

**AGRICULTURE AND LAND-BASED  
TRAINING ASSOCIATION**

Financial Report

Year ended December 31, 2019

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Agriculture and Land-Based Training Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, 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 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 Agriculture and Land-Based Training Association as of December 31, 2019, 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 Matters

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### *Other Reporting Required By Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022, on our consideration of Agriculture and Land-Based Training Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agriculture and Land-Based Training Association's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Hatcher and Bloodgood LLP". The signature is written in a cursive, flowing style.

September 29, 2022

# AGRICULTURE AND LAND-BASED TRAINING ASSOCIATION

## STATEMENT OF FINANCIAL POSITION

December 31, 2019

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### ASSETS

#### CURRENT ASSETS

Cash and cash equivalents	\$	174,861
Accounts receivable, net of allowance of \$100,000		81,943
Grants receivable, current (Note 3)		391,923
Prepaid expenses		<u>2,388</u>
Total current assets		<u>651,115</u>

#### PROPERTY AND EQUIPMENT, at cost

Land		2,000,000
Building and improvements		2,097,269
Machinery and equipment		754,886
Furniture and equipment		<u>120,839</u>
		4,972,994
Less accumulated depreciation		<u>1,429,456</u>
		<u>3,543,538</u>

#### OTHER ASSETS

Investment in Salinas Basin		1,000
Grants receivable, net of discount and allowance (Note 3)		<u>276,160</u>
		<u>277,160</u>
	\$	<u><u>4,471,813</u></u>

## AGRICULTURE AND LAND-BASED TRAINING ASSOCIATION

### STATEMENT OF FINANCIAL POSITION

December 31, 2019

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#### LIABILITIES AND NET ASSETS

##### CURRENT LIABILITIES

Accounts payable	\$ 111,302
Accrued expenses	20,115
Current portion of capital lease (Note 8)	<u>6,709</u>
Total current liabilities	<u>138,126</u>

##### LONG-TERM LIABILITIES

Rental deposits	38,500
Capital lease, less current portion (Note 8)	<u>9,740</u>
	<u>48,240</u>
Total liabilities	<u>186,366</u>

##### NET ASSETS

Without donor restrictions	3,739,814
With donor restrictions (Note 7)	<u>545,633</u>
Total net assets	<u>4,285,447</u>
	<u><u>\$ 4,471,813</u></u>

## AGRICULTURE AND LAND-BASED TRAINING ASSOCIATION

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Support:			
Government grants	\$ 811,016	\$ --	\$ 811,016
Non-government grants	317,332	664,250	981,582
Contributions	145,507	--	145,507
Total support	<u>1,273,855</u>	<u>664,250</u>	<u>1,938,105</u>
Revenue:			
Program service revenue - grower rents and charges	194,700	--	194,700
Program service revenue - tuition	9,145	--	9,145
Reimbursements	85,107	--	85,107
Product sales	53,240	--	53,240
Other income	15,450	--	15,450
Net assets released from restrictions	265,304	(265,304)	--
Total revenue	<u>622,946</u>	<u>(265,304)</u>	<u>357,642</u>
Total support and revenue	<u>1,896,801</u>	<u>398,946</u>	<u>2,295,747</u>
<b>EXPENSES</b>			
Program services	1,027,367	--	1,027,367
Management and general	408,954	--	408,954
Fundraising	77,901	--	77,901
Total program and support services	<u>1,514,222</u>	<u>--</u>	<u>1,514,222</u>
<b>Increase in net assets</b>	<u>382,579</u>	<u>398,946</u>	<u>781,525</u>
<b>Net assets, beginning, as previously stated</b>	3,650,018	124,187	3,774,205
<b>Prior period adjustment (Note 10)</b>	<u>(292,783)</u>	<u>22,500</u>	<u>(270,283)</u>
<b>Net assets, beginning, as re-stated</b>	<u>3,357,235</u>	<u>146,687</u>	<u>3,503,922</u>
<b>Net assets, ending</b>	<u>\$ 3,739,814</u>	<u>\$ 545,633</u>	<u>\$ 4,285,447</u>

The notes to financial statements are an integral part of this statement.

## AGRICULTURE AND LAND-BASED TRAINING ASSOCIATION

### STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Program Services	Management and General	Fundraising	Total
<b>EXPENSES</b>				
Salaries and wages	\$ 370,943	\$ 134,746	\$ 38,800	\$ 544,489
Payroll taxes and benefits	92,667	33,593	9,673	135,933
Depreciation	--	95,439	--	95,439
Rent	4,017	--	--	4,017
Utilities	44,645	13,386	--	58,031
Professional fees	--	15,988	--	15,988
Contractual services	260,326	25,396	24,176	309,898
Travel	52,235	--	--	52,235
Repairs and maintenance	50,600	--	--	50,600
Supplies	58,871	10,287	--	69,158
Insurance	37,935	37,971	2,316	78,222
Professional development	6,819	--	--	6,819
Dues and subscriptions	17,634	--	--	17,634
Printing	--	11,822	--	11,822
Postage	--	558	--	558
Advertising and communications	1,350	15,949	2,936	20,235
Bank fees	--	1,436	--	1,436
Bad debt	--	9,129	--	9,129
Hoop house	24,831	--	--	24,831
Other	4,494	100	--	4,594
Interest	--	3,154	--	3,154
	\$ 1,027,367	\$ 408,954	\$ 77,901	\$ 1,514,222

## AGRICULTURE AND LAND-BASED TRAINING ASSOCIATION

### STATEMENT OF CASH FLOWS Year Ended December 31, 2019

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#### RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 781,525
Adjustments to reconcile increase in net assets to cash provided by operating activities	
Depreciation	95,439
Change in discount of grants receivable	23,840
(Increase) decrease in:	
Accounts receivable	(18,445)
Grants receivable	(416,558)
Prepaid expenses	(656)
Increase (decrease) in:	
Accounts payable	(12,949)
Accrued expenses	(4,518)
Rental deposits	(55,530)
	<hr/>
Net cash provided by operating activities	392,148
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Cash paid to purchase property and equipment	(347,411)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payments of principal on capital lease	(6,559)
	<hr/>
Net increase in cash and cash equivalents	38,178
<b>Cash and Cash Equivalents, beginning</b>	<hr/> 136,683
<b>Cash and Cash Equivalents, ending</b>	<hr/> <u>\$ 174,861</u>
<b>Supplemental disclosure of cash flow information</b>	
Cash paid during the year for interest	<hr/> <u>\$ 3,154</u>

## AGRICULTURE AND LAND-BASED TRAINING ASSOCIATION

Notes to Financial Statements  
Year Ended December 31, 2019

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Business:** Agriculture and Land-Based Training Association (“ALBA”), (the Organization) is a nonprofit community-based organization founded in 2001. The Organization mission is to create economic opportunity for limited-resource and aspiring organic farmers through land-based education in the heart of the Salinas Valley. The Organization 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.

**Accounting Policies:** The accounting policy relative to the carrying value of property and equipment is indicated in a caption on the statement of financial position. Other significant accounting policies are:

**Basis of Accounting:** The Organization uses the accrual method of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Net Assets:** The Organization’s net assets and changes therein are classified and reported as follows:

- 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 Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors or grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**Functional Allocation of Expenses:** The costs of providing program services and other activities have been presented on a functional basis in the statement of activities. Expenses that are attributable to more than one program or supporting function are allocated based on studies of time and effort.

**Use of Estimates:** Preparing the Organization’s financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

**Advertising:** Advertising costs are expensed as incurred. During the year ended December 31, 2019 total advertising costs, included in advertising and communications expense, were \$6,332.

## AGRICULTURE AND LAND-BASED TRAINING ASSOCIATION

Notes to Financial Statements  
Year Ended December 31, 2019

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Grants and Accounts Receivable:** Grants and accounts receivable that are expected to be collected within one year are recorded at net realizable value. Grants and accounts receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Grants and accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization 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, 2019, had a balance of \$100,000 which the Organization 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:** The Organization capitalizes all expenditures for property and equipment in excess of \$5,000. All property and equipment are stated at cost, or if donated, at estimated fair value on the date of donation. When property is retired or otherwise disposed, the cost of the property and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in income.

Depreciation is computed on the straight-line method over the useful lives of the assets as follows:

Buildings and improvements	7 to 39 years
Machinery and equipment	5 to 10 years
Furniture and equipment	5 years

Pursuant to a Financial Assistance Award (FAA) dated February 2, 1999 transferred to and accepted by the Organization 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 agreement with the EDA, the said debt shall accrue, be due and payable upon any use, transfer or alienation prohibited by the terms of the FAA. No such prohibited use is anticipated.

**Grants and donations:** Grants and donations that are restricted by the donor or grantor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other restricted revenue is reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

## AGRICULTURE AND LAND-BASED TRAINING ASSOCIATION

Notes to Financial Statements  
Year Ended December 31, 2019

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Program service fees:** Program service fees represent rental, other income and purchase reimbursements from hosting farmers, who receive subsidized access to land, equipment and water through the Organic Farm Incubator (OFI) program.

**Revenue recognition:** The Organization recognizes revenue on the accrual basis of accounting. Program service fees and reimbursements are recognized when earned. Program service fees, reimbursements and payments under conditional promises to give received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred. Unconditional contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Income taxes:** The Organization is a nonprofit corporation that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue code and from state franchise tax under Revenue and Taxation Code Section 23701(d).

The Financial Accounting Standards Board (FASB) has issued guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not the positions will be sustained upon examination by the tax authorities. As of December 31, 2019, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

**Upcoming accounting pronouncements:** In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. U.S. GAAP guidance requires the use of more estimates and judgments than the present standards, along with additional disclosures. The guidance was deemed to be effective for the Organization for annual reporting periods beginning after December 15, 2019. The Organization is assessing the impact this ASU will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases.

## AGRICULTURE AND LAND-BASED TRAINING ASSOCIATION

Notes to Financial Statements  
Year Ended December 31, 2019

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Upcoming accounting pronouncements (continued):** The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is assessing the impact this ASU will have on its financial statements.

### NOTE 2. AVAILABILITY AND LIQUIDITY

The following reflects the Organization's financial assets as of December 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets at year end:	
Cash and cash equivalents	\$ 174,861
Accounts receivable, net of allowance	81,943
Grants receivable, current portion	<u>391,923</u>
Financial assets available to meet general expenditures within one year	<u>\$ 648,727</u>

The Organization regularly monitors liquidity required to meet its operating needs while also striving to maximize the investment of its available funds. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met.

The Organization has a goal to maintain an operating reserve at a minimum of 3 months of average operating expenses. To achieve this target, the Organization forecasts its future cash flows and monitors its liquidity routinely and monitors its reserves at least annually. During the year ended December 31, 2019, the level of liquidity and reserves was managed within the policy requirements.

## AGRICULTURE AND LAND-BASED TRAINING ASSOCIATION

Notes to Financial Statements  
Year Ended December 31, 2019

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### NOTE 3. GRANTS RECEIVABLE

For the year ended December 31, 2019, grants receivable are collectible as follows:

Receivable in less than one year	\$ 391,923
Receivable in one to five years	<u>300,000</u>
	691,923
Less: Discount to net present value	<u>(23,840)</u>
Total grants receivable	<u>\$ 668,083</u>

Long-term grants are recorded after discounting to the present value of future cash flows using a discount rate of 2%.

### NOTE 4. PENSION PLANS

The Organization has two defined contribution retirement plans – a 403(b) plan for employee contributions, and a SEP plan for discretionary ALBA contributions. The Organization does not make matching contribution to the 403(b) plan but contributes 5% of eligible participant compensation for the SEP plan. The Organization's total contribution to the SEP plan was \$21,881 for the year ended December 31, 2019.

### NOTE 5. CONCENTRATION OF CREDIT RISK

The Organization maintains balances in cash and interest-bearing deposit account at one financial institution and, from time to time during the year, the cash balances may be in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). In the event of insolvency by the financial institution, deposits in excess of insured amounts are potentially subject to unrecoverable loss.

### NOTE 6. CONCENTRATION OF REVENUE

For the year ended December 31, 2019, approximately 46% of the Organization's total support revenue came from two organizations. At December 31, 2019, a balance of \$409,148 was included in grants receivable from those organizations.

## AGRICULTURE AND LAND-BASED TRAINING ASSOCIATION

Notes to Financial Statements  
Year Ended December 31, 2019

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### NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

For the year ended December 31, 2019, activity in net assets with donor restrictions was as follows:

	Beginning <u>12/31/2018</u>	Additions	Satisfied	Ending <u>12/31/2019</u>
FEED Program	\$ 28,090	\$ 104,250	\$ 80,040	\$ 52,300
Strategies for Strengthening Sustainability - Phase II	--	40,000	11,667	28,333
Good, Land and Water Program	90,000	--	45,000	45,000
LIFT OFF Program	6,097	20,000	6,097	20,000
Subject to the passage of time	22,500	500,000	122,500	400,000
	<u>\$ 146,687</u>	<u>\$ 664,250</u>	<u>\$ 265,304</u>	<u>\$ 545,633</u>

### NOTE 8. CAPITAL LEASES

The Organization leases office furniture with an original cost of \$25,819 and accumulated amortization of \$6,536. The lease expires in September 2022. The asset and liability under the capital lease is recorded at the lower of present value of the minimum lease payments or fair value of the assets. The asset is amortized over its estimated productive life. Amortization of asset under capital lease is included in depreciation expense.

Minimum future lease payments under capital lease as of December 31, 2019 were as follows:

2020	\$ 7,012
2021	7,012
2022	<u>2,892</u>
	16,916
Less amounts representing interest	<u>(467)</u>
	16,449
Less current portion	<u>(6,709)</u>
	<u>\$ 9,740</u>

### NOTE 9. LITIGATION

From time to time, the Organization may become involved in claims and other legal matters arising in the ordinary course of business. Management is of the opinion that the ultimate liability, if any, from the final resolution of these matters will not have a material effect on the Organization's financial statements.

## **AGRICULTURE AND LAND-BASED TRAINING ASSOCIATION**

Notes to Financial Statements  
Year Ended December 31, 2019

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### **NOTE 10. PRIOR PERIOD ADJUSTMENT**

Net assets without donor restrictions at the beginning of 2019 have been adjusted for correction of prior years accumulated depreciation and capitalization of capital leases. The correction has no effect on the results of the current years activities; however, the cumulative effect decreases beginning net assets without donor restrictions for 2019 by \$292,783.

The Organization receives grants and pledges which may be restricted by time, if not restricted by function. The full amount of these grants and pledges should be reported as increases in net assets in the period received. The Organization determined there was one multi-year grant that was not properly recorded in the prior year in the amount of \$22,500. The cumulative effect increases beginning net assets with donor restrictions for 2019 by \$22,500.

### **NOTE 11. SUBSEQUENT EVENTS**

Management has evaluated its December 31, 2019, financial statements for subsequent events through September 29, 2022, the date of issuance of the financial statements. The Organization is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

**AGRICULTURE AND LAND-BASED TRAINING ASSOCIATION**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2019

<u>Federal Grantor/Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Direct Program:			
Rural Business Development Grant	10.351	FAIN#581759570	<u>\$ 40,023</u>
Pass-Through Program From:			
California Department of Food and Agriculture Specialty Crop Block Grant Program	10.170	18-0001-035-SC	82,655
California Energy Commission Rural Energy for America Program	10.868	REA-18-019	334,678
National Institute of Food and Agriculture Beginning Farmers and Ranchers Development Program	10.311	2019-70017-25379	141,983
	10.311	2019-49400-30070	<u>26,289</u>
			168,272
Food Safety Outreach Program	10.328	2018-70020-28859	56,905
Natural Resources Conservation Service Conservation Innovation Grants	10.912	69-9104-18-006	32,532
Office of Partnerships and Public Engagement Disadvantaged Farmers and Ranchers and	10.443	AO182501X443G052	<u>96,952</u>
Total Pass-Through Program:			<u>771,994</u>
			<u><u>\$ 812,017</u></u>

## **AGRICULTURE AND LAND-BASED TRAINING ASSOCIATION**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2019

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### **NOTE 1. BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Organization's financial statements. The Organization uses the accrual basis of accounting. Expenditures represent only the federally funded portions of the program. Organization records should be consulted to determine amounts expended or matched from non-federal sources.

### **NOTE 2. PROGRAM COSTS**

The amounts shown as current year expenses represent only the federal portion of the program costs. Entire program costs, including the Organization's portion, may be more than shown.

### **NOTE 3. FEDERAL INDIRECT RATE**

The Organization has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Agriculture and Land-Based Training Association, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Agriculture and Land-Based Training Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Agriculture and Land-Based Training Association's internal control. Accordingly, we do not express an opinion on the effectiveness of Agriculture and Land-Based Training Association's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Agriculture and Land-Based Training Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Hutchins and Bloodgood LLP". The signature is written in a cursive, flowing style.

September 29, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited Agriculture and Land-Based Training Association's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Agriculture and Land-Based Training Association's major federal programs for the year ended December 31, 2019. Agriculture and Land-Based Training Association's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Agriculture and Land-Based Training Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Agriculture and Land-Based Training Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Agriculture and Land-Based Training Association's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Agriculture and Land-Based Training Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

### **Report on Internal Control Over Compliance**

Management of Agriculture and Land-Based Training Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Agriculture and Land-Based Training Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Agriculture and Land-Based Training Association's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Hatcher and Bloodgood LLP". The signature is written in a cursive, flowing style.

September 29, 2022

# AGRICULTURE AND LAND-BASED TRAINING ASSOCIATION

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2019

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## SECTION I - SUMMARY OF AUDITORS' RESULTS

### Financial Statements

Type of auditors' report issued?	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements noted?	No

### Federal Awards Section

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs?	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

**CFDA Number**

10.868

**Name of Federal Program**

Rural Energy for America Program

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

## **AGRICULTURE AND LAND-BASED TRAINING ASSOCIATION**

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2019

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### **SECTION II - FINANCIAL STATEMENT FINDINGS**

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

### **SECTION III – FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS**

None reported.