$ 837,154</u>

The Foundation reserved cash and investments in the amount of \$837,154 as of December 31, 2019. 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, 2019, Mendocino Coast Healthcare Foundation does not have net assets with donor-imposed restrictions that are perpetual in nature.

8. BOARD DESIGNATED NET ASSETS

There are no board designated net assets at December 31, 2019.

9. LINE OF CREDIT

Mendocino Coast Healthcare 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, 2019, \$848,761 of credit was approved at 5% interest rate. There were no borrowings during 2019 on this credit facility.

**Mendocino Coast Healthcare Foundation
Notes to Financial Statements, Continued
For the year ended December 31, 2019**

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, 2019, 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, 2019, 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 Healthcare 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 Healthcare Foundation
Notes to Financial Statements, Continued
For the year ended December 31, 2019

12. NONCASH DONATIONS

During the year ended December 31, 2019, 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	\$ 29,800
Lodging	15,600
Advertising	7,372
Other goods and services	41,372
	<u>\$ 94,144</u>

13. RETIREMENT BENEFITS

Mendocino Coast Healthcare 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, 2019, amounted to \$5,389.

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 Healthcare Foundation's revenues.

For the year ended December 31, 2019, Winesong generated fundraising revenues as follows:

Ticket sales	\$ 106,185
Auction revenue	369,154
Product sales	1,206
Advertising sales	1,000
	<u>\$ 477,545</u>

Additionally, \$47,990 was contributed by donors and sponsors of the event, in-kind donations of \$55,441 and donations of \$182,751 to Fund-A-Need lots as included in the total of Gift, grants, and contributions on the statement of activities.

Mendocino Coast Healthcare Foundation
Notes to Financial Statements, Continued
For the year ended December 31, 2019

14. FUNDRAISING ACTIVITIES – WINESONG, Continued

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

Professional services	\$ 169,705
Bank fees and registrations	15,345
Advertising	11,445
Office expenses	2,513
Information technology	1,508
Travel	1,935
Conferences and meetings	393
Postage and shipping	881
Printing and publications	23,340
Hospitality	7,482
Other expenses	80
In-Kind lodging and event items	105,286
Equipment and rental maintenance	42,124
Total	<u>\$ 382,037</u>

Also, the Foundation attributes direct payroll and employee benefits expenses of \$75,166 to coordinate the Winesong event.

15. CONTINGENCIES AND GUARANTEES

At the end of December 31, 2019, Mendocino Coast Healthcare Foundation does not have any guaranteed payments on vendor contracts.

16. RECENT ACCOUNTING GUIDANCE

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.

17. MANAGEMENT REVIEW OF SUBSEQUENT EVENTS

Due to restrictions arising from COVID-19, the Foundation has cancelled the Winesong 2020 Production Contract and requested a refund. The Foundation has informed the Botanical Gardens that they will not renew the Use Agreement for 2020 due to the cancellation.