

Coastal Roots Farm

Financial Statements

Year Ended September 30, 2019



COASTAL ROOTS FARM
Financial Statements
Year Ended September 30, 2019

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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, 2019, and the related statement of activities, functional expenses, and cash flows for the year 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 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 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, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Note 1 to the financial statements, Coastal Roots Farm adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958); Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Aldrich CPAs + Advisors LLP

San Diego, California
April 10, 2020

COASTAL ROOTS FARM
Statement of Financial Position
September 30, 2019

ASSETS

Current Assets:		
Cash	\$	103,808
Accounts receivable		20,695
Prepaid expenses		<u>10,964</u>
Total Current Assets		135,467
Property and Equipment, net of accumulated depreciation		<u>189,408</u>
Total Assets	\$	<u><u>324,875</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$	41,337
Accrued expenses		48,216
Deferred revenue		<u>33,712</u>
Total Current Liabilities		123,265
Net Assets:		
Without donor restriction		160,676
With donor restriction		<u>40,934</u>
Total Net Assets		<u>201,610</u>
Total Liabilities and Net Assets	\$	<u><u>324,875</u></u>

COASTAL ROOTS FARM
Statement of Activities
Year Ended September 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
Revenue and Support:			
Contributions	\$ 1,065,255	\$ 181,158	\$ 1,246,413
In-kind contributions	346,765	-	346,765
Farm income	158,870	-	158,870
Fundraising	110,102	-	110,102
Net assets released from restrictions	<u>155,287</u>	<u>(155,287)</u>	<u>-</u>
Total Revenue and Support	1,836,279	25,871	1,862,150
Expenses:			
Program services:			
Production	508,226	-	508,226
Education	101,615	-	101,615
Other programs	<u>476,574</u>	<u>-</u>	<u>476,574</u>
Total Program Services	1,086,415	-	1,086,415
Supporting services:			
Management and general	500,070	-	500,070
Fundraising	<u>204,678</u>	<u>-</u>	<u>204,678</u>
Total Expenses	<u>1,791,163</u>	<u>-</u>	<u>1,791,163</u>
Change in Net Assets	45,116	25,871	70,987
Net Assets, beginning	<u>115,560</u>	<u>15,063</u>	<u>130,623</u>
Net Assets, ending	<u>\$ 160,676</u>	<u>\$ 40,934</u>	<u>\$ 201,610</u>

COASTAL ROOTS FARM
Statement of Functional Expenses
Year Ended September 30, 2019

	Program Services			Supporting Services		Total
	Production	Education	Other Programs	Management and General	Fundraising	
Payroll and related expenses	\$ 326,294	\$ 97,242	\$ 291,729	\$ 233,658	\$ 163,464	\$ 1,112,387
Consulting	10,516	-	60,639	192,224	24,396	287,775
In-kind rent	80,329	-	80,329	-	-	160,658
Supplies	24,664	2,623	23,815	7,081	10,005	68,188
Depreciation	42,180	-	-	-	-	42,180
Other	1,729	1,157	11,689	19,458	2,865	36,898
Insurance	-	-	-	26,096	-	26,096
Repairs and maintenance	19,326	51	3,098	692	58	23,225
System support	-	-	-	11,404	-	11,404
Meal and entertainment	-	-	980	1,430	3,105	5,515
Office	3,188	-	987	31	-	4,206
Professional fees	-	-	1,179	1,486	600	3,265
Conference	-	-	-	3,074	185	3,259
Taxes	-	-	-	2,149	-	2,149
Marketing	-	542	586	579	-	1,707
Community events	-	-	571	500	-	1,071
Cost of goods sold	-	-	972	-	-	972
Travel	-	-	-	208	-	208
Total Expenses	\$ 508,226	\$ 101,615	\$ 476,574	\$ 500,070	\$ 204,678	\$ 1,791,163

See accompanying notes to financial statements.

COASTAL ROOTS FARM
Statement of Cash Flows
Year Ended September 30, 2019

Cash Flows From Operating Activities:	
Change in net assets	\$ 70,987
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	42,180
Loss on disposal of property and equipment	4,694
Non-cash property and equipment additions	(22,316)
Changes in operating assets and liabilities:	
Accounts receivable	(7,458)
Prepaid expenses	(4,979)
Accounts payable	(11,128)
Accrued expenses	8,493
Deferred revenue	33,712
	<hr/>
Net Cash Provided by Operating Activities	114,185
Cash Flows Used by Investing Activities:	
Purchases of property and equipment	<hr/> (71,422)
Net Change in Cash	42,763
Cash, beginning	<hr/> 61,045
Cash, ending	\$ <hr/> <hr/> 103,808

COASTAL ROOTS FARM
Notes to Financial Statements
Year Ended September 30, 2019

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. The 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.

New Accounting Pronouncement

For the year ended September 30, 2019, the Farm adopted ASU No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions until the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets with donor restrictions, liquidity, and expenses by both their natural and functional classification. The Farm has adjusted the presentation of these statements accordingly.

Financial Statement Presentation

The financial statements of the Farm have been prepared in accordance with U.S. 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.

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. The Farm did not have any donor restrictions that were perpetual in nature for the year ended September 30, 2019.

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.

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, 2019 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.

COASTAL ROOTS FARM
Notes to Financial Statements
Year Ended September 30, 2019

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

Revenue Recognition

Contributions received are recorded as increases in without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the 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 statements of activities as net assets released from 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, 2019 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, 2019 and therefore no amounts have been accrued.

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

COASTAL ROOTS FARM
Notes to Financial Statements
Year Ended September 30, 2019

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

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 of 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 Standards

The Financial Accounting Standards Board (FASB) has issued three substantial ASUs which will become effective in future years.

The amendments in ASU 2014-09 Revenue from Contracts with Customers and subsequent updates require 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. Adoption of the new standard is to be applied on a full retrospective basis or modified retrospective basis. The Farm is in the process of assessing how this new ASU and subsequent updates will affect the Farm's reporting of revenues. This assessment includes determining the effect of the new standard on the Farm's financial statements, accounting systems, business processes, and internal controls. Based on its assessment to date, the Farm does not currently expect adoption to have a material effect on their revenues. Adoption of ASU 2014-09 will also require enhanced financial statement disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This update is effective for fiscal years beginning after December 15, 2018.

In June 2018, ASU 2018-08 Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made was issued to provide guidance on the accounting and reporting of grants and contributions. This guidance will assist nonprofit organizations in evaluating if a transaction is an exchange transaction or a contribution. Clarification was also added to determine if a contribution is conditional or unconditional and how each of these should be recorded. This update is effective for transactions in which the entity serves as the resource recipient for fiscal years beginning after December 15, 2018. The Farm is evaluating the effect that the provisions of ASU 2018-08 will have on its financial statements and related disclosures.

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, 2020. 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 April 10, 2020, which is the date the financial statements were available to be issued (Note 7).

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, 2019

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 contractual or donor-imposed restriction within one year of the balance sheet date.

Cash and cash equivalents	\$	103,808
Accounts receivable, net of allowance for doubtful accounts		<u>20,695</u>
 Total Financial Assets		 124,503
 Less amounts not available to be used within one year for general purposes:		
Donor restricted net assets		<u>(40,934)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 \$	 <u><u>83,569</u></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 – Property and Equipment

Property and equipment as of September 30, 2019 consist of the following:

Machinery and equipment	\$	234,061
Other		<u>31,609</u>
		265,670
 Less accumulated depreciation		 <u><u>76,262</u></u>
	 \$	 <u><u>189,408</u></u>

Note 5- Restrictions on Net Assets

Net assets with donor restrictions consist of the following at September 30, 2019:

Produce donation	\$	24,596
Education programs		6,485
Farm supplies		5,000
Farm production		2,367
Promotional material		2,000
Distribution program		<u>486</u>
	 \$	 <u><u>40,934</u></u>

COASTAL ROOTS FARM
Notes to Financial Statements
Year Ended September 30, 2019

Note 5- 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:

Distribution program	\$	35,056
Produce donation program		22,454
Youth education programs		16,945
Kubota		16,543
Other		12,434
School class visits		12,500
Mobile sink units		10,063
Food justice & education		10,000
Educational scholarships		10,000
Farm production		5,105
Mulching and woodchips		4,187
	\$	<u>155,287</u>

Note 6 – Related Party Transactions

During the year ended September 30, 2019, the Farm received approximately \$963,000 from Leichtag, its primary funder, in cash, in-kind administrative support, and in-kind rent.

Note 7 – Subsequent Events

COVID-19

Due to national and world-wide disruptions caused by COVID-19 in 2020, the Farm may be adversely impacted, including its work-force and operations related to providing program services. The Farm is making adjustments to its operations to compensate for disruptions on an ongoing basis. At this time, any financial impact of potential COVID-19 related disruptions is not known

Paycheck Protection Program Loan

The Farm was notified on April 7, 2020 by City National Bank that its application for a loan of \$207,328 under the Paycheck Protection Program (PPP) was approved by the Small Business Administration (SBA). The loan has not funded as of April 10, 2020.