

**Agriculture and Land-Based  
Training Association**

FINANCIAL STATEMENTS  
For the Year Ended  
December 31, 2018  
and  
Supplementary Information  
\*\*\*\*\*

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.

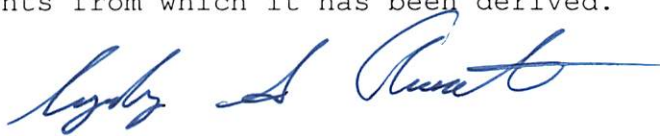
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Agriculture and Land-Based Training Association as of December 31, 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

The Financial Statements of the organization's December 31, 2017, were audited by other auditors whose report dated November 13, 2019 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink, appearing to read "Lydia A. Runt", is written over the text of the "Report on Summarized Comparative Information" section.

Ingraham & Associates CPAs  
Certified Public Accountants

Salinas, California  
January 12, 2020

**INGRAHAM & ASSOCIATES**  
**Certified Public Accountants**  
**Licensed by the California Board of Accountancy**

**Phone (831) 422-6261**  
**Fax (831) 422-8033**

**Francis B. Ingraham, CPA**  
**francis@ingrahamcpas.com**

**Arturo Contreras, CPA**  
**arturo@ingrahamcpas.com**

To the Board of Directors  
Agriculture and Land-Based Training Association

We have audited the accompanying financial statements of Agriculture and Land-Based Training Association which comprise the statement of financial position as of December 31, 2018 and the related statement of activities 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 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 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 of 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.

Agriculture and Land-Based Training Association

STATEMENT OF FINANCIAL POSITION

December 31, 2018

(With Comparative Totals for December 31, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS:		
Cash.....	\$ 136,683	\$ 341,194
Investments Salinas Basin.....	1,000	1,000
Accounts receivable ALBA Organics, net of allowance of \$100,000.....	48,104	77,251
Grants Receivable.....	252,865	204,924
Other Assets.....	<u>17,126</u>	<u>15,380</u>
Total current assets.....	<u>455,778</u>	<u>639,749</u>
PROPERTY, PLANT AND EQUIPMENT		
Land.....	2,000,000	2,000,000
Building & Improvements.....	1,764,058	1,764,058
Machinery & Equipment.....	748,086	632,982
Office & Equipment.....	<u>87,620</u>	<u>87,620</u>
Total.....	4,599,764	4,484,660
Less accumulated depreciation.....	<u>(1,038,423)</u>	<u>(958,251)</u>
Total property, plant and equipment - net.....	<u>3,561,341</u>	<u>3,526,409</u>
TOTAL ASSETS:	<u>\$ 4,017,119</u>	<u>\$ 4,166,158</u>
Liabilities and Net Assets:		
Current Liabilities		
Accounts Payables.....	\$ 111,301	\$ 106,450
Accrued payroll liabilities and vacation..	24,633	29,322
Accrued SEP.....	21,950	19,522
Rental deposits.....	35,030	24,992
Rabobank EQ Loan.....	<u>50,000</u>	<u>-</u>
Total current liabilities.....	<u>242,914</u>	<u>180,286</u>
Long Term Liabilities	-	50,000
Total Liabilities	<u>242,914</u>	<u>180,286</u>
NET ASSETS		
Unrestricted.....	3,650,018	3,594,692
Donor Restricted.....	<u>124,187</u>	<u>341,180</u>
Total Net Assets.....	<u>3,774,205</u>	<u>3,935,872</u>
TOTAL LIABILITIES AND NET ASSETS:	<u>\$ 4,017,119</u>	<u>\$ 4,166,158</u>

The accompanying notes are an integral part of these financial statements.

**Agriculture and Land-Based Training Association**

**STATEMENT OF ACTIVITIES**

**December 31, 2018**

**(With Comparative Totals for December 31, 2017)**

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUES:</b>				
Support				
Contributions.....	\$ 104,272	\$ -	\$ 104,272	\$ 18,671
Non-government grants.....	219,755	158,013	377,768	448,518
Federal and state government grants.....	465,977	-	465,977	510,155
Product Sales.....	35,008	-	35,008	45,919
Program service revenue grower rents and charges ....	158,086	-	158,086	176,321
Program service revenue tuition payments .....	7,770	-	7,770	11,597
Reimbursements .....	109,478	-	109,478	214,556
Other income.....	12	-	12	1,288
Net assets released from restrictions.....	<u>375,006</u>	<u>(375,006)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUES.....</b>	<u>1,475,364</u>	<u>(216,993)</u>	<u>1,258,371</u>	<u>1,427,025</u>
<b>EXPENSES AND LOSSES:</b>				
Program Expenses				
Incubator.....	582,269	-	582,269	632,921
Training.....	257,761	-	257,761	348,701
Product Sales.....	154,360	-	154,360	186,959
Management Expenses.....	389,431	-	389,431	328,916
Fundraising.....	<u>36,217</u>	<u>-</u>	<u>36,217</u>	<u>43,374</u>
Total Expenses.....	<u>1,420,038</u>	<u>-</u>	<u>1,420,038</u>	<u>1,540,871</u>
Losses				
Loss on sale of property.....	-	-	-	369,055
Total Expenses and losses	1,420,038	-	1,420,038	1,909,926
<b>INCREASE (DECREASE) IN NET ASSET:</b>	<u>55,326</u>	<u>(216,993)</u>	<u>(161,667)</u>	<u>(482,901)</u>
<b>NET ASSETS:</b>				
Beginning of year.....	<u>3,594,692</u>	<u>341,180</u>	<u>3,935,872</u>	<u>4,418,773</u>
End of year.....	<u>\$ 3,650,018</u>	<u>\$ 124,187</u>	<u>\$ 3,774,205</u>	<u>\$ 3,935,872</u>

The accompanying notes are an integral part of these financial statements.

Agriculture and Land-Based Training Association

STATEMENT OF CASH FLOWS

December 31, 2018

(With Comparative Totals for December, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets.....	\$ (161,667)	\$ (482,901)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation.....	80,172	71,538
Loss on sale of property.....	-	369,055
(Increase) Decrease in:		
Receivables.....	(18,794)	112,697
Other Assets.....	(1,746)	(604)
Increase (Decrease) in:		
Accrued Expenses.....	2,428	(3,746)
Payables.....	<u>7,777</u>	<u>38,857</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	<u>(91,830)</u>	<u>104,896</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property.....	-	1,122,787
Acquisition of assets.....	-	(1,000)
Acquisition of property and equipment.....	<u>(115,104)</u>	<u>(23,789)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES.....	<u>(115,104)</u>	<u>1,097,998</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan activity.....	<u>2,423</u>	<u>(899,999)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES.....	<u>2,423</u>	<u>(899,999)</u>
NET INCREASE (DECREASE) IN CASH BALANCE.....	<u>(204,511)</u>	<u>302,895</u>
CASH BALANCE, BEGINNING OF YEAR.....	<u>341,194</u>	<u>38,299</u>
CASH BALANCE, END OF YEAR.....	<u>\$ 136,683</u>	<u>\$ 341,194</u>
Supplemental disclosures		
Cash paid for interest.....	<u>\$ 7,254</u>	<u>\$ 13,123</u>

The accompanying notes are an integral part of these financial statements.

**Agriculture and Land-Based Training Association**

Notes to the Financial Statements

December 31, 2018

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1. Nature of Organization and Summary of Significant Accounting Policies

The Agriculture and Land-Based Training Association ("ALBA") or the "Association" (meaning "dawn" in Spanish) is a nonprofit community based organization founded in 2001. ALBA's mission is to create economic opportunity for limited-resource and aspiring organic farmers through land-based education in the heart of the Salinas Valley. ALBA strives to provide an environment that facilitates open dialogue between conservation and agricultural interests, serving as an example of how sustainable agricultural practices can enhance the preservation of sensitive natural environments.

ALBA carries out its mission at the Rural Development Center ("RDC") in Salinas, California.

ALBA's 5 year Farmer Education and Enterprise Development (FEED) program aims to achieve the following: to develop skills to prepare to launch farm businesses and advance careers, establish and grow new organic farms, and to market produce grown in response to growing demand for organic food grown by small farmers. The FEED program achieves its goals as follows:

Programa Educativo para Pequeños Agricultores (PEPA) program is for individuals and families that want to start or develop an organic farm, or gain valuable job skills to increase their career opportunities in agriculture. PEPA provides experiential entrepreneurship and job training in small farm management and organic vegetable production. The 10 month curriculum utilizes classroom instruction, hands-on field based training, farmer mentoring, and field trips to give participants the necessary tools and experience to improve their career options. In addition, students group farm and manage a 1-acre practice plot over several growing cycles.

Organic Farm Incubator is a program to help farmers launch and grow their business over four years, learning all aspects of running a farm enterprise under ALBA's supervision and in a reduced-risk environment. In any given year, ALBA hosts approximately 35 farmers, who receive subsidized access to land, equipment and technical assistance as they prepare for their transition to independent farming.

(Continued on following page.)

**Agriculture and Land-Based Training Association**

Notes to the Financial Statements  
December 31, 2018

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1. Nature of Organization and Summary of Significant Accounting Policies

Reorganization of ALBA Organics program

ALBA experienced financial difficulties in operating the ALBA Organics produce distribution program. In November 2016 ALBA adopted a new strategy for the ALBA Organics program. ALBA signed a contract with Aggrigator, Inc. to function as a network orchestrator for farm-to shelf marketplace, bringing together small farmers and buyers to achieve economies of scale. As of the contract date ALBA terminated sales through the ALBA Organics program.

Basis of presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Unrestricted Net Assets - Net Assets that are not subject to donor-imposed stipulations
- Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of ALBA and/or the passage of time.
- Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that will be maintained permanently by ALBA. There are currently no permanently restricted net

Revenue recognition

Program service fees and reimbursements are recognized when earned. Program service fees and reimbursements and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received.

(Continued on following page.)

**Agriculture and Land-Based Training Association**

Notes to the Financial Statements

December 31, 2018

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1. Nature of Organization and Summary of Significant Accounting Policies

Revenue recognition (continued)

Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. Included in cash is cash received with temporary restrictions on use. As of December 31, 2018 cash held with temporary restrictions totaled \$136,683.

Accounts receivable - grants

A significant amount of funding for ALBA's programs is through grant funding. Accounts receivable - grants are recorded on the accrual basis and consist of receivables on grants awarded but not yet received. For grants that remit funds on a reimbursed basis the grant receivable is recorded when services are provided or qualifying funds are expended.

Accounts receivable - ALBA Organics (produce sales)

ALBA Organics produce distribution program discontinued sales in November 2016. The program extended credit to its customers primarily located in central California. ALBA recorded accounts receivable from ALBA Organics produce sales on the accrual basis of accounting upon delivery of produce.

Accounts receivable - Program Service Reimbursements

Growers rent and charges; as part of the organic farm incubator program, ALBA provides growers with subsidized access to land, equipment and water. ALBA records rent income for land use and reimbursement income for water and equipment usage.

Reimbursements; as part of the restructure of the ALBA Organics program ALBA signed a contract with Aggrigator, Inc., ALBA records receivables from Aggrigator as ALBA incurs expenses.

(Continued on following page.)

**Agriculture and Land-Based Training Association**

Notes to the Financial Statements

December 31, 2018

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1. Nature of Organization and Summary of Significant Accounting Policies

Allowance for doubtful accounts

ALBA determines an allowance for doubtful or uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. The allowance account as of December 31, 2018 had a balance of \$100,000 which ALBA considers to be adequate at this time based on a review of outstanding accounts receivable balances. Uncollectible accounts will be charged against the allowance account when deemed uncollectable.

Property and equipment

ALBA records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets which range from three to ten years for furniture and equipment, and thirty-nine years for buildings, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term.

When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Income taxes

No provision for income taxes has been provided in the accompanying statement of activities as the Association is qualified for exemption from income taxes under Federal and California revenue codes. Unrelated business income, if any, is subject to income taxes.

Functional allocation of expenses

The cost of providing program services and other activities have been presented on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management estimates.

(Continued on following page.)

**Agriculture and Land-Based Training Association**

Notes to the Financial Statements  
December 31, 2018

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1. Nature of Organization and Summary of Significant Accounting Policies

Use of estimates

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

2. Financial Instruments and Credit Risk

ALBA manages deposit concentration risk by placing cash with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 at each institution. ALBA did not have an uninsured cash balance as of December 31, 2018. ALBA has not experienced any losses in such accounts.

Credit risk associated with grants receivable is considered to be limited because substantial portions of the outstanding amounts are due from governmental agencies, and foundations supportive of our mission. Credit risk for ALBA Organics and program service revenue is high due to the relatively high credit risk profiles associated with the source. Risk is managed through program service activities and is addressed through an allowance for doubtful accounts.

3. Property and Equipment

The component categories of property and equipment, at cost at December 31, 2018 are as shown below:

	<u>2018</u>	<u>2017</u>
Land.....	\$ 2,000,000	\$ 2,000,000
Buildings & Improvements.....	1,764,058	1,764,058
Furniture and Equipment.....	748,086	632,982
Vehicles.....	87,620	87,620
Less accumulated depreciation....	<u>(1,038,423)</u>	<u>(958,251)</u>
Net property and equipment..	<u>\$ 3,561,341</u>	<u>\$ 3,526,409</u>

(Continued on following page.)

**Agriculture and Land-Based Training Association**

Notes to the Financial Statements

December 31, 2018

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3. Property and Equipment (continued)

Depreciation expense was \$80,172, for the year ended December 31, 2018.

Pursuant to a Financial Assistance Award (FAA) dated February 2, 1999, and transferred to and accepted by ALBA on April 30, 2003, the RDC land and improvements are encumbered by a \$1,000,000 lien held by the Economic Development Administration ("EDA") of the U.S. Department of Commerce. The lien shall terminate and be of no further force and effect twenty years from its effective date of December 19, 2003. Under the terms of the agreement with the EDA, ALBA acknowledges that said debt shall accrue and be due and payable upon any use, transfer, or alienation prohibited by the terms of the FAA. No such prohibited use is anticipated.

4. Investment and Commitments to Contribute Funds

As of December 31, 2017 ALBA has paid a \$1,000 capital investment in Salinas Basin Agriculture Stewardship Group, LLC. (the "Group"). The Group has entered into a Settlement Agreement with the State Water Resources Control Board and the Central Coast Regional Water Quality Control Board and has agreed to fund a replacement drinking water plan for Salinas Valley Basin residents whose groundwater supplies are contaminated with unsafe levels of nitrate and to focus efforts on long-term-solutions. In return, local regulators have agreed to not seek individual enforcement for members of the group participating in

As a member of the Group ALBA will contribute funds that will be used to supply clean water for certain well water users whose water is above the limits for nitrogen. Members of the Group will pay assessments based on the amount of land that could be potentially affected that they, own, grow on, or ship commodities from. The assessments will also be based on a budget that will incorporate necessary expenditures related to the Settlement Agreement. ALBA contributed \$10,167 in 2018, and that amount is expected to significantly decrease in future years.

5. Short term loan Rabobank

ALBA obtained \$50,000 in financing pursuant to an equity equivalent investment agreement, structured as a loan, with Rabobank N.A. on July 1, 2009. This amount is due with interest at an initial fixed rate of 2%, interest is compounded and due quarterly. At the end of a five-year term it is eligible for renewal for an additional five-year period or may be converted into a grant at the discretion of Rabobank N.A. During the fiscal year ending December 31, 2014, ALBA renewed the loan for

(Continued on following page.)

**Agriculture and Land-Based Training Association**

Notes to the Financial Statements

December 31, 2018

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5. Short term loan Rabobank (continued)

five years. The current due date is June 30, 2019. As of December 31, 2018 the balance on the Operating Loan was \$50,000, ALBA is current on the quarterly interest payments.

The future principal payments of long-term debt as of December 31, 2018 are as follows:

<u>Year Ending December 31</u>	<u>2019</u>
	\$ <u>50,000</u>

6. Temporarily Restricted Net Assets

Temporarily restricted net assets for program or period as of December 31, 2018 are as follows:

	Balance <u>1/1/2018</u>	<u>Additions</u>	<u>Satisfied</u>	Balance <u>12/31/2018</u>
FEED Program	\$ 331,180	\$ 158,013	\$ 365,006	\$ 124,187
Strategies for Strengthening sustainability	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
	<u>\$ 341,180</u>	<u>\$ 158,013</u>	<u>\$ 375,006</u>	<u>\$ 124,187</u>

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.

7. Economic Dependency

ALBA is economically dependent on yearly support in the form of grants from federal, state and local governments as well as other nonprofit organizations.

The operations of ALBA, through grant awards, are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

(Continued on following page.)

**Agriculture and Land-Based Training Association**

Notes to the Financial Statements

December 31, 2018

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9. Lease Agreements

ALBA leases certain equipment from a financial services company under lease agreements. Monthly scheduled payments as of December 31, 2018 total \$3,876. Minimum annual lease payments to be made by ALBA are as follows:

<u>Year Ending December 31</u>	<u>2019</u>
	<u>\$ 10,224</u>

10. Retirement Plan

ALBA has two defined contribution retirement plans - a 403(b) plan for employee contributions, and a SEP plan for discretionary ALBA contributions. ALBA has accrued a contribution expense of \$21,950 for the year ended December 31, 2018, based on 5% of eligible compensation.

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Agriculture and Land-Based Training Association

Statement of Functional Expenses

December 31, 2018

	Incubator	Training	Produce Sales	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 208,276	\$ 83,973	\$ 38,509	\$ 100,997	\$ 13,669	\$ 445,424
Benefits - health	38,609	12,632	3,469	40,024	(8,249)	86,485
Benefits - SEP retirement contribution	5,930	-	-	16,017	-	21,947
Payroll taxes	18,162	6,678	3,397	8,424	412	37,073
Accounting and audit	-	-	-	26,828	10	26,838
Communications	706	1,113	-	35	-	1,855
Conference/Meeting Expense	1,453	205	130	425	-	2,212
Contractual services	62,691	108,995	90,289	21,043	17,713	300,730
Postage	203	-	-	791	(150)	844
Equipment expense	2,076	524	-	1,405	-	4,005
Equipment maintenance and rent	17,167	4,385	-	406	-	21,958
Fuel	4,486	-	-	105	-	4,591
Insurance	17,734	11,513	1,349	37,166	11,332	79,093
Legal	-	-	-	37,971	(1,095)	36,876
Materials and supplies	26,337	12,419	1,323	2,649	-	42,729
Meals and entertainment	10	392	13	683	-	1,097
Membership	-	-	-	3,910	-	3,910
Office expense	941	1,596	221	5,023	60	7,840
Organic certification	1,542	-	-	-	-	1,542
Permits and fees	4,091	750	5,621	6,008	-	16,470
Printing and copying, publications	6,081	649	4,325	50	-	11,105
Property tax	3,741	-	-	-	-	3,741
Repairs and maintenance	8,409	-	-	138	-	8,547
Telecommunications	7,251	861	170	4,411	25	12,718
Training and education	160	239	40	1,118	-	1,557
Travel, lodging and meals	4,712	6,822	3,120	8,799	-	23,454
Utilities	47,536	-	-	1,325	25	48,886
Irrigation system repair and maintenance	8,071	-	-	-	-	8,071
Staff Development	-	-	-	23	-	23
Farmer Stipend	1,200	100	1,350	-	-	2,650
Alba Organics Expenses	-	-	-	-	344	344
Vehicle maintenance and registration	3,169	-	-	-	-	3,169
Vehicle rent	-	3,915	-	29,633	2,035	35,583
Bad debt	1,117	-	190	26,058	-	27,366
Bank fees, charges	20	1	844	712	93	1,670
Interest	-	-	-	7,254	-	7,254
Misc	215	-	-	-	(5)	210
Functional expenses before depreciation	<u>502,097</u>	<u>257,761</u>	<u>154,360</u>	<u>389,431</u>	<u>36,217</u>	<u>1,339,866</u>
Depreciation	80,172	-	-	-	-	80,172
Total Functional expenses	<u>\$ 582,269</u>	<u>\$ 257,761</u>	<u>\$ 154,360</u>	<u>\$ 389,431</u>	<u>\$ 36,217</u>	<u>\$1,420,038</u>