



# **California Food Policy Advocates**

## **Financial Statements**

*For the year ended*

*June 30, 2016*

With Independent Auditors' Report

# CALIFORNIA FOOD POLICY ADVOCATES

(A California Not-For-Profit Corporation)

June 30, 2016

## CONTENTS

### Page

Independent Auditors' Report	1
<b>Audited Financial Statements:</b>	
Statements of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6 - 10

### CALIFORNIA FOOD POLICY ADVOCATES

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**Index**

## 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, 2016 and 2015 and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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 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 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 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, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Other Matters***

The prior year summarized comparative information has been derived from California Food Policy Advocates' June 30, 2015 financial statements. In our report dated November 4, 2015, we expressed an unmodified opinion on those financial statements.

**Danville, California  
September 26, 2016**

*Regalia & Associates*

# CALIFORNIA FOOD POLICY ADVOCATES

## Statements of Financial Position June 30, 2016 and 2015

### ASSETS

	2016	2015
Current assets:		
Cash and cash equivalents	\$ 1,036,224	\$ 1,317,833
Grants and accounts receivable	67,205	431,859
Prepaid expenses	32,875	22,824
Total current assets	1,136,304	1,772,516
Other Assets	16,659	20,899
Property and equipment, net	10,579	24,114
	<u>\$ 1,163,542</u>	<u>\$ 1,817,529</u>

### LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued liabilities	\$ 10,064	\$ 120,813
Accrued payroll liabilities	30,623	27,350
Other liabilities	3,009	350
Total current liabilities	43,696	148,513
Net assets:		
Unrestricted	692,287	998,036
Temporarily restricted	427,559	670,980
Total net assets	1,119,846	1,669,016
	<u>\$ 1,163,542</u>	<u>\$ 1,817,529</u>

# CALIFORNIA FOOD POLICY ADVOCATES

## Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2016

*(with Summarized Financial Information for the Year Ended June 30, 2015)*

	Unrestricted	Temporarily Restricted	Total 2016	Total 2015
<i>Changes in unrestricted net assets:</i>				
Revenue and support:				
Conference fees and membership dues	\$ 160,220	\$ -	\$ 160,220	\$ 92,100
Contributions, donations and grants	149,480	408,420	557,900	1,432,601
Government and other contracts	55,262	-	55,262	202,607
Other	43,198	-	43,198	21,245
Total unrestricted revenue and support	408,160	408,420	816,580	1,748,553
Net assets released from restriction	651,841	(651,841)	-	-
Total revenue and support	1,060,001	(243,421)	816,580	1,748,553
Expenses:				
Program	1,154,964	-	1,154,964	1,209,283
General and administrative	154,216	-	154,216	141,218
Fundraising	56,570	-	56,570	62,525
Total expenses	1,365,750	-	1,365,750	1,413,026
Increase (decrease) in net assets	(305,749)	(243,421)	(549,170)	335,527
Net assets-beginning of year	998,036	670,980	1,669,016	1,333,489
Net assets-end of year	\$ 692,287	\$ 427,559	\$ 1,119,846	\$ 1,669,016

# CALIFORNIA FOOD POLICY ADVOCATES

## Statements of Cash Flows For the Years Ended June 30, 2016 and 2015

	2016	2015
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ (549,170)	\$ 335,527
Adjustments to reconcile to cash provided by operating activities:		
Depreciation	15,290	15,713
Changes in:		
Grants and accounts receivable	364,654	(376,306)
Other assets	4,240	(15,500)
Prepaid expenses	(10,051)	13,496
Accounts payable and accrued liabilities	(110,749)	5,247
Accrued payroll liabilities	3,273	(18,513)
Other liabilities	2,659	(350)
Cash used for operating activities	<u>(279,854)</u>	<u>(40,686)</u>
<i>Investing activities:</i>		
Acquisition of property and equipment	<u>(1,755)</u>	<u>(4,536)</u>
Cash used for investing activities	<u>(1,755)</u>	<u>(4,536)</u>
Decrease in cash and cash equivalents	(281,609)	(45,222)
Cash and cash equivalents at beginning of year	<u>1,317,833</u>	<u>1,363,055</u>
Cash and cash equivalents at end of year	<u>\$ 1,036,224</u>	<u>\$ 1,317,833</u>
<i>Additional cash flow information:</i>		
State registration taxes paid	<u>\$ 150</u>	<u>\$ 150</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>

# CALIFORNIA FOOD POLICY ADVOCATES

## Statement of Functional Expenses

For the Year Ended June 30, 2016

*(with Summarized Financial Information for the Year Ended June 30, 2015)*

	General and			2016	2015
	Program Activities	Admin- istrative	Fund- raising	Total	Total
Advertising and promotion	\$ 294	\$ 48	\$ 18	\$ 360	\$ 3,994
Depreciation	12,492	2,020	778	15,290	15,713
Dues, publications and memberships	6,860	1,051	405	8,316	3,746
Insurance	7,429	1,202	463	9,094	10,458
Legal, accounting and professional fees	120,108	12,606	376	133,090	185,777
Lobbying fees	38,033	-	-	38,033	19,017
Miscellaneous	5,379	273	438	6,090	4,052
Occupancy	94,185	15,234	5,865	115,284	109,839
Office and supplies	5,050	567	218	5,835	5,798
Personnel expenses	723,237	116,979	45,036	885,252	922,781
Postage and shipping	398	61	24	483	1,053
Printing and copying	12,965	1,110	427	14,502	7,215
Telecommunications	13,912	2,206	849	16,967	18,543
Travel, conferences and meetings	114,622	859	1,673	117,154	105,040
Totals	\$1,154,964	\$ 154,216	\$ 56,570	\$1,365,750	\$1,413,026

**Notes to Financial Statements**  
**June 30, 2016**

**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 had no permanently restricted net assets as of June 30, 2016 or 2015.

*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.



**Notes to Financial Statements****2. Summary of Significant Accounting Policies (continued)***Advertising Expense*

Advertising costs are expensed as incurred. Advertising expense amounted to \$360 and \$3,994 for the years ended June 30, 2016 and 2015, respectively, and is shown as advertising and promotion on the statement of functional expenses.

*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.

*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, 2016 and 2015, 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 receives unrelated business income requiring CFPA to file separate tax returns under federal and state statutes.

*Comparative Financial Information*

The statement of functional expenses includes certain prior-year summarized comparative information in total but not by net asset class. Such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2015 from which the summarized information was derived.

*Reclassifications*

Certain reclassifications have been made to the 2015 financial statements in order to conform to the presentation used in 2016.

**Notes to Financial Statements**

**3. Cash and Cash Equivalents**

Cash and cash equivalents at June 30, 2016 and 2015, respectively, 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:

	<b>2016</b>		<b>2015</b>
Checking	\$ 94,462	\$	276,213
Money market funds	<b>941,762</b>		1,041,620
Total cash and cash equivalents	<b>\$ 1,036,224</b>	\$	<b>1,317,833</b>

**4. Grants and Accounts Receivable**

Grants and accounts receivable of \$67,205 and \$431,859 at June 30, 2016 and 2015, respectively, 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 years ended June 30, 2016 or 2015. Management has evaluated the receivables as of June 30, 2016 and determined that such amounts are fully collectible based on the financial strength of the donors involved.

**5. Property and Equipment**

Property and equipment consist of the following at June 30:

	<b>2016</b>		<b>2015</b>
Furniture and equipment	\$ 99,341	\$	104,537
Less: accumulated depreciation	<b>(88,762)</b>		(80,423)
Property and equipment, net	<b>\$ 10,579</b>	\$	<b>24,114</b>

Depreciation expense amounted to \$15,290 and \$15,713 for the years ended June 30, 2016 and 2015, respectively. During the year ended June 30, 2016, CFPA disposed of fully depreciated property and equipment in the amount of \$6,951. There were no disposals during the year ended June 30, 2015.

**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 \$6,568 per month as of June 30, 2016. In August 2016, CFPA entered into a multi-year operating lease for new office space in Oakland. This lease, which runs from September 16, 2016 to September 30, 2020, will require an initial monthly rental payment of \$6,767, with stipulated annual inflation-adjustment increases each October 1. The rent for the partial month from September 16 to September 30, 2016 will be prorated.

CFPA also leases office space in Los Angeles under an operating lease expiring May 31, 2021. This lease requires a monthly rental payment of \$2,860 as of June 30, 2016, with stipulated annual increases of 3.0%. (continued)

**Notes to Financial Statements**

**6. Lease Commitments** *(continued)*

Rent expense amounted to \$115,284 and \$109,839 for the years ended June 30, 2016 and 2015, respectively, and is reflected as occupancy expense on the statement of functional expenses. 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, 2017	\$ 122,686
Year ending June 30, 2018	122,317
Year ending June 30, 2019	122,019
Year ending June 30, 2020	125,679
Year ending June 30, 2021	57,591

CFPA subleases certain portions of its Oakland and Los Angeles office spaces under separate sublease agreements. During the years ended June 30, 2016 and 2015, CFPA recognized \$29,777 and \$20,800, respectively, in sublease income.

**7. Retirement Plan**

CFPA offers employees the opportunity for participation in a salary reduction retirement plan qualified under Internal Revenue Code Section 403(b). Substantially all full-time employees are eligible for participation in the plan and are 100% vested in their deferred compensation balances. CFPA makes contributions to the plan as determined annually by the organization's Board of Directors. During the years ended June 30, 2016 and 2015, CFPA contributed \$25,618 and \$25,717, respectively, to the plan.

**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:

	<b>2016</b>		<b>2015</b>
Health and nutrition programs	\$ 228,213	\$	160,070
School meal programs	27,987		169,188
Southern California programs	147,420		341,722
Strategic planning	23,939		-
Total temporarily restricted net assets	\$ 427,559	\$	670,980

During the years ended June 30, 2016 and 2015, contributions to temporarily restricted net assets amounted to \$408,420 and \$1,116,000, respectively. During the years ended June 30, 2016 and 2015, CFPA released \$651,841 and \$575,307, respectively, from temporarily restricted net assets to unrestricted net assets.

**Notes to Financial Statements**

**9. Fiscal Agent**

CFPA acts as the fiscal agent for Child Care Food Program Roundtable (CCFP). CCFP activity during the years ended June 30, 2016 and 2015 is summarized as follows:

	<b>2016</b>	<b>2015</b>
CCFP net assets at beginning of year	\$ 58,256	\$ 59,205
Conference income, dues, donations and grants	<b>160,220</b>	109,614
Expenditures	<b>(128,042)</b>	(110,563)
CCFP net assets at end of year	<b>\$ 90,434</b>	\$ 58,256

**10. 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 \$30,623 and \$27,350 at June 30, 2016 and 2015, respectively. 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, 2016 or 2015.

**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 September 26, 2016, the date the financial statements were available to be issued. As discussed in footnote 6, CFPA entered into a new lease agreement effective September 16, 2016. In the opinion of management, there are no other subsequent events which need to be disclosed.