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Equitable Food Initiative (EFI)

Financial Statements  
And  
Independent Auditor's Report

Year Ended December 31, 2018  
(With summarized comparative financial information for the year ended  
December 31, 2017)

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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, 2018, 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.

## **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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Abercrombie & Associates, LLC*

Abercrombie & Associates, LLC  
April 11, 2019  
Silver Spring, MD

Equitable Food Initiative  
Statement of Financial Position  
December 31, 2018

(With summarized comparative financial information as of December 31, 2017)

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 295,679	\$ 313,913
Grants and accounts receivable, net	1,047,853	2,016,517
Prepaid expenses	20,427	9,599
Deposits	6,625	8,375
<b>TOTAL ASSETS</b>	<b>\$1,370,584</b>	<b>\$2,348,404</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 149,137	\$ 132,040
Deferred revenue	12,500	7,596
<b>Total Liabilities</b>	<b>161,637</b>	<b>139,636</b>
 <b>NET ASSETS</b>		
Without donor restriction	(84,728)	279,063
With donor restriction	1,293,675	1,929,705
<b>Total Net Assets</b>	<b>1,208,947</b>	<b>2,208,768</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$1,370,584</b>	<b>\$2,348,404</b>

The accompanying notes are an integral part of the financial statements

Equitable Food Initiative  
Statement of Activities  
Year Ended December 31, 2018

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

<b>Revenue</b>	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>2018 Total</b>	<b>2017 Total</b>
Contributions and grants	\$ 1,000	\$ 631,485	\$ 632,485	\$ 1,961,376
In-kind contributions	61,760	-	61,760	82,253
Program income	463,176	-	463,176	214,360
Other Income	1,273	-	1,273	1,879
Net assets released from restrictions	1,267,515	(1,267,515)	-	-
<b>Total Revenue and Support</b>	<u>1,794,724</u>	<u>(636,030)</u>	<u>1,158,694</u>	<u>2,259,868</u>
<b>Expenses</b>				
Program Service	1,430,110		1,430,110	1,540,766
Management and General	568,839		568,839	246,463
Fundraising	159,566		159,566	79,154
<b>Total Expenses</b>	<u>2,158,515</u>	<u>-</u>	<u>2,158,515</u>	<u>1,866,383</u>
<b>Change in Net Assets</b>	(363,791)	(636,030)	(999,821)	393,485
<b>Net Assets, Beginning of Year Restated</b>	<u>279,063</u>	<u>1,929,705</u>	<u>2,208,768</u>	<u>1,815,283</u>
<b>Net Assets, End of Year</b>	<u>\$ (84,728)</u>	<u>\$ 1,293,675</u>	<u>\$ 1,208,947</u>	<u>\$ 2,208,768</u>

The accompanying notes are an integral part of the financial statements

Equitable Food Initiative  
Statement of Functional Expenses  
Year Ended December 31, 2018

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

	<b>Program Expenses</b>	<b>Management &amp; General Expenses</b>	<b>Fundraising Expenses</b>	<b>2018 Total Expenses</b>	<b>2017 Total Expenses</b>
Salaries	609,306	309,939	35,127	954,372	888,956
Fringe benefits	136,754	69,563	7,884	214,201	209,312
Consultants, professional fees	361,897	65,616	103,097	530,610	313,563
Rent	21,423	10,897	1,235	33,555	34,370
Information technology	1,850	941	107	2,898	7,948
Office supplies, equipment	9,847	10,641	149	20,637	12,954
Bad debt	-	-	-	-	14,750
Memberships, subscriptions	29,321	12,213	768	42,302	33,426
Printing	41,580	1,054	-	42,634	35,929
Insurance	18,906	9,617	1,090	29,613	25,522
Meetings	118,572	26,703	2,392	147,667	102,313
Travel	80,654	51,655	7,717	140,026	187,340
<b>Total</b>	<b>1,430,110</b>	<b>568,839</b>	<b>159,566</b>	<b>2,158,515</b>	<b>1,866,383</b>

The accompanying notes are an integral part of the financial statements

Equitable Food Initiative  
Statement of Cash Flows  
Year Ended December 31, 2018

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

	<b>2018</b>	<b>2017</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	(999,821)	393,485
		-
<b>Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:</b>		
Bad debt expense	-	14,750
(Increase) decrease in receivables	968,664	(1,697,235)
(Increase) decrease in prepaid expenses	(10,828)	(2,645)
(Increase) in deposits	1,750	-
Increase (decrease) in accounts payable & accrued expenses	17,097	(4,180)
Increase (decrease) in deferred revenue	4,904	7,596
<b>Net cash provided (used) by operating activities</b>	<b>(18,234)</b>	<b>(1,288,229)</b>
<b>Increase (decrease) in Cash and Cash Equivalents</b>	<b>(18,234)</b>	<b>(1,288,229)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>313,913</b>	<b>1,602,142</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 295,679</b>	<b>\$ 313,913</b>

The accompanying notes are an integral part of the financial statements



Equitable Food Initiative  
Notes to Financial Statements  
December 31, 2018

**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 Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 Presentation of Financial Statements for Not-for-Profit Entities. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

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, 2018, 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, 2017, 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

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 Restriction – Net assets available for use in general operations and not subject to donor restrictions are recorded as net assets without donor restrictions.

Net Assets With Donor Restriction Net assets subject to donor or grantor imposed restrictions that will be met by the actions of EFI and/or the passage of time. When a restriction expires, with donor restriction net assets are reclassified to without donor restriction net assets and reported in the Statement of Activities and Changes in Net

Equitable Food Initiative  
Notes to Financial Statements  
December 31, 2018

Assets as net assets released from restrictions. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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, 2018, 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.

Fair value measurement

EFI adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurement. EFI accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Reclassification

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of Accounting Standards Update 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$279,063 are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets in the amount of \$1,929,705 is now classified as net assets with donor restrictions.

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.

Equitable Food Initiative  
Notes to Financial Statements  
December 31, 2018

New accounting pronouncements (not yet adopted)

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 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 June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. AAJC has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

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, 2018, present value discount for grants receivables was \$23,810.

Grants receivable due in less than one year	\$ 500,000
Grants receivable due in one to five years	500,000
Less: Present value discount	<u>(23,810)</u>
Grants receivable, net of PV discount	<u>\$ 976,190</u>

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Notes to Financial Statements  
December 31, 2018

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, 2018, allowance for uncollectible receivables was \$14,750.

Accounts receivable due in less than one year	\$ 71,663
Less: allowance for doubtful accounts	-
Accounts receivable, net of allowance	<u>\$ 71,663</u>

Total Grants and Accounts Receivable, Net

Receivables due in less than one year	\$ 571,663
Receivables due in one to five years	500,000
Less: allowance for doubtful accounts	-
Less: Present value discount	(23,810)
Receivables, net	<u>\$ 1,047,853</u>

**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, 2018.

Program purpose	\$ 268,205
Expiration of time restriction	999,310
Total	<u>\$ 1,267,515</u>

**Note 4 – Net Assets With Donor Restrictions**

Net assets with donor restrictions are available for the following purposes at December 31, 2018:

Program purpose	\$ 316,795
Time Restriction	976,880
Total	<u>\$ 1,293,675</u>

Equitable Food Initiative  
Notes to Financial Statements  
December 31, 2018

**Note 5 – Liquidity**

Liquidity and availability

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

Cash and Cash Equivalents	\$ 295,679
Grants and accounts receivable	1,047,853
Less: Amount restricted for Donor designations	<u>(1,293,675)</u>
Net Financial Assets Available within one year	<u>49,857</u>

EFI's policy is to structure its financial assets to become available as general expenditures, liabilities and other obligations become due. \$500,000 of grants subject to time restriction will be released for use in operations in 2019. As of December 31, 2018, EFI has financial assets equal to six months of operating expenses.

**Note 6 - Commitments**

EFI leases their office space in Washington, DC under a month to month operating lease. Rent expense for the year ended December 31, 2018 was \$33,555.

**Note 7 - 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 \$44,107 for 2018.

**Note 8 – In-kind Contributions**

EFI received \$40,367 in donated legal services and \$21,392 in other professional services in 2018. Donated services are shown as both support and expense in the Statement of Activities.

**Note 9 - 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, 2018. 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.

Equitable Food Initiative  
Notes to Financial Statements  
December 31, 2018

**Note 10 - 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 11 – Restatement of Net Assets**

Program Income related to 2017 was not originally booked during calendar 2017 due to timing of final agreements being completed after the 2017 audit. The cumulative effect of \$28,171 has been accounted for as a prior period adjustment. As a result, the organization has restated the statement of financial position as of December 31, 2017 and the related statement of activities for the year then ended.

**Note 12 - Subsequent events**

In preparing these financial statements, EFI has evaluated events and transactions for potential recognition or disclosure through April 11, 2019, the date the financial statements were issued.