



California Food Policy Advocates

Financial Statements

For the year ended

June 30, 2014

With Independent Auditors' Report

CALIFORNIA FOOD POLICY ADVOCATES

(A California Not-For-Profit Corporation)

June 30, 2014

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CALIFORNIA FOOD POLICY ADVOCATES

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INDEPENDENT AUDITORS' REPORT

The Board of Directors California Food Policy Advocates

We have audited the accompanying financial statements of California Food Policy Advocates (a California nonprofit organization) which comprise the statement of financial position as of June 30, 2014 and the related statements of activities and changes in net assets, cash flows and functional expenses 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 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 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 California Food Policy Advocates as of June 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of California Food Policy Advocates as of June 30, 2013 were audited by another auditor whose report dated January 6, 2014 expressed an unqualified opinion on those statements. The summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Danville, California
October 10, 2014*

Regalia & Associates

CALIFORNIA FOOD POLICY ADVOCATES

Statements of Financial Position June 30, 2014 and 2013

ASSETS

	2014	2013
Current assets:		
Cash and cash equivalents	\$1,363,055	\$1,566,987
Grants and accounts receivable	55,553	275,297
Prepaid expenses	36,320	27,290
Total current assets	1,454,928	1,869,574
Other Assets	5,399	7,399
Property and equipment, net	35,291	48,674
	<u>\$ 1,495,618</u>	<u>\$ 1,925,647</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued liabilities	\$ 115,566	\$ 111,104
Accrued payroll liabilities	45,863	116,710
Other liabilities	700	-
Total current liabilities	162,129	227,814
Net assets:		
Unrestricted	1,203,202	1,192,488
Temporarily restricted	130,287	505,345
Total net assets	1,333,489	1,697,833
	<u>\$1,495,618</u>	<u>\$1,925,647</u>

CALIFORNIA FOOD POLICY ADVOCATES

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2014

(with Summarized Financial Information for the Year Ended June 30, 2013)

	Unrestricted	Temporarily Restricted	Total 2014	Total 2013
<i>Changes in unrestricted net assets:</i>				
Revenue and support:				
Conference fees and membership dues	\$ 89,797	\$ -	\$ 89,797	\$ 100,697
Contributions, donations and grants	825,258	104,581	929,839	1,118,277
Government contracts	243,153	-	243,153	282,445
Other contracts	129,958	-	129,958	63,375
Other	18,941	-	18,941	9,649
Total unrestricted revenue and support	1,307,107	104,581	1,411,688	1,574,443
Net assets released from restriction	489,639	(489,639)	-	-
Total revenue and support	1,796,746	(385,058)	1,411,688	1,574,443
Expenses:				
Program	1,627,125	-	1,627,125	1,595,401
General and administrative	162,129	-	162,129	167,944
Fundraising	64,225	-	64,225	125,423
Total expenses	1,853,479	-	1,853,479	1,888,768
Decrease in net assets	(56,733)	(385,058)	(441,791)	(314,325)
Net assets-beginning of year <i>(as previously reported)</i>	1,192,488	505,345	1,697,833	2,012,158
Prior period adjustment	77,447	-	77,447	-
Reclassification of restricted net assets	(10,000)	10,000	-	-
Net assets-beginning of year <i>(as corrected)</i>	1,259,935	515,345	1,775,280	2,012,158
Net assets-end of year	\$1,203,202	\$ 130,287	\$1,333,489	\$1,697,833

CALIFORNIA FOOD POLICY ADVOCATES

Statements of Cash Flows For the Years Ended June 30, 2014 and 2013

	2014	2013
<i>Operating activities:</i>		
Decrease in net assets	\$ (441,791)	\$ (314,325)
Adjustments to reconcile to cash provided by operating activities:		
Depreciation	18,483	19,522
Changes in:		
Grants and accounts receivable	219,744	25,718
Other assets	2,000	50
Prepaid expenses	(9,030)	(21,623)
Accounts payable and accrued liabilities	4,462	(39,140)
Accrued payroll liabilities	(70,847)	11,032
Other liabilities	700	-
Cash used for operating activities	<u>(276,279)</u>	<u>(318,766)</u>
<i>Investing activities:</i>		
Acquisition of property and equipment	(5,100)	(15,448)
Cash used for investing activities	<u>(5,100)</u>	<u>(15,448)</u>
Decrease in cash and cash equivalents	(281,379)	(334,214)
Cash and cash equivalents at beginning of year	<u>1,566,987</u>	<u>1,901,201</u>
Cash and cash equivalents at end of year	<u><u>\$1,285,608</u></u>	<u><u>\$1,566,987</u></u>
<i>Additional cash flow information:</i>		
State registration taxes paid	\$ 150	\$ 150
Interest paid	\$ -	\$ -

CALIFORNIA FOOD POLICY ADVOCATES

Statement of Functional Expenses

For the Year Ended June 30, 2014

(with Summarized Financial Information for the Year Ended June 30, 2013)

	General and			2014	2013
	Program Activities	Admin- istrative	Fund- raising	Total	Total
Consultants	\$ 321,310	\$ 14,137	\$ 6,026	\$ 341,473	\$ 417,602
Depreciation	15,892	1,817	774	18,483	19,522
Dues, publications and memberships	7,710	175	75	7,960	2,372
Insurance	9,827	929	396	11,152	9,974
Legal, accounting and professional fees	430	11,929	21	12,380	11,024
Miscellaneous	7,273	239	282	7,794	1,442
Occupancy	92,226	10,543	4,494	107,263	89,061
Office, supplies and other	11,003	930	396	12,329	10,233
Personnel expenses	1,019,954	116,597	49,702	1,186,253	1,155,469
Postage and shipping	2,067	126	54	2,247	2,091
Printing	13,144	437	186	13,767	20,030
Telephone and communication	21,054	1,291	550	22,895	33,543
Training	5,670	611	260	6,541	-
Travel, conferences and meetings	99,565	2,368	1,009	102,942	116,405
Totals	\$1,627,125	\$ 162,129	\$ 64,225	\$1,853,479	\$1,888,768

Notes to Financial Statements
June 30, 2014

1. Organization

California Food Policy Advocates (CFPA) was incorporated in August 1992 as a California nonprofit public benefit corporation dedicated to improving the health and well-being of low-income Californians by increasing their access to nutritious, affordable food.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of CFPA have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, CFPA is required to report 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. CFPA has no permanently restricted net assets as of June 30, 2014.

Support and Revenue Recognition

CFPA records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions, donations and grants restricted by the donor for particular purposes are deemed to be earned and are reported as revenue and support when CFPA has incurred expenditures in compliance with the specific restrictions. Such amounts received or receivable but not yet earned are included as temporarily restricted net assets on the statements of financial position.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash, savings and deposits that have a maturity of less than three months when acquired.

Grants Receivable

Grants receivable are recognized as unrestricted or temporarily restricted contributed revenue when the contractual obligation is received. All receivables are reflected at their estimated net realizable value.

Functional Allocation of Expenses

The costs of providing CFPA's various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Expense

Advertising costs are expensed as incurred. Advertising expense amounted to \$180 for the year ended June 30, 2014 and is included with miscellaneous expenses on the statement of functional expenses.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Property and Equipment

Property and equipment purchased by CFPA is stated at cost. Property and equipment donated to CFPA is recorded at estimated fair value as of the date of the gift. The costs of additions and major improvements are capitalized, while maintenance and repairs are charged to expense as incurred. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets of five years.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing CFPA's various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, CFPA is required to report information regarding its exposure to various tax positions taken by CFPA and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that CFPA has adequately evaluated its current tax positions and has concluded that as of June 30, 2014, CFPA does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

CFPA has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that CFPA continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. CFPA may periodically receive unrelated business income requiring CFPA to file separate tax returns under federal and state statutes. Under such conditions, CFPA will calculate, accrue and remit the applicable taxes.

3. Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2014 include all funds in banks and a money market mutual fund maintained at Fidelity Investments. The composition of cash and cash equivalents is as follows at June 30, 2014:

Checking	\$ 121,540
Money market funds	1,241,515
Total cash and cash equivalents	<u>\$ 1,363,055</u>

Notes to Financial Statements

4. Grants and Accounts Receivable

Grants and accounts receivable of \$55,553 at June 30, 2014, represent funds due from various organizations and government entities and are reflected at their net realizable value. CFPA uses the direct write-off method with regards to receivables deemed uncollectible. There were no bad debts for the year ended June 30, 2014. Management has evaluated the receivables as of June 30, 2014 and determined that such amounts are fully collectible based on the financial health of the donors involved.

5. Property and Equipment

Property and equipment consist of the following at June 30, 2014:

Furniture and equipment	\$ 100,001
Less: accumulated depreciation	(64,710)
Property and equipment, net	<u>\$ 35,291</u>

Depreciation expense amounted to \$18,483 for the year ended June 30, 2014.

6. Lease Commitments

CFPA leases office space in Oakland under a multi-year operating lease expiring September 30, 2016. The lease requires a monthly rental payment of \$6,208 per month as of June 30, 2014, with stipulated rent increases each October 1st. CFPA also leases office space in Los Angeles under an operating lease that expired June 30, 2014. This lease required a monthly payment of \$1,898 per month as of June 30, 2014 and has now reverted to a month-to-month rental agreement.

Rent expense is included in occupancy expense on the statement of functional expenses and amounted to \$107,263. CFPA also leases certain office equipment under short-term operating lease agreements. Minimum annual payments on operating leases extending beyond one year are as follows:

Year ending June 30, 2015	\$ 81,661
Year ending June 30, 2016	79,750
Year ending June 30, 2017	20,136

CFPA subleases a portion of its Oakland office space under two separate subleases. During the year ended June 30, 2014, CFPA recognized \$15,000 in sublease income.

7. Retirement Plan

CFPA offers participation in an Internal Revenue Code Section 403(b) retirement plan which covers substantially all of its full time employees. CFPA makes contributions to the plan as determined each year by the Board. During the year ended June 30, 2014, CFPA contributed \$32,631 to the plan.

Notes to Financial Statements

8. Temporarily Restricted Net Assets

CFPA recognizes support from temporarily restricted net assets when the restrictions imposed by the donors have been satisfied or expired. Temporarily restricted net assets consist of the following at June 30, 2014:

Future periods	\$ 25,706
Los Angeles based programs	69,706
Lunchtime Supports Learning programs	34,875
Total temporarily restricted net assets	<u>\$ 130,287</u>

During the year ended June 30, 2014, contributions to temporarily restricted net assets amounted to \$104,581. During the year ended June 30, 2014, CFPA released \$489,639 from temporarily restricted net assets to unrestricted net assets.

9. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, CFPA is required to record a liability for the estimated amounts of compensation for vacation and sick leave. Employees are permitted to accrue a specific number of hours for estimated future absences, and such accruals are recorded in the financial statements as an accrued liability on the statements of financial position based on hourly rates in effect at the end of the fiscal year. Accrued benefits amounted to \$45,863 at June 30, 2014. Pursuant to a Board resolution, certain employees may also be permitted to take up to a two-month sabbatical leave if certain conditions are met. No accrual has been established for any potential sabbatical costs as of June 30, 2014.

10. Adjustments to Net Assets

During the year ended June 30, 2014, management became aware of two errors requiring adjustment to the beginning net assets:

Accrual for Sabbatical

In a prior year, CFPA accrued \$77,447 in estimated payroll liabilities relating to future anticipated sabbatical costs. Management determined that all of the conditions as required by Per ASC 710-05-5 (previously FAS 43), "*Accounting for Compensated Absences*" were not satisfied and should be reversed. Accordingly, an adjustment was made to the beginning unrestricted net assets balance as a prior period adjustment.

Reclassification of Unrestricted Net Assets

A contribution in the amount of \$10,000 received during the fiscal year ended June 30, 2013 was recorded as an unrestricted donation. Management determined that this contribution should have been posted as a temporarily restricted net asset. Accordingly, a reclassification of this \$10,000 prior year donation has been reflected on the statement of activities and changes in net assets.

Notes to Financial Statements

11. Other Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future program activities, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate CFPA to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond CFPA's control, such as generosity of donors and general economic conditions, (c) Employment contracts and service agreements with outside contractors, and (d) Financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments or contingencies have been properly addressed, appropriate amounts have been accrued (where necessary), and there will not be any resolution with a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting agencies.

12. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, CFPA has evaluated subsequent events through October 10, 2014, the date the financial statements were available to be issued, and, in the opinion of management, there are no subsequent events which need to be disclosed.