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Equitable Food Initiative (EFI)

Financial Statements  
And  
Independent Auditor's Report

Year Ended December 31, 2020  
(With summarized comparative financial information for the year ended  
December 31, 2019)

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## **Independent Auditor's Report**

To the Board of Directors  
Equitable Food Initiative (EFI)  
Washington, DC

We have audited the accompanying financial statements of the Equitable Food Initiative (EFI), which comprise the statement of financial position as of December 31, 2020, 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.

*Helping Businesses Develop, Grow and Succeed*

## **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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Abercrombie & Associates, LLC*

Abercrombie & Associates, LLC  
May 13, 2021  
Silver Spring, MD

Equitable Food Initiative  
Statement of Financial Position  
December 31, 2020

(With summarized comparative financial information as of December 31, 2019)

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 500,907	\$ 759,441
Grants and accounts receivable, net	116,206	632,661
Prepaid expenses	10,543	10,311
Deposits	7,471	10,141
<b>TOTAL ASSETS</b>	<b>\$ 635,127</b>	<b>\$ 1,412,554</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	357,889	198,058
Deferred revenue	-	25,000
<b>Total Liabilities</b>	<b>\$ 357,889</b>	<b>\$ 223,058</b>
 <b>NET ASSETS</b>		
Without donor restriction	(299,454)	(177,562)
With donor restriction	576,692	1,367,058
<b>Total Net Assets</b>	<b>\$ 277,238</b>	<b>\$ 1,189,496</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 635,127</b>	 <b>\$ 1,412,554</b>

The accompanying notes are an integral part of the financial statements

Equitable Food Initiative  
Statement of Activities  
Year Ended December 31, 2020

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

<b>Revenue</b>	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>2020 Total</b>	<b>2019 Total</b>
Contributions and grants	\$ 500	\$ 896,100	\$ 896,600	\$ 1,909,810
In-kind contributions	23,131	-	23,131	56,876
Program income	709,471	-	709,471	728,621
Other Income	19,808	-	19,808	15,645
Net assets released from restrictions	1,686,466	(1,686,466)	-	-
<b>Total Revenue and Support</b>	<u>2,439,376</u>	<u>(790,366)</u>	<u>1,649,010</u>	<u>2,710,951</u>
<b>Expenses</b>				
Program Service	1,740,599		1,740,599	1,826,935
Management and General	726,735		726,735	789,849
Fundraising	93,934		93,934	113,619
<b>Total Expenses</b>	<u>2,561,268</u>	<u>-</u>	<u>2,561,268</u>	<u>2,730,402</u>
<b>Change in Net Assets</b>	(121,892)	(790,366)	(912,258)	(19,451)
<b>Net Assets, Beginning of Year</b>	<u>(177,562)</u>	<u>1,367,058</u>	<u>1,189,496</u>	<u>1,208,947</u>
<b>Net Assets, End of Year</b>	<u>\$ (299,454)</u>	<u>\$ 576,692</u>	<u>\$ 277,238</u>	<u>\$ 1,189,496</u>

The accompanying notes are an integral part of the financial statements

Equitable Food Initiative  
Statement of Functional Expenses  
Year Ended December 31, 2020

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

	Program Expenses	Management & General Expenses	Fundraising Expenses	2020 Total Expenses	2019 Total Expenses
Salaries	\$ 848,889	\$ 433,601	\$ 63,562	\$ 1,346,052	\$ 1,144,726
Fringe benefits	199,827	101,499	15,859	317,185	254,494
Consultants, professional fees	512,427	123,153	7,279	642,859	713,361
Rent	9,620	4,886	764	15,270	26,238
Information technology	4,619	2,346	367	7,332	3,833
Office supplies, equipment	57,040	22,313	3,069	82,422	56,966
Bad debt	-	-	-	-	9,018
Memberships, subscriptions	22,330	11,342	1,772	35,444	20,710
Printing	9,258	110	12	9,380	49,376
Insurance	19,910	10,113	1,580	31,603	30,651
Meetings	29,343	6,079	872	36,294	167,832
Travel	27,336	11,293	(1,202)	37,427	253,196
<b>Total</b>	<b>\$ 1,740,599</b>	<b>\$ 726,735</b>	<b>\$ 93,934</b>	<b>\$ 2,561,268</b>	<b>\$ 2,730,402</b>

The accompanying notes are an integral part of the financial statements

Equitable Food Initiative  
Statement of Cash Flows  
Year Ended December 31, 2020

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

	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (912,258)	\$ (19,450)
 <b>Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:</b>		
(Increase) decrease in receivables	516,455	415,192
(Increase) decrease in prepaid expenses	(232)	10,115
(Increase) decrease in deposits	2,670	(3,516)
Increase (decrease) in accounts payable & accrued expenses	159,831	48,921
Increase (decrease) in deferred revenue	(25,000)	12,500
 <b>Net cash provided (used) by operating activities</b>	<b>(258,534)</b>	<b>463,762</b>
 <b>Increase (decrease) in Cash and Cash Equivalents</b>	<b>(258,534)</b>	<b>463,762</b>
 <b>Cash and Cash Equivalents, Beginning of Year</b>	<b>759,441</b>	<b>295,679</b>
 <b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 500,907</b>	<b>\$ 759,441</b>

The accompanying notes are an integral part of the financial statements



Equitable Food Initiative  
Notes to Financial Statements  
December 31, 2020

**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, 2020, 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, 2019, 2018 and 2017 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

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.

Equitable Food Initiative  
Notes to Financial Statements  
December 31, 2020

- **Net Assets With Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than EFI's mission and purpose. 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. Donor imposed restrictions are released when the 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Revenue recognition

Contributions and grants are recognized in the appropriate category of net assets in the period received. Contributions and grants of assets other than cash are recorded at their estimated fair value at the date of gift. Conditional promises to give are not recognized until the condition on which they depend are substantially met. Contributions and grants are recorded by EFI upon notification of the contribution and/ or grant and satisfaction of all conditions, if applicable. Contributions and grants are classified as net assets with donor restrictions when use of the contribution is limited to specific programmatic areas or is designated for use in future periods. Contributions and grants with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Contributions and grants received in advance of incurring the related expenses are recorded as "net assets with donor restrictions." Contributions and grants are reported in accordance with the provisions of ASU 2018-08.

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, 2020, 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.

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Notes to Financial Statements  
December 31, 2020

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 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, 2021. 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**

Accounts Receivable, Net

Accounts receivables 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, 2020, allowance for uncollectible receivables was \$0.

Accounts receivable due in less than one year	\$ 116,206
Less: allowance for doubtful accounts	<u>                  -</u>
Accounts receivable, net of allowance	<u><u>\$ 116,206</u></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, 2020.

Program purpose	\$ 1,613,158
Expiration of time restriction	<u>          73,308</u>
Total	<u><u>\$ 1,686,466</u></u>

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

Net assets with donor restrictions are available for the following purposes at December 31, 2020:

Program purpose	\$ 300,000
Time Restriction	<u>          276,692</u>
Total	<u><u>\$ 576,692</u></u>

Equitable Food Initiative  
Notes to Financial Statements  
December 31, 2020

**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	\$	500,907
Grants and accounts receivable		116,206
Less: Amount restricted for Donor designations		<u>(576,692)</u>
Net Financial Assets Available within one year	<u>\$</u>	<u>40,421</u>

As noted above, the assets available are at a point in time. Organization commitments, budgeted projects and operating leases need to be considered when evaluating the financial resources of the organization. As part of EFI’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**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, 2020 was \$15,270.

**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 \$77,303 for 2020.

**Note 8 – In-kind Contributions**

In kind contributions for the year ended December 31, 2020 were used in the following functional areas:

	Program Expenses	Management & General Expenses	Fundraising Expenses	Total Expenses
Legal Services	\$ 14,572	\$ 7,402	\$ 1,157	\$ 23,131
	<u>\$ 14,572</u>	<u>\$ 7,402</u>	<u>\$ 1,157</u>	<u>\$ 23,131</u>

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Notes to Financial Statements  
December 31, 2020

**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, 2020. 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 – Paycheck Protection Program**

On May 5, 2020, EFI received an initial (Draw #1) Paycheck Protection Program loan (PPP loan) in the amount of \$246,100 at 1% per year from Truist Bank due in 24 months.

Based upon guidance from ASC 105, EFI has chosen to account for the PPP loan as a government grant in substance. On December 7, 2020, management received confirmation from Truist Bank that it's application for forgiveness had been approved by the Small Business Administration (SBA).

**Note 12 – Revenue from Contracts**

Program revenue is derived from contracts with licensees and is recognized when the programs are provided to the customers or usage of licensed "Marks" and / or "Materials" via licensing agreements. Contracts with licensees were evaluated using the practical expedient of a portfolio approach because each contract is with an individual licensee with similar characteristics that is carried out on a consistent basis. The following table disaggregates EFI's revenue based on the timing of satisfaction of performance obligations for the year ended December 31, 2020:

	2020
Performance obligations satisfied at a point in time	
Programs with licensees	\$ 445,824
Performance obligations satisfied over time	
Licensing agreements	<u>263,647</u>
Total	<u>\$ 709,471</u>

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Notes to Financial Statements  
December 31, 2020

**Note 13 – COVID-19**

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 TFS's operations. The overall potential impact is unknown at this time

**Note 14 - Subsequent events**

On February 24, 2021, EFI received a second (Draw #2) Paycheck Protection Program loan (PPP loan) in the amount of \$292,357 at 1% per year from Truist Bank.

In preparing these financial statements, EFI has evaluated events and transactions for potential recognition or disclosure through May 13, 2021, the date the financial statements were issued.