

Coastal Roots Farm

Financial Statements

Years Ended September 30, 2021 and 2020



COASTAL ROOTS FARM
Financial Statements
Years Ended September 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Coastal Roots Farm

Report on the Financial Statements

We have audited the accompanying financial statements of Coastal Roots Farm (a nonprofit organization), which are comprised of the statement of financial position as of September 30, 2021 and 2020, and the related statement of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits 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 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 Coastal Roots Farm as of September 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Aldrich CPAs + Advisors LLP

San Diego, California
March 16, 2022

COASTAL ROOTS FARM
Statements of Financial Position
September 30, 2021 and 2020

ASSETS	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash	\$ 731,143	\$ 327,638
Accounts receivable	1,371	2,567
Current portion of promises to give	53,554	49,771
Prepaid expenses	<u>7,618</u>	<u>8,600</u>
Total Current Assets	793,686	388,576
Promises to Give, net of current portion	-	25,000
Property and Equipment, net of accumulated depreciation	<u>205,326</u>	<u>155,450</u>
Total Assets	<u>\$ 999,012</u>	<u>\$ 569,026</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 24,683	\$ 21,929
Accrued expenses	129,087	75,466
Current portion note payable	<u>24,625</u>	<u>102,448</u>
Total Current Liabilities	178,395	199,843
Note Payable, net of current portion	<u>224,565</u>	<u>104,879</u>
Total Liabilities	402,960	304,722
Net Assets:		
Without donor restrictions	296,398	53,819
With donor restrictions	<u>299,654</u>	<u>210,485</u>
Total Net Assets	<u>596,052</u>	<u>264,304</u>
Total Liabilities and Net Assets	<u>\$ 999,012</u>	<u>\$ 569,026</u>

COASTAL ROOTS FARM
Statement of Activities
Year Ended September 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support:			
Contributions	\$ 1,039,520	\$ 580,736	\$ 1,620,256
Farm income	417,553	-	417,553
In-kind contributions	315,942	-	315,942
Paycheck Protection Program loan forgiveness	207,327	-	207,327
Loss on disposal	(8,039)	-	(8,039)
Net assets released from restrictions	<u>491,567</u>	<u>(491,567)</u>	<u>-</u>
Total Revenue and Support	2,463,870	89,169	2,553,039
Expenses:			
Program services:			
Production	966,722	-	966,722
Education	679,519	-	679,519
Other programs	<u>101,445</u>	<u>-</u>	<u>101,445</u>
Total Program Services	1,747,686	-	1,747,686
Supporting services:			
Management and general	344,350	-	344,350
Fundraising	<u>129,255</u>	<u>-</u>	<u>129,255</u>
Total Supporting Services	<u>473,605</u>	<u>-</u>	<u>473,605</u>
Total Expenses	<u>2,221,291</u>	<u>-</u>	<u>2,221,291</u>
Change in Net Assets	242,579	89,169	331,748
Net Assets, beginning	<u>53,819</u>	<u>210,485</u>	<u>264,304</u>
Net Assets, ending	<u>\$ 296,398</u>	<u>\$ 299,654</u>	<u>\$ 596,052</u>

COASTAL ROOTS FARM
Statement of Activities
Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Contributions	\$ 1,070,173	\$ 470,471	\$ 1,540,644
In-kind contributions	242,465	-	242,465
Farm income	219,520	-	219,520
Loss on disposal	(6,386)	-	(6,386)
Net assets released from restrictions	<u>300,920</u>	<u>(300,920)</u>	<u>-</u>
Total Revenue and Support	1,826,692	169,551	1,996,243
Expenses:			
Program services:			
Production	846,819	-	846,819
Education	490,857	-	490,857
Other programs	<u>110,421</u>	<u>-</u>	<u>110,421</u>
Total Program Services	1,448,097	-	1,448,097
Supporting services:			
Management and general	360,455	-	360,455
Fundraising	<u>124,997</u>	<u>-</u>	<u>124,997</u>
Total Supporting Services	<u>485,452</u>	<u>-</u>	<u>485,452</u>
Total Expenses	<u>1,933,549</u>	<u>-</u>	<u>1,933,549</u>
Change in Net Assets	(106,857)	169,551	62,694
Net Assets, beginning	<u>160,676</u>	<u>40,934</u>	<u>201,610</u>
Net Assets, ending	<u>\$ 53,819</u>	<u>\$ 210,485</u>	<u>\$ 264,304</u>

COASTAL ROOTS FARM
Statement of Functional Expenses
Year Ended September 30, 2021

	Program Services			Supporting Services		Total
	Production	Education	Other Programs	Management and General	Fundraising	
Payroll and related expenses	\$ 692,347	\$ 455,315	\$ 81,900	\$ 232,219	\$ 107,054	\$ 1,568,835
In-kind rent	127,117	116,329	-	-	-	243,446
Supplies	44,667	54,127	430	283	9	99,516
Consulting	3,773	12,458	-	35,042	12,831	64,104
In-kind gifts	-	-	-	54,496	-	54,496
Depreciation	35,548	-	-	3,135	-	38,683
Other	8,263	8,775	3,906	625	3,870	25,439
Insurance	6,924	5,193	-	9,282	1,731	23,130
Repairs and maintenance	18,627	612	11	3,480	-	22,730
Utilities	18,554	2,654	-	316	-	21,524
Marketing	3,855	5,392	10,141	-	367	19,755
Bank fees	3,119	9,275	103	510	1,403	14,410
System support	1,591	6,879	1,577	2,902	-	12,949
Conference	-	283	3,377	200	288	4,148
Professional fees	325	896	-	-	1,345	2,566
Office	1,972	123	-	412	5	2,512
Meal and entertainment	40	1,208	-	334	352	1,934
Taxes	-	-	-	1,114	-	1,114
Total Expenses	\$ 966,722	\$ 679,519	\$ 101,445	\$ 344,350	\$ 129,255	\$ 2,221,291

See accompanying notes to financial statements.

COASTAL ROOTS FARM
Statement of Functional Expenses
Year Ended September 30, 2020

	Program Services			Supporting Services		Total
	Production	Education	Other Programs	Management and General	Fundraising	
Payroll and related expenses	\$ 599,628	\$ 305,386	\$ 92,934	\$ 273,136	\$ 92,592	\$ 1,363,676
In-kind rent	101,377	101,377	-	-	-	202,754
Consulting	2,780	9,566	13,516	65,346	24,490	115,698
Supplies	43,204	26,524	244	2,554	43	72,569
Other	9,389	13,521	2,292	3,087	1,905	30,194
Depreciation	39,307	-	-	2,589	-	41,896
Repairs and maintenance	18,468	3,811	-	-	-	22,279
Insurance	6,915	5,005	-	6,659	1,668	20,247
Marketing	144	14,005	894	-	2,010	17,053
Utilities	14,549	1,947	-	-	-	16,496
Bank fees	2,887	2,773	50	93	1,612	7,415
System support	1,897	1,181	406	3,773	-	7,257
Conference	2,721	320	85	753	213	4,092
Meal and entertainment	106	1,706	-	1,532	319	3,663
Professional fees	315	2,710	-	500	115	3,640
Office	1,732	225	-	145	-	2,102
Cost of goods sold	1,400	-	-	-	-	1,400
Community events	-	800	-	-	30	830
Taxes	-	-	-	288	-	288
Total Expenses	\$ 846,819	\$ 490,857	\$ 110,421	\$ 360,455	\$ 124,997	\$ 1,933,549

See accompanying notes to financial statements.

COASTAL ROOTS FARM
Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 331,748	\$ 62,694
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	38,683	41,896
Loss on disposal of property and equipment	8,039	6,386
PPP loan forgiveness	(207,327)	-
Non-cash property and equipment additions	(10,500)	-
Changes in operating assets and liabilities:		
Accounts receivable	1,196	3,128
Promises to give	21,217	(59,771)
Prepaid expenses	982	2,364
Accounts payable	2,754	(19,408)
Accrued expenses	53,621	27,250
Deferred revenue	-	(33,712)
	<u>240,413</u>	<u>30,827</u>
Net Cash Provided by Operating Activities	240,413	30,827
Cash Flows from Investing Activities:		
Purchases of property and equipment	(101,597)	(17,524)
Proceeds from sale of property and equipment	15,499	3,200
	<u>(86,098)</u>	<u>(14,324)</u>
Net Cash Used by Investing Activities	(86,098)	(14,324)
Cash Flows Provided by Financing Activities:		
Proceeds from note payable	249,190	207,327
	<u>249,190</u>	<u>207,327</u>
Net Increase in Cash	403,505	223,830
Cash, beginning	<u>327,638</u>	<u>103,808</u>
Cash, ending	<u>\$ 731,143</u>	<u>\$ 327,638</u>

COASTAL ROOTS FARM

Notes to Financial Statements

Year Ended September 30, 2021 and 2020

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

Coastal Roots Farm (the Farm), was formed as a tax exempt organization on October 17, 2014 and began operations on January 1, 2016. The Farm's mission is to cultivate healthy, connected communities by integrating sustainable agriculture, food justice, and ancient Jewish wisdom. The Farm is sustained by contributed income connected to its impact initiatives, Regenerative Agriculture, Equitable Food Access, Environmental Education, and Jewish Life.

Financial Statement Presentation

The financial statements of the Farm have been prepared in accordance with generally accepted accounting principles (US GAAP), which require the Farm to report information regarding its financial position and activities according to the following net asset classification:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Farm. These net assets may be used at the discretion of the Farm's management.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Farm or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. The Farm did not have any donor restrictions that were perpetual in nature for the years ended September 30, 2021 and 2020.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Use of Estimates

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounts Receivable

The accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at the end of the period, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. No allowance was considered necessary at September 30, 2021 and 2020, respectively, because management believes all amounts are collectible.

Unconditional Promises to Give

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are discounted to their estimated net present value. After promises to give are originally recorded, an allowance for uncollectible promises to give may be established based on specific circumstances.

Property and Equipment

The Farm capitalizes all expenditures for property and equipment in excess of \$2,000. Equipment and improvements are recorded at cost or at estimated fair value at date of gift if donated. Expenditures for maintenance and repairs are charged against operations. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets of five to seven years.

COASTAL ROOTS FARM

Notes to Financial Statements

Year Ended September 30, 2021 and 2020

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Revenue Recognition

The Farm recognizes revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Farm expects to be entitled in exchange for those goods or services.

The Farm earns revenue from contracts with customers through farm income which is comprised of revenues from the farm stand, composting, camps, and community events. Revenues are accounted for under ASC Topic 606, which the Farm adopted on October 1, 2019. The new guidance was applied retrospectively to the contracts that were not completed as of the adoption date. Management has determined that there is no impact on net assets as of October 1, 2019 due to the adoption of the new policy. The Farm recognizes revenue from contracts with customers when its performance obligations are satisfied, regardless of the period in which it is billed. This is typically at the point in time when the performance obligation is completed. Sales contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Fair Value Measurements

The Farm defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Farm applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs. The three levels are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

As a practical expedient, certain financial instruments may be valued using net asset value (NAV) per share. NAV is the amount of net assets attributable to each share of outstanding capital stock at the end of the period.

The carrying value of cash, receivables, and payables approximates fair value as of September 30, 2021 due to the relative short maturities of these instruments.

Income Taxes

The Farm is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from California franchise and income tax under section 23701(d) of the Revenue and Taxation code. However, the Farm remains subject to taxes on any net income which is derived from a trade or business regularly carried on and unrelated to its exempt purpose.

COASTAL ROOTS FARM
Notes to Financial Statements

Year Ended September 30, 2021 and 2020

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Income Taxes, continued

The Farm follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Farm recognizes accrued interest and penalties associated with uncertain tax positions as part of the statement of activities, when applicable. Management has determined that the Farm has no uncertain tax positions at September 30, 2021 and 2020 and therefore no amounts have been accrued.

The Farm files income tax returns in the United States and various state and local jurisdictions.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Payroll and related expenses and in-kind consulting services are allocated based off time and effort. All other expenses are broken out by accounts and can be directly charged to the appropriate function based on actual expenses.

Future Accounting Standard

The FASB issued a substantial ASU which will become effective in a future year.

In February 2016, the FASB issued ASU 2016-02 *Leases*. The primary change in US GAAP addressed by ASU 2016-02 is the requirement for a lessee to recognize on the statement of financial position a liability to make lease payments (“lease liability”) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 also requires qualitative and quantitative disclosures to enable users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, although there are optional practical expedients that entities may elect to apply. The Farm is evaluating the effect that the provisions of ASU 2016-02 will have on its financial statements and related disclosures.

Subsequent Events

The Farm has evaluated subsequent events through March 16, 2022, which is the date the financial statements were available to be issued.

Note 2 – Concentrations

The Farm maintains cash accounts at various financial institutions. The balances at times may exceed Federal Deposit Insurance Corporation (FDIC) limits. Accounts at each financial institution are insured by the FDIC up to \$250,000.

COASTAL ROOTS FARM
Notes to Financial Statements

Year Ended September 30, 2021 and 2020

Note 3 – Liquidity and Availability

The following reflects the Farm’s financial assets as of the balance sheet date, reduced by amounts not available for general use due to contractual or donor-imposed restriction within one year of the statement of financial position date.

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash	\$ 731,143	\$ 327,638
Accounts receivable	1,371	2,567
Promises to give	<u>53,554</u>	<u>49,771</u>
Total Financial Assets	786,068	379,976
Less amounts not available to be used within one year:		
Restricted by donor with purpose or time restrictions	<u>299,654</u>	<u>210,458</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 486,414</u>	<u>\$ 169,518</u>

The Farm has certain donor-restricted assets limited to use for programs or specific purpose which are ongoing, major and central to its annual operations which are available to meet cash needs for general expenditures for those programs and purposes within one year in the normal course of operations. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Farm considers all expenditures related to its ongoing activities to be general expenditures.

The Farm manages its liquidity and reserves through maintaining and reviewing budget to actual amounts and forecasted cash flows on a regular basis. The Farm also within a prudent range of financial soundness and stability and constantly maintains adequate liquid assets to fund near term operating needs.

Note 4 – Promises to Give

Promises to give consist of the following:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 53,554	\$ 49,771
Receivable in one to five years	<u>-</u>	<u>25,000</u>
	<u>\$ 53,554</u>	<u>\$ 74,771</u>

No allowance was considered necessary at September 30, 2021 and 2020, respectively because management believes that all amounts are collectible. No discount was considered necessary at September 30, 2021 and 2020 due to the minimal effect it would have on the financial statements.

COASTAL ROOTS FARM
Notes to Financial Statements

Year Ended September 30, 2021 and 2020

Note 5 – Property and Equipment

Property and equipment consist of the following:

	<u>2021</u>		<u>2020</u>
Machinery and equipment	\$ 277,600	\$	232,080
Other	54,208		32,590
	<u>331,808</u>		<u>264,670</u>
Less accumulated depreciation	<u>(126,482)</u>		<u>(109,220)</u>
	<u>\$ 205,326</u>	\$	<u>155,450</u>

Note 6 – Restrictions on Net Assets

Net assets with donor restrictions consist of the following:

	<u>2021</u>		<u>2020</u>
Purpose restrictions:			
Education programs	\$ 136,694	\$	147,358
Distribution program	46,259		38,100
Farm production	21,617		-
Vehicles and equipment	15,084		-
	<u>219,654</u>		<u>185,458</u>
Time restricted:			
General operating	<u>80,000</u>		<u>25,000</u>
	<u>\$ 299,654</u>	\$	<u>210,458</u>

COASTAL ROOTS FARM
Notes to Financial Statements

Year Ended September 30, 2021 and 2020

Note 6 – Restrictions on Net Assets, continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	<u>2021</u>	<u>2020</u>
Purpose restrictions:		
Youth education programs	\$ 251,024	\$ 46,479
Distribution program	120,802	70,464
Equipment and vehicles	55,916	-
Farm production	21,993	147,113
Kubota	15,033	16,193
Other	1,799	7,300
Special events	-	10,371
Farm stand	-	3,000
	<u>466,567</u>	<u>300,920</u>
Time restricted:		
General operating	<u>25,000</u>	<u>-</u>
	<u>\$ 491,567</u>	<u>\$ 300,920</u>

Note 7 – Note Payable

Note payable consist of the following:

	<u>2021</u>	<u>2020</u>
Note payable under the Paycheck Protection Program (PPP), which is held by City National Bank, was approved by the SBA on February 1, 2021 and April 21, 2020 in the original amount of \$249,190 and \$207,327, respectively, and bears interest at 1% annum. Principal and interest are due in monthly principal and interest payments, net of any amount forgiven, over 60 months and 24 months. Payments begin 10 months from the date of distribution. There are no prepayment penalties and the loan is unsecured. The Farm intends to request forgiveness for loan proceeds used to pay qualifying expenses.	\$ <u>249,190</u>	\$ <u>207,327</u>
Less: current portion	<u>(24,625)</u>	<u>(102,448)</u>
	<u>\$ 224,565</u>	<u>\$ 104,879</u>

On April 30, 2021, the Farm was notified that the note payable as of September 30, 2020 under the PPP was forgiven in full. The forgiveness balance is reported as PPP loan forgiveness on the statement of activities.

COASTAL ROOTS FARM
Notes to Financial Statements

Year Ended September 30, 2021 and 2020

Note 7 – Note Payable, continued

Principal payments of long-term debt at September 30, 2021 are due as follows:

<u>Year Ending</u> <u>September 30,</u>		
2022	\$	24,625
2023		66,586
2024		67,254
2025		67,930
Thereafter		<u>22,795</u>
Total	\$	<u><u>249,190</u></u>

Note 8 – Contingencies

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders, including California, where the Farm is headquartered.

At September 30, 2021 the pandemic continues and management continues to initiate changes and modification to the operations of the programs, events, and administrative functions in order to protect the health of staff and clients and to mitigate the financial effects of the virus and its reluctant economic slowdown. The Farm will continue to evaluate, and if appropriate, adopt other measures in the future as required for the ongoing safety of clients and staff.

Note 9 – Subsequent Events

On December 30, 2021, the Farm was notified that the note payable (Note 7) under the second draw PPP was forgiven in full.