
Equitable Food Initiative (EFI)

Financial Statements
And
Independent Auditor's Report

Year Ended December 31, 2019
(With summarized comparative financial information for the year ended
December 31, 2018)

TABLE OF CONTENTS

Independent Auditor's Report	3 - 4
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows.....	8
Notes to Financial Statements.....	9 - 13



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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Abercrombie & Associates, LLC

Abercrombie & Associates, LLC
May 22, 2020
Silver Spring, MD

Equitable Food Initiative
Statement of Financial Position
December 31, 2019

(With summarized comparative financial information as of December 31, 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 759,441	\$ 295,679
Grants and accounts receivable, net	632,661	1,047,853
Prepaid expenses	10,311	20,427
Deposits	10,141	6,625
TOTAL ASSETS	\$ 1,412,554	\$ 1,370,584
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 198,058	\$ 149,137
Deferred revenue	25,000	12,500
Total Liabilities	\$ 223,058	\$ 161,637
 NET ASSETS		
Without donor restriction	(177,562)	(84,728)
With donor restriction	1,367,058	1,293,675
Total Net Assets	1,189,496	1,208,947
 TOTAL LIABILITIES AND NET ASSETS	\$ 1,412,554	\$ 1,370,584

The accompanying notes are an integral part of the financial statements

Equitable Food Initiative
Statement of Activities
Year Ended December 31, 2019

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

Revenue	Without Donor Restriction	With Donor Restriction	2019 Total	2018 Total
Contributions and grants	\$ 224,810	\$ 1,685,000	\$ 1,909,810	\$ 632,485
In-kind contributions	56,876	-	56,876	61,760
Program income	728,621	-	728,621	463,176
Other Income	15,645	-	15,645	1,273
Net assets released from restrictions	1,611,617	(1,611,617)	-	-
Total Revenue and Support	<u>2,637,568</u>	<u>73,383</u>	<u>2,710,951</u>	<u>1,158,694</u>
Expenses				
Program Service	1,826,935		1,826,935	1,430,110
Management and General	789,848		789,848	568,839
Fundraising	113,619		113,619	159,566
Total Expenses	<u>2,730,402</u>	<u>-</u>	<u>2,730,402</u>	<u>2,158,515</u>
Change in Net Assets	(92,834)	73,383	(19,450)	(999,821)
Net Assets, Beginning of Year Restated	<u>(84,728)</u>	<u>1,293,675</u>	<u>1,208,947</u>	<u>2,208,768</u>
Net Assets, End of Year	<u>\$ (177,562)</u>	<u>\$ 1,367,058</u>	<u>\$ 1,189,497</u>	<u>\$ 1,208,947</u>

The accompanying notes are an integral part of the financial statements

Equitable Food Initiative
Statement of Functional Expenses
Year Ended December 31, 2019

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

	Program Expenses	Management & General Expenses	Fundraising Expenses	2019 Total Expenses	2018 Total Expenses
Salaries	766,491	356,806	21,429	1,144,726	954,372
Fringe benefits	170,511	78,893	5,090	254,494	214,201
Consultants, professional fees	462,461	170,900	79,999	713,361	530,610
Rent	17,579	8,134	525	26,238	33,555
Information technology	2,568	1,188	77	3,833	2,898
Office supplies, equipment	40,240	16,424	302	56,966	20,637
Bad debt	-	9,018	-	9,018	-
Memberships, subscriptions	13,876	6,420	414	20,710	42,302
Printing	48,486	890	-	49,376	42,634
Insurance	20,536	9,502	613	30,651	29,613
Meetings	137,785	28,360	1,687	167,832	147,667
Travel	146,400	103,313	3,482	253,196	140,026
Total	1,826,935	789,848	113,619	2,730,402	2,158,515

The accompanying notes are an integral part of the financial statements

Equitable Food Initiative
Statement of Cash Flows
Year Ended December 31, 2019

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

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ (19,450)	\$ (999,821)
		-
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) decrease in receivables	415,192	968,664
(Increase) decrease in prepaid expenses	10,115	(10,828)
(Increase) in deposits	(3,516)	1,750
Increase (decrease) in accounts payable & accrued expenses	48,921	17,097
Increase (decrease) in deferred revenue	12,500	4,904
Net cash provided (used) by operating activities	463,762	(18,234)
Increase (decrease) in Cash and Cash Equivalents	463,762	(18,234)
Cash and Cash Equivalents, Beginning of Year	295,679	313,913
Cash and Cash Equivalents, End of Year	\$ 759,441	\$ 295,679

The accompanying notes are an integral part of the financial statements

Equitable Food Initiative
Notes to Financial Statements
December 31, 2019

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.

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, 2019, 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, 2018, 2017 and 2016 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 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.

Equitable Food Initiative
Notes to Financial Statements
December 31, 2019

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, 2019, 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.

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 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 and was adopted by EFI in 2019.

In March 2019, the FASB issued ASU 2019-03, 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

Equitable Food Initiative
Notes to Financial Statements
December 31, 2019

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. EFI has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2019.

In March 2019, the FASB issued ASU 2019-01, *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, 2019, present value discount for grants receivables was \$0.

Grants receivable due in less than one year	\$ 500,000
Less: Present value discount	-
Grants receivable, net of PV discount	<u>\$ 500,000</u>

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, 2019, allowance for uncollectible receivables was \$9,018.

Accounts receivable due in less than one year	\$ 141,680
Less: allowance for doubtful accounts	(9,018)
Accounts receivable, net of allowance	<u>\$ 132,661</u>

Equitable Food Initiative
Notes to Financial Statements
December 31, 2019

Total Grants and Accounts Receivable, Net

Receivables due in less than one year	\$ 641,680
Receivables due in one to five years	-
Less: allowance for doubtful accounts	(9,018)
Less: Present value discount	-
Receivables, net	<u>\$ 632,661</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, 2019.

Program purpose	\$ 1,113,960
Expiration of time restriction	497,657
Total	<u>\$ 1,611,617</u>

Note 4 – Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2019:

Program purpose	\$ 664,715
Time Restriction	702,343
Total	<u>\$ 1,367,058</u>

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	\$ 759,441
Grants and accounts receivable	632,661
Less: Amount restricted for Donor designations	<u>(1,367,058)</u>
Net Financial Assets Available within one year	<u>\$ 25,045</u>

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, 2019 was \$26,238.

Equitable Food Initiative
Notes to Financial Statements
December 31, 2019

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 \$56,627 for 2019.

Note 8 – In-kind Contributions

EFI received \$56,876 of donated legal services in 2019. 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, 2019. 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 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 - Subsequent events

In preparing these financial statements, EFI has evaluated events and transactions for potential recognition or disclosure through May 22, 2020, the date the financial statements were issued.

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact EFI's operations. The overall potential impact is unknown at this time