



California Food Policy Advocates

Financial Statements

For the year ended

June 30, 2017

With Independent Auditors' Report

CALIFORNIA FOOD POLICY ADVOCATES

(A California Not-For-Profit Corporation)

June 30, 2017

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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 statements of financial position as of June 30, 2017 and 2016 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, 2017 and 2016 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, 2016 financial statements. In our report dated September 26, 2016, we expressed an unmodified opinion on those financial statements.

*Danville, California
September 15, 2017*

Regalia & Associates

CALIFORNIA FOOD POLICY ADVOCATES

Statements of Financial Position June 30, 2017 and 2016

ASSETS

	2017	2016
Current assets:		
Cash and cash equivalents	\$ 635,829	\$ 1,036,224
Grants and accounts receivable	692,793	67,205
Investments	201,606	-
Prepaid expenses	23,167	32,875
Total current assets	1,553,395	1,136,304
Deposits and other assets	48,659	16,659
Property and equipment, net	6,884	10,579
	<u>\$ 1,608,938</u>	<u>\$ 1,163,542</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued liabilities	\$ 46,256	\$ 10,064
Accrued payroll liabilities	31,902	30,623
Other liabilities	3,825	3,009
Total current liabilities	81,983	43,696
Net assets:		
Unrestricted	532,345	692,287
Temporarily restricted	994,610	427,559
Total net assets	1,526,955	1,119,846
	<u>\$ 1,608,938</u>	<u>\$ 1,163,542</u>

CALIFORNIA FOOD POLICY ADVOCATES

Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2017

(with Summarized Financial Information for the Year Ended June 30, 2016)

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
<i>Changes in unrestricted net assets:</i>				
Revenue and support:				
Conference fees and membership dues	\$ 157,227	\$ -	\$ 157,227	\$ 160,220
Contributions, donations and grants	258,436	1,433,000	1,691,436	557,900
Government and other contracts	85,949	-	85,949	55,262
Other	42,423	-	42,423	43,198
Total unrestricted revenue and support	544,035	1,433,000	1,977,035	816,580
Net assets released from restriction	865,949	(865,949)	-	-
Total revenue and support	1,409,984	567,051	1,977,035	816,580
Expenses:				
Program	1,304,424	-	1,304,424	1,154,964
General and administrative	224,889	-	224,889	154,216
Fundraising	40,613	-	40,613	56,570
Total expenses	1,569,926	-	1,569,926	1,365,750
Increase (decrease) in net assets	(159,942)	567,051	407,109	(549,170)
Net assets-beginning of year	692,287	427,559	1,119,846	1,669,016
Net assets-end of year	\$ 532,345	\$ 994,610	\$ 1,526,955	\$ 1,119,846

CALIFORNIA FOOD POLICY ADVOCATES

Statements of Cash Flows For the Years Ended June 30, 2017 and 2016

	2017	2016
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ 407,109	\$ (549,170)
Adjustments to reconcile to cash provided by operating activities:		
Depreciation	6,292	15,290
Changes in:		
Grants and accounts receivable	(625,588)	364,654
Other assets	(32,000)	4,240
Prepaid expenses	9,708	(10,051)
Accounts payable and accrued liabilities	36,192	(110,749)
Accrued payroll liabilities	1,279	3,273
Other liabilities	816	2,659
Cash used for operating activities	(196,192)	(279,854)
 <i>Investing activities:</i>		
Purchases and acquisitions of investments	(201,606)	-
Acquisition of property and equipment	(2,597)	(1,755)
Cash used for investing activities	(204,203)	(1,755)
Decrease in cash and cash equivalents	(400,395)	(281,609)
Cash and cash equivalents at beginning of year	1,036,224	1,317,833
Cash and cash equivalents at end of year	\$ 635,829	\$ 1,036,224
 <i>Additional cash flow information:</i>		
State registration taxes paid	\$ 75	\$ 150
Interest paid	\$ -	\$ -

CALIFORNIA FOOD POLICY ADVOCATES

Statement of Functional Expenses For the Year Ended June 30, 2017

(with Summarized Financial Information for the Year Ended June 30, 2016)

	General and			2017 Total	2016 Total
	Program Activities	Admin- istrative	Fund- raising		
Advertising and promotion	\$ 1,106	\$ 268	\$ 50	\$ 1,424	\$ 360
Depreciation	4,886	1,183	223	6,292	15,290
Dues, publications and memberships	7,939	1,763	332	10,034	8,316
Grants	15,000	-	-	15,000	-
Insurance	7,197	1,743	328	9,268	9,094
Legal, accounting and professional fees	262,443	19,496	1,352	283,291	133,090
Lobbying fees	38,034	-	-	38,034	38,033
Miscellaneous	9,691	596	730	11,017	6,090
Occupancy	96,578	21,407	4,028	122,013	115,284
Office and supplies	4,454	608	114	5,176	5,835
Personnel expenses	710,653	172,085	32,376	915,114	885,252
Postage and shipping	1,257	220	41	1,518	483
Printing and copying	9,021	1,470	277	10,768	14,502
Telecommunications	12,979	2,790	525	16,294	16,967
Travel, conferences and meetings	123,186	1,260	237	124,683	117,154
Totals	\$1,304,424	\$ 224,889	\$ 40,613	\$1,569,926	\$1,365,750

Notes to Financial Statements
June 30, 2017

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, 2017 or 2016.

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

CFPA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. CFPA maintains its cash and equivalents in high quality financial institutions. At times, those balances may exceed federally insured limits. CFPA has not experienced any losses in such accounts.

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 \$1,424 and \$360 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, 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, 2016 from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements in order to conform to the presentation used in 2017.

Notes to Financial Statements

3. Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2017 and 2016, 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:

	<u>2017</u>		<u>2016</u>
Checking	\$ 192,872	\$	94,462
Money market funds	442,957		941,762
Total cash and cash equivalents	<u>\$ 635,829</u>	\$	<u>1,036,224</u>

4. Grants and Accounts Receivable

Grants and accounts receivable consist of the following at June 30:

	<u>2017</u>		<u>2016</u>
Grants receivable	\$ 652,500	\$	55,000
Accounts receivable	40,293		12,205
Total grants and accounts receivable	<u>\$ 692,793</u>	\$	<u>67,205</u>

Grants and accounts receivable 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, 2017 or 2016. Management has evaluated the receivables as of June 30, 2017 and determined that such amounts are fully collectable based on the financial strength of the donors involved.

5. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2017</u>		<u>2016</u>
Furniture and equipment	\$ 97,619	\$	99,341
Less: accumulated depreciation	(90,735)		(88,762)
Property and equipment, net	<u>\$ 6,884</u>	\$	<u>10,579</u>

Depreciation expense amounted to \$6,292 and \$15,290 for the years ended June 30, 2017 and 2016, respectively. During the years ended June 30, 2017 and 2016, CFPA disposed of fully depreciated property and equipment in the amount of \$4,319 and \$6,951, respectively.

Notes to Financial Statements

6. Lease Commitments

CFPA leases office space in Oakland under a multi-year operating lease expiring September 30, 2020. The lease requires a monthly rental payment of \$6,767, with stipulated annual inflation-adjustment increases each October 1. CFPA also leases office space in Los Angeles under an operating lease expiring May 31, 2021. This lease requires a monthly rental payment of \$2,946 as of June 30, 2017, with stipulated annual increases of 3.0%.

Rent expense amounted to \$122,013 and \$115,284 for the years ended June 30, 2017 and 2016, 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 all operating leases extending beyond one year are as follows: **Year ending June 30, 2018: \$124,219; Year ending June 30, 2019: \$127,779; Year ending June 30, 2020: \$128,253; and Year ending June 30, 2021: \$58,725.**

CFPA subleases certain portions of its Oakland and Los Angeles office spaces under separate month-to-month sublease agreements. During the years ended June 30, 2017 and 2016, CFPA recognized \$25,801 and \$29,777, respectively, in sublease income.

7. 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:

Restricted For:	2017	2016
Future periods	\$ 236,667	\$ -
Health and nutrition programs	130,833	228,213
Northern California programs	250,000	-
School and child care meal programs	65,143	27,987
Southern California programs	311,967	147,420
Strategic planning	-	23,939
Total temporarily restricted net assets	\$ 994,610	\$ 427,559

During the years ended June 30, 2017 and 2016, contributions to temporarily restricted net assets amounted to \$1,433,000 and \$408,420, respectively. During the years ended June 30, 2017 and 2016, CFPA released \$865,949 and \$651,841, respectively, from temporarily restricted net assets to unrestricted net assets.

8. 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, 2017 and 2016, CFPA contributed \$27,381 and \$25,618, respectively, to the plan.

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, 2017 and 2016 is summarized as follows:

	2017	2016
CCFP net assets at beginning of year	\$ 90,434	\$ 58,256
Conference income, dues, donations and grants	157,227	160,220
Expenditures	(141,188)	(128,042)
CCFP net assets at end of year	<u>\$ 106,473</u>	<u>\$ 90,434</u>

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 \$31,902 and \$30,623 at June 30, 2017 and 2016, 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, 2017 or 2016.

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 15, 2017, 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.