

Coastal Roots Farm

Financial Statements

Year Ended September 30, 2017



COASTAL ROOTS FARM
Financial Statements
Year Ended September 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Coastal Roots Farm

We have audited the accompanying financial statements of Coastal Roots Farm (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, 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 controls 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 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 audits 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 auditors' 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 controls 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 controls. 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 Coastal Roots Farm as of September 30, 2017 and the changes 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.

Aldrich CPAs + Advisors LLP

San Diego, California
March 20, 2018

COASTAL ROOTS FARM
Statement of Financial Position
September 30, 2017

ASSETS

Current Assets:		
Cash	\$	21,875
Accounts receivable		15,561
Prepaid expenses		<u>11,955</u>
Total Current Assets		49,391
Property and Equipment, net of accumulated depreciation		<u>118,428</u>
Total Assets	\$	<u><u>167,819</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$	26,827
Accrued expenses		<u>9,000</u>
Total Current Liabilities		35,827
Net Assets:		
Unrestricted		80,024
Temporarily restricted		<u>51,968</u>
Total Net Assets		<u>131,992</u>
Total Liabilities and Net Assets	\$	<u><u>167,819</u></u>

COASTAL ROOTS FARM
Statement of Activities
Year Ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support:			
Contributions	\$ 706,885	\$ 164,442	\$ 871,327
In-kind contributions	421,892	-	421,892
Farm income	150,512	-	150,512
Fundraising	77,337	-	77,337
Miscellaneous	900	-	900
Net assets released from restrictions	<u>112,474</u>	<u>(112,474)</u>	<u>-</u>
Total Revenue and Support	1,470,000	51,968	1,521,968
Expenses:			
Program services	1,059,026	-	1,059,026
Management and general	<u>459,788</u>	<u>-</u>	<u>459,788</u>
Total Expenses	<u>1,518,814</u>	<u>-</u>	<u>1,518,814</u>
Increase (Decrease) in Net Assets	(48,814)	51,968	3,154
Net Assets, beginning	<u>128,838</u>	<u>-</u>	<u>128,838</u>
Net Assets, ending	<u>\$ 80,024</u>	<u>\$ 51,968</u>	<u>\$ 131,992</u>

COASTAL ROOTS FARM
Statement of Functional Expenses
Year Ended September 30, 2017

	Program Services	Management and General	Total
Payroll and related expenses	\$ 513,334	\$ 173,637	\$ 686,971
Consulting	180,686	176,208	356,894
Rent	160,658	-	160,658
Community events	71,806	17,923	89,729
Supplies	56,178	3,729	59,907
Insurance	26,301	12,237	38,538
Repairs and maintenance	29,679	300	29,979
Other	9,770	14,516	24,286
Systems support	-	18,992	18,992
Depreciation	-	15,860	15,860
Conference	130	14,792	14,922
Marketing	7,471	5,746	13,217
Office	905	2,873	3,778
Professional fees	1,179	661	1,840
Meals and entertainment	852	926	1,778
Taxes	-	835	835
Travel	77	553	630
	<u>1,059,026</u>	<u>459,788</u>	<u>1,518,814</u>
Total Expenses	<u>\$ 1,059,026</u>	<u>\$ 459,788</u>	<u>\$ 1,518,814</u>

COASTAL ROOTS FARM
Statement of Cash Flows
Year Ended September 30, 2017

Cash Flows From Operating Activities:	
Increase in net assets	\$ 3,154
Adjustments to reconcile increase in net assets to net cash used by operating activities:	
Depreciation	15,860
Changes in operating assets and liabilities:	
Accounts receivable	(1,133)
Prepaid expenses	3,313
Accounts payable	(73,379)
Accrued expenses	<u>(440)</u>
Net Cash Used by Operating Activities	(52,625)
Cash Flows Used by Investing Activities:	
Purchases of property and equipment	<u>(64,179)</u>
Net Decrease in Cash	(116,804)
Cash, beginning	<u>138,679</u>
Cash, ending	<u>\$ 21,875</u>

COASTAL ROOTS FARM
Notes to Financial Statements
Year Ended September 30, 2017

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 seed new ideas around sustainable farming and Jewish Life, grow healthy food, and share the harvest with the local community. In its first year of operations, Leichtag Foundation (Leichtag) is primarily financing the Farm through grants which are designed to decrease annually in order to establish full independence through increased diversity amongst other fund development strategies.

Use of Estimates

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

Financial Statement Presentation

The Farm reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.

Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Farm may spend the funds.

Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

The Farm had no permanently restricted net assets for the year ended September 30, 2017.

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, 2017 because management believes all amounts are collectible.

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.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions

COASTAL ROOTS FARM
Notes to Financial Statements
Year Ended September 30, 2017

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

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.

The carrying value of cash, receivables, and payables approximates fair value as of September 30, 2017 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.

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, 2017 and therefore no amounts have been accrued.

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

Subsequent Events

The Farm has evaluated subsequent events through March 20, 2018, which is the date the financial statements were available to be issued.

Note 2 – Concentrations

The Farm maintains their cash balances at one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to a limit of \$250,000. At September 30, 2017, the Farm did not have any uninsured balances. The Farm has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

COASTAL ROOTS FARM
Notes to Financial Statements
Year Ended September 30, 2017

Note 3 – Property and Equipment

Property and equipment as of September 30, 2017 consist of the following:

Machinery and equipment	\$	123,042
Other		11,484
		<u>134,526</u>
Less accumulated depreciation		16,098
	\$	<u><u>118,428</u></u>

Note 4 – Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 5- Temporarily Restricted Net Assets

Net assets were temporarily restricted for the following purposes at September 30, 2017:

Camp Pendelton Produce Program	\$	29,218
Produce cooler		20,250
Seeds		2,500
	\$	<u><u>51,968</u></u>

Note 6 – Related Party Transactions

During the year ended September 30, 2017, the Farm received approximately \$1,059,000 from Leichtag, its primary funder, in cash, in-kind administrative support, and in-kind rent.