Equitable Food Initiative (EFI)

Financial Statements
And
Independent Auditor's Report

Year Ended December 31, 2017
(With summarized comparative financial information for the year ended December 31, 2016)

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Independent Auditor's Report

To the Board of Directors
Equitable Food Initiative (EFI)

We have audited the accompanying financial statements of the Equitable Food Initiative (EFI), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the 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 of 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EFI as of December 31, 2017, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Equitable Food Initiative's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 12, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Abercrombie & Associates, LLC

Abercrombie & Associates, LLC
April 25, 2018
Silver Spring, MD

Equitable Food Initiative
Statement of Financial Position
December 31, 2017
(With summarized comparative financial information as of December 31, 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	$ 313,913	$1,602,142
Grants and accounts receivable, net	1,988,346	334,032
Prepaid expenses	9,599	6,954
Deposits	8,375	8,375
TOTAL ASSETS	$2,320,233	$1,951,503
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 132,040	$ 136,220
Deferred revenue	7,596	-
Total Liabilities	139,636	136,220
NET ASSETS		
Unrestricted	250,892	273,760
Temporarily restricted	1,929,705	1,541,523
Total Net Assets	2,180,597	1,815,283
TOTAL LIABILITIES AND NET ASSETS	$2,320,233	$1,951,503

The accompanying notes are an integral part of the financial statements

Equitable Food Initiative
Statement of Activities
Year Ended December 31, 2017
(With summarized comparative financial information for the year ended December 2016)

Revenue	**Unrestricted**	**Temporarily Restricted**	**2017 Total**	**2016 Total**
Contributions and grants	$ 3,500	$ 1,929,705	$ 1,933,205	$ -
In-kind contributions	82,253	-	82,253	51,082
Program income	214,360	-	214,360	207,500
Other Income	1,879	-	1,879	3,656
Net assets released from restrictions	1,541,523	(1,541,523)	-	-
Total Revenue and Support	1,843,515	388,182	2,231,697	262,238
Expenses				
Program Service	1,540,766		1,540,766	1,682,643
Management and General	246,463		246,463	284,663
Fundraising	79,154		79,154	48,853
Total Expenses	1,866,383	-	1,866,383	2,016,159
Change in Net Assets	(22,868)	388,182	365,314	(1,753,921)
Net Assets, Beginning of Year	273,760	1,541,523	1,815,283	3,569,204
Net Assets, End of Year	$ 250,892	$ 1,929,705	$ 2,180,597	$ 1,815,283

Equitable Food Initiative
Statement of Functional Expenses
Year Ended December 31, 2017
(With summarized comparative financial information for the year ended December 31, 2016)

	Program Expenses	Management & General Expenses	Fundraising Expenses	2017 Total Expenses	2016 Total Expenses
Salaries	701,223	147,316	40,417	888,956	843,814
Fringe benefits	106,004	22,268	6,115	134,387	118,609
Payroll taxes	59,101	12,415	3,409	74,925	67,648
Consultants, professional fees	282,982	20,219	10,362	313,563	477,365
Rent	27,152	5,663	1,555	34,370	26,219
Information technology	2,874	5,074	-	7,948	12,636
Office supplies, equipment	10,397	2,297	260	12,954	9,133
Bad debt	14,750	-	-	14,750	-
Memberships, subscriptions	19,740	13,287	399	33,426	25,135
Printing	35,626	303	-	35,929	19,224
Insurance	20,132	4,229	1,161	25,522	29,923
Meetings	90,481	9,444	2,388	102,313	116,509
Travel	170,304	3,948	13,088	187,340	269,944
Regrant to non profit	-	-	-	-	-
Total	1,540,766	246,463	79,154	1,866,383	2,016,159

The accompanying notes are an integral part of the financial statements

Equitable Food Initiative
Statement of Cash Flows
Year Ended December 31, 2017
(With summarized comparative financial information for the year ended December 31, 2016)

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	365,314	(1,753,921)
		-
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Bad debt expense	14,750	
(Increase) decrease in receivables	(1,669,064)	2,640,975
(Increase) decrease in prepaid expenses	(2,645)	1,853
(Increase) in deposits	-	(3,500)
Increase (decrease) in accounts payable & accrued expenses	(4,180)	(83,174)
Increase (decrease) in deferred revenue	7,596	-
Net cash provided (used) by operating activities	(1,288,229)	802,233
Increase (decrease) in Cash and Cash Equivalents	(1,288,229)	802,233
Cash and Cash Equivalents, Beginning of Year	1,602,142	799,909
Cash and Cash Equivalents, End of Year	$ 313,913	$1,602,142

The accompanying notes are an integral part of the financial statements

Note 1 – Organization and Summary of Accounting Policies

Organization
The Equitable Food Initiative (EFI) is a 501(c)(3) organization incorporated in 2015 under the laws of California. EFI brings together workers, growers and retailers in the effort to produce better fruits and vegetables. As produce farms comply with the EFI Standard – for improved working conditions, pesticide management, and food safety – the entire food system sees benefits, all the way from farm workers to consumers.

Basis of accounting
The financial statements of EFI have been prepared on the accrual basis of accounting in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Tax status
EFI has been granted exemption by the Internal Revenue Service (IRS) from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that the EFI is not a private foundation. EFI is required to report unrelated business income to the Internal Revenue Service and the District of Columbia.

Uncertain tax positions
The Financial Accounting Standards Board (FASB) has released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2017, EFI has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The Federal Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the Internal Revenue Service generally for three years after it is filed. Tax year ending December 31, 2016 and 2015 remain open with both Federal and state taxing authorities.

Cash and Cash equivalents
For financial statement purposes, cash and cash equivalents include operating cash accounts, petty cash and highly liquid, short-term instruments with original maturities of three months or less.

Net Assets

EFI has established the following net asset categories:

Unrestricted net assets include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of EFI.

Temporarily restricted net assets include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of EFI and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. If donor-imposed restrictions are met in the same reporting period in which the contribution is received, the contributions are reported as unrestricted support that increases unrestricted net assets.

Permanently restricted net assets are subject to donor-imposed stipulations that they be permanently maintained by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on these assets.

Revenue recognition

EFI recognizes revenue when it is earned. Revenues are recorded at the time pledges are made, corporate support is pledged, products are shipped, services are performed, or obligations are fulfilled. Contributions are reported in accordance with the provisions of FASB ASC 958-605, *Revenue Recognition*.

Property and equipment

Property and equipment consist of furniture, office equipment, computer equipment and intangible assets recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. EFI's capitalization policy currently records property and equipment acquisitions over $5,000 with an expected life of more than a year. At December 31, 2017, EFI did not have any property and equipment.

Donated services, goods and facilities

Donated professional services are reflected in the statement of activities at their fair value. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

Advertising Costs

Advertising costs are expensed as incurred.

Use of estimates

Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

New accounting pronouncements (not yet adopted)

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of EFI's financial statements, it is not expected to alter EFI's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled

Note 1 - New accounting pronouncements (not yet adopted) (continued) -

in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. EFI has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

EFI plans to adopt the new ASUs at the respective required implementation dates.

Note 2 – Grants and Accounts Receivable, Net

Grants Receivable
Grants receivable consist of a single grant that is recognized as revenue in the period promised, less any applicable present value discount amounts. Amounts receivable in more than one year were discounted at an average rate of 5%. Subsequent amortization of the present value discount is included in contribution revenue. As of December 31, 2017, present value discount for grants receivables was $70,295.

Grants receivable due in less than one year	$	1,000,000
Grants receivable due in one to five years		1,000,000
Less: Present value discount		(70,295)
Grants receivable, net of PV discount	$	1,929,705

Accounts Receivable
Accounts receivable consist of multiple contracts that are recognized in the period where the service is performed, less any applicable allowance for doubtful accounts. EFI uses the allowance method to account for uncollectible receivables. Receivables are determined uncollectible based on management's review. As of December 31, 2017, allowance for uncollectible receivables was $14,750.

Accounts receivable due in less than one year	$	73,391
Less: allowance for doubtful accounts		(14,750)
Accounts receivable, net of allowance	$	58,641

Note 2 – Grants and Accounts Receivable, Net – continued

Total Grants and Accounts Receivable, Net

Receivables due in less than one year	$	1,073,391
Receivables due in one to five years		1,000,000
Less: allowance for doubtful accounts		(14,750)
Less: Present value discount		(70,295)
Receivables, net	$	1,988,346

Note 3 - Net Assets Released From Restrictions

Net assets were released from donor imposed restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors for the year ended December 31, 2017.

Program purpose	$	1,367,356
Expiration of time restriction		174,167
Total	$	1,541,523

Note 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2017:

Program purpose	$	-
Time Restriction		1,929,705
Total	$	1,929,705

Note 5 - Commitments

EFI leases their office space in Washington, DC under a month to month operating lease. Rent expense for the year ended December 31, 2017 was $34,370.

Note 6 - Retirement Plan

EFI will make a fixed contribution to a recognized 403b or 401k plan equivalent to 5% of salary for full time employees. Employees are 40% vested after one year, 60% after two years, 80% after three years, and full vested four years after the initial hire date.

EFI’s contribution was $43,932 for 2017.

Note 7 – In-kind Contributions

EFI received $39,457 in donated legal services, $22,784 in donated rent and $20,012 in other professional services in 2017. Donated services are shown as both support and expense in the Statement of Activities.

Note 8 - Concentration of Credit Risk

Financial instruments that potentially expose EFI to concentrations of credit risk consist primarily of cash and cash equivalents. Bank deposit accounts at one institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000. EFI maintained checking account balances which were in excess of federally insured limits (FDIC) at December 31, 2017. Management believes the risk is managed by maintaining all deposits with high quality financial institutions. EFI has not experienced, nor does it anticipate any loss of funds from its current concentration of risk.

Note 9 - Functional Allocation of Expenses

The cost of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administrative costs have been allocated, when appropriate, to the programs and supporting services proportionately based on direct personnel costs.

Note 10 – Economic Dependency

For the year ended December 31, 2017, the Organization generated 86 percent of total revenue and support from their grant with a single funder. As of December 31, 2017, the Organization has no reason to believe that their relationship with the funder will be discontinued prior to the end of the grant period. However, EFI needs to expand its funding base as well as be successful in program initiatives. As noted above the company derived 86% of its revenue from their grant with a single funder which is due to conclude in 2020.

Note 11 - Subsequent events

In preparing these financial statements, EFI has evaluated events and transactions for potential recognition or disclosure through April 25, 2018, the date the financial statements were issued.