

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**



FOR THE YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors
Sustainable Agriculture and Food Systems Funders
Santa Barbara, California

RICHARD L. HUNT
Consultant

We have audited the accompanying financial statements of Sustainable Agriculture and Food Systems Funders (a California nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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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.

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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 from material misstatement.

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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 Sustainable Agriculture and Food Systems Funders as of December 31, 2020, 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.

Other Matter

As discussed in Note 14 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

MacFarlane, Faletti, & Co., LLP

**Santa Barbara, California
December 7, 2021**

SUSTAINABLE AGRICULTURE AND FOOD SYSTEMS FUNDERS

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 549,827	\$ 403,720	\$ 953,547
Dues receivable	92,200	-	92,200
Grants and contribution receivables	-	629,944	629,944
Property and equipment, net	4,837	-	4,837
Deposit	<u>51,726</u>	<u>-</u>	<u>51,726</u>
TOTAL ASSETS	<u>\$ 698,590</u>	<u>\$ 1,033,664</u>	<u>\$ 1,732,254</u>
 LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expenses	\$ 17,026	\$ -	\$ 17,026
Accrued payroll and related expenses	50,181	-	50,181
Deferred dues revenue	139,700	-	139,700
Paycheck protection program loan	<u>142,165</u>	<u>-</u>	<u>142,165</u>
Total Liabilities	<u>349,072</u>	<u>-</u>	<u>349,072</u>
 NET ASSETS			
Without donor restrictions	349,518	-	349,518
With donor restrictions	<u>-</u>	<u>1,033,664</u>	<u>1,033,664</u>
Total Net Assets	<u>349,518</u>	<u>1,033,664</u>	<u>1,383,182</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 698,590</u>	<u>\$ 1,033,664</u>	<u>\$ 1,732,254</u>

SUSTAINABLE AGRICULTURE AND FOOD SYSTEMS FUNDERS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Grants and contributions	\$ 215,664	\$ 1,002,829	\$ 1,218,493
Membership dues	608,850	-	608,850
Registration fees	87,419	-	87,419
Interest income	1,251	-	1,251
Loss on disposal of assets	(326)	-	(326)
Other revenue	14,749	-	14,749
Total Revenue	<u>927,607</u>	<u>1,002,829</u>	<u>1,930,436</u>
Net Assets Released from Restrictions	<u>489,064</u>	<u>(489,064)</u>	<u>-</u>
EXPENSES			
Program services	1,040,625	-	1,040,625
General and administrative	272,796	-	272,796
Fundraising and support	20,551	-	20,551
Total Expenses	<u>1,333,972</u>	<u>-</u>	<u>1,333,972</u>
CHANGE IN NET ASSETS	<u>82,699</u>	<u>513,765</u>	<u>596,464</u>
NET ASSETS, BEGINNING OF YEAR	<u>266,819</u>	<u>519,899</u>	<u>786,718</u>
NET ASSETS, END OF YEAR	<u>\$ 349,518</u>	<u>\$ 1,033,664</u>	<u>\$ 1,383,182</u>

SUSTAINABLE AGRICULTURE AND FOOD SYSTEMS FUNDERS**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Salaries and wages	\$ 518,588	\$ 109,574	\$ 12,175	\$ 640,337
Employee benefits	139,382	29,764	3,307	172,453
Payroll taxes	34,162	7,704	789	42,655
Board expenses, travel, and conferences	13,583	6,433	669	20,685
Catering	38,526	4,070	947	43,543
Consulting	151,491	17,830	-	169,321
Depreciation	-	3,425	-	3,425
Honoraria	5,973	1,276	-	7,249
Information technology	4,849	42,639	-	47,488
Insurance	1,751	3,623	44	5,418
Legal and professional	1,562	8,147	39	9,748
Memberships and dues	2,009	9,529	-	11,538
Occupancy and related	72,139	16,232	1,804	90,175
Office expense	2,079	4,254	42	6,375
Sponsorship	25,000	-	-	25,000
Staff training	21,813	4,908	545	27,266
Telephone and internet	7,693	1,708	190	9,591
Venue rental	25	1,680	-	1,705
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES	<u>\$ 1,040,625</u>	<u>\$ 272,796</u>	<u>\$ 20,551</u>	<u>\$ 1,333,972</u>

SUSTAINABLE AGRICULTURE AND FOOD SYSTEMS FUNDERS**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 596,464
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,425
Loss on sale of assets	326
Changes in:	
Dues receivable	(92,200)
Grants and contribution receivables	(261,485)
Deposit	(50,659)
Accounts payable and accrued expenses	(9,848)
Accrued payroll and related expenses	19,603
Deferred dues revenue	111,300
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>316,926</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of property and equipment	850
Purchase of property and equipment	(1,783)
NET CASH USED BY INVESTING ACTIVITIES	<u>(933)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from paycheck protection program loan	142,165
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>142,165</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	458,158
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>495,389</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 953,547</u></u>

NOTE 1 NATURE OF ORGANIZATION

The Sustainable Agriculture and Food Systems Funders (the “Organization”) is a California non-profit, community service organization established in 2018. The Organization amplifies the impact of philanthropic and investment communities in support of just and sustainable food and agriculture systems. The Organization helps funders and investors strengthen connections within the sustainable agriculture and food systems community, foster collaboration with their peers, and build capacity to be more effective in their philanthropy and in their advocacy for change. The Organization convenes, educates and organizes funders around issues critical to rebuilding community food security and agricultural resilience, and seeks to amplify the voice of food systems philanthropy in public policy.

The Organization’s approximate 100 members are individual investors, regranting organizations, community foundations, corporate and private foundations. Funders within the network support work within all parts of the food and farming system, and at the intersections of issues including climate change and resilience, community health, equity and justice, and rural development.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Accounting principles generally accepted in the United States of America require that the Organization classify net assets, revenues, gains, and losses based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand and cash in banks.

Fair Value of Financial Instruments

Carrying values of financial instruments including dues and grants receivable, deposit, accounts payable and accrued expenses, accrued payroll and related expenses, deferred dues revenue, and the paycheck protection program loan are carried at amounts which approximate fair value because of the short-term nature of these items.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The Organization records property and equipment at cost if purchased or at fair market value at time of contribution if donated and depreciates these assets using the straight-line method over their estimated useful lives. Assets with a cost of \$500 or more and useful life of more than one year are capitalized. The estimated useful lives of furniture and office equipment range from 3 to 5 years. Expenditures for maintenance and repairs are charged to operations as incurred.

Revenue and Revenue Recognition

Registration fees – Registration fees for events and meetings are recognized as revenue in the year the event or meeting occurs.

Membership dues – Membership dues are recognized as revenue in the applicable membership period.

Contributions - Contributions are measured at fair value on the date of contribution. Contributions and other inflows of funds subject to donor-imposed restrictions are reported as With Donor Restrictions. The restrictions may be temporary in that they are expected to expire with the passage of time or be satisfied and removed by actions of the Organization that fulfill donor stipulations. Contributions With Donor Restrictions that are satisfied in the year of the contribution are shown as contributions Without Donor Restrictions. Awards that are conditional upon the Organization achieving certain performance goals are recognized when the condition on which the awards depend are substantially met.

Dues Receivable and Deferred Revenue

Dues receivable and deferred revenue consists of member dues invoiced before they are earned. All of the dues receivable at December 31, 2020 is expected to be collected within one year, therefore no discount or provision for uncollectible accounts have been made.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis for program and support services. Accordingly, certain costs have been allocated between the program and supporting services benefited. Direct expenses are charged to the appropriate program or supporting function. Salaries and related benefits are allocated to the various functions based on estimates of time spent by each employee. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Organization.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates (Continued)

Significant estimates used in preparing these financial statements include:

- Collectability of dues and grants receivable
- Depreciable lives and estimated residual value of property and equipment
- Allocation of certain expenses by function

It is at least reasonably possible that these estimates could change in the coming year.

Tax Exempt Status

The Organization has been granted tax exempt status by the Internal Revenue Service and the Franchise Tax Board under tax code sections 501(c)(3) and 23071(d), respectively, therefore, no provisions for income taxes are reflected in the accompanying financial statements. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Organization is unaware of any uncertain tax positions at December 31, 2020, or for any period for which the statute of limitations remains open. These income tax returns are generally open to examination by the Internal Revenue Service for a period of three years from the later of the date of the return was filed or its due date (including approved extensions), and four years for California.

NOTE 3 GRANTS AND CONTRIBUTIONS RECEIVABLES

Grants and contributions receivable represent unconditional promises to give by Foundations and Organizations. Management believes these amounts will be fully collected and therefore no provision for uncollectible grants and contributions receivable has been made. Grants receivable at December 31, 2020, are expected to be collected as follows:

In less than one year		\$	404,234
In one to five years			<u>225,710</u>
			<u>\$ 629,944</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property, equipment, and collections at December 31, 2020 are summarized by major classifications as follows:

Furniture		\$	4,484
Equipment			2,316
Computers			<u>13,046</u>
Total Property and Equipment			19,846
Less accumulated depreciation			<u>(15,009)</u>
Property and Equipment, net			<u>\$ 4,837</u>

Depreciation expense related to property and equipment was \$3,425 during the year ended December 31, 2020.

NOTE 5 DEPOSIT

As of December 31, 2020, the Organization had a deposit of \$51,726 with the hotel in which the 2022 forum will be held. The deposit is not refundable.

NOTE 6 PAYCHECK PROTECTION PROGRAM LOAN

On June 9, 2020, the Organization secured a loan of \$142,165 under the Small Business Administration (SBA) Paycheck Protection Program (PPP). Loans received under this program are eligible for forgiveness as documented in the regulations. Any amounts not forgiven will have an annual interest rate of 1% and principal and interest will be due two years from the date of the loan. No interest was paid during the year ended December 31, 2020. Upon notification from the SBA, loan amounts forgiven will be recorded as income. See Note 11 for subsequent loan forgiveness.

NOTE 7 NET ASSETS

Net Assets Without Donor Restrictions

At December 31, 2020, net assets without donor restrictions consist of the following:

General Operating Surplus	\$ 344,681
Net Assets represented by property and equipment	<u> 4,837</u>
Total Net Assets Without Donor Restrictions	<u>\$ 349,518</u>

Net Assets with Donor Restrictions

At December 31, 2020, net assets with donor restrictions consist of the following:

Programs	\$ 53,109
Chesapeake Bay Funders Network project	167,090
Future use	184,521
Grants and contributions receivables	<u> 629,944</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,033,664</u>

NOTE 8 EMPLOYEE RETIREMENT PLAN

In 2018, the Board of Directors approved a 403(b) plan for the benefit of the Organization's employees. The Organization has elected to contribute annually to the plan up to 3% dollar for dollar match of eligible employees contributions and a 5% safe-harbor contribution for all eligible employees. Employer contributions to the plan were \$49,568 for the year ended December 31, 2020.

NOTE 9 LEASES

During the year ended December 31, 2020, the Organization had an office lease that originally expired on January 31, 2022, that called for monthly payments of \$4,099 for January 2020 then increased to \$4,181, plus 24% of common area operating expenses. The Organization terminated this lease effective June 30, 2020. Upon termination, the Organization had to pay a \$25,000 termination fee.

The Organization leases its current office space under a co-working agreement as needed, with the availability of six full-time memberships to the designated space. The lease term commenced July 1, 2020 and expired December 31, 2020 at \$3,050 per month. See Note 11 for lease renewal subsequent to year end.

NOTE 10 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. As of December 31, 2020, substantially all of the Organization's cash was maintained in one financial institution and several custodial accounts. Accounts at the financial institution are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At various times during the year, the Organization may have deposits in excess of the FDIC insurance limit. At December 31, 2020, the Organization had uninsured cash balances of \$748,395.

NOTE 11 RELATED PARTY TRANSACTIONS

The Organization is the fiscal sponsor of the Chesapeake Bay Funders Network (CBFN) Project. One of the Organization's board members is the co-chair of a sub-working group for CBFN.

NOTE 12 LIQUIDITY AND AVAILABILITY

Financial assets available to meet cash needs for general expenditures, that is, without donor or other restrictions limiting their use, within one year as of the statement of financial position date, comprise of the following as of December 31, 2020:

Cash and cash equivalents	\$ 549,827
Dues receivable	92,200
Grants and contribution receivables, without purpose restrictions	<u>168,834</u>
Total	<u>\$ 810,861</u>

Additional funds are expected to be received from grants, contributions, membership dues, and registration fees.

NOTE 13 SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 7, 2021, which is the date that the financial statements were available to be issued. Management has determined that no subsequent events requiring disclosure or significantly impacting disclosure occurred except the following:

- On March 24, 2021, the Organization renewed its office lease for an additional six months.
- On April 13, 2021, the Organization was notified by the Small Business Administration that the full amount of the PPP loan was forgiven.

NOTE 14 UNCERTAINTIES

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The COVID-19 pandemic and resulting global disruptions have caused significant economic uncertainty and volatility in financial markets. The impact of COVID-19 continues to evolve rapidly and the Organization is not able at this time to estimate its full impact on the financial statements for the year ending December 31, 2021.