

Organic Farming Research Foundation
(A California Nonprofit Organization)

Audited Financial Statements & Reports
December 31, 2020



Chavan & Associates, LLP
Certified Public Accountants
1475 Saratoga Ave, Suite 180
San Jose, CA 95129

ORGANIC FARMING RESEARCH FOUNDATION
(A California Nonprofit Organization)

Table of Contents

TITLE	PAGE
FINANCIAL SECTION:	
Independent Auditor's Report.....	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements.....	7 - 17

Financial Section



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Organic Farming Research Foundation
Santa Cruz, California

Report on the Financial Statements

We have audited the accompanying financial statements of Organic Farming Research Foundation (the Foundation) (a California Nonprofit Organization), which comprise the statement of financial position as of December 31, 2020, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America *and* the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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 Foundation'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 Foundation'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.



Chavan and Associates, llp
Certified Public Accountants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Organic Farming Research Foundation as of December 31, 2020, 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.

C & A LLP

May 18, 2021
San Jose, California

Financial Statements

ORGANIC FARMING RESEARCH FOUNDATION

(A California Nonprofit Organization)

Statement of Financial Position

December 31, 2020

ASSETS

Cash and cash equivalents	\$ 637,166
Grants receivable	594,167
Operating investments	296
Other assets	4,154
Property and equipment, net	568
Endowment - certificates of deposit	107,720
Beneficial interest in assets held by community foundation	26,836
Total Assets	<u>\$ 1,370,907</u>

LIABILITIES

Accounts payable	\$ 21,658
Credit cards payable	2,851
Grants payable	23,621
Unearned revenue	491,282
Accrued vacation and employee benefits	24,348
Loan payable	74,761
Total Liabilities	<u>638,521</u>

NET ASSETS

Without donor restrictions:	
Undesignated	413,022
Designated by the Board for operating reserves	158,955
Total net assets without donor restrictions	<u>571,977</u>
With donor restrictions:	
Endowment:	
Perpetual in nature	106,354
Purpose restrictions	54,055
Total net assets with donor restrictions	<u>160,409</u>
Total Net Assets	<u>732,386</u>
Total Liabilities and Net Assets	<u>\$ 1,370,907</u>

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

ORGANIC FARMING RESEARCH FOUNDATION

(A California Nonprofit Organization)

Statement of Activities

For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Government grants and contributions	\$ -	\$ 384,061	\$ 384,061
Events	69,250	-	69,250
Corporate contributions	89,128	147,000	236,128
Foundation contributions	219,000	66,000	285,000
Contributions from individuals	295,331	-	295,331
Indirect public support	4,260	-	4,260
In-kind contributions	10,532	-	10,532
Net investment return	2,058	-	2,058
Net assets released from restrictions:			
Satisfaction of program restrictions	724,737	(724,737)	-
Total Revenue and Support	<u>1,414,296</u>	<u>(127,676)</u>	<u>1,286,620</u>
OPERATING EXPENSES			
Program services:			
Research	598,062	-	598,062
Policy	122,162	-	122,162
Communication	67,673	-	67,673
Total program expenses	<u>787,897</u>	<u>-</u>	<u>787,897</u>
Support services:			
Management and general	127,097	-	127,097
Fundraising and development	106,741	-	106,741
Total support services expenses	<u>233,838</u>	<u>-</u>	<u>233,838</u>
Total Expenses	<u>1,021,735</u>	<u>-</u>	<u>1,021,735</u>
Change in Net Assets	392,561	(127,676)	264,885
Beginning Net Assets	<u>179,416</u>	<u>288,085</u>	<u>467,501</u>
Ending Net Assets	<u>\$ 571,977</u>	<u>\$ 160,409</u>	<u>\$ 732,386</u>

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

ORGANIC FARMING RESEARCH FOUNDATION

(A California Nonprofit Organization)

Statement of Functional Expenses

For the Year Ended December 31, 2020

	Support Services			Program Services				Total Expenses
	Management and General	Fundraising and Development	Total Support Services	Research	Policy	Communications	Total Program Services	
Personnel	\$ 88,431	\$ 73,430	\$ 161,861	\$ 192,377	\$ 79,994	\$ 56,920	\$ 329,291	\$ 491,152
Professional services	14,166	8,486	22,652	152,548	34,213	2,604	189,365	212,017
Office expenses	584	405	989	1,748	21	25	1,794	2,783
Postage and shipping	473	1,924	2,397	771	-	-	771	3,168
Occupancy	7,518	2,802	10,320	10,465	6,233	4,520	21,218	31,538
Equipment and furniture	1,620	26	1,646	1,342	26	33	1,401	3,047
Printing and publications	-	-	-	6,178	-	711	6,889	6,889
Travel	372	3,964	4,336	6,660	730	-	7,390	11,726
Conferences and meetings	228	3,064	3,292	4,295	-	-	4,295	7,587
Interest	241	-	241	-	-	-	-	241
Insurance	4,354	-	4,354	-	-	-	-	4,354
Advertising	-	-	-	232	-	-	232	232
Media and data services	4,507	440	4,947	644	822	2,825	4,291	9,238
Miscellaneous	163	-	163	-	-	-	-	163
License and fees	4,440	1,668	6,108	462	123	35	620	6,728
Donated services	-	10,532	10,532	-	-	-	-	10,532
Grant awards	-	-	-	220,340	-	-	220,340	220,340
Total Expenses	\$ 127,097	\$ 106,741	\$ 233,838	\$ 598,062	\$ 122,162	\$ 67,673	\$ 787,897	\$ 1,021,735

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

ORGANIC FARMING RESEARCH FOUNDATION

(A California Nonprofit Organization)

Statement of Cash Flows

For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 264,885
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Realized and unrealized (gain) loss on operating investments	1,311
Change in beneficial interests in assets held by others	(167)
Endowment net investment (return) loss	(686)
Changes in operating assets and liabilities:	
Decrease (increase) in grants receivable	123,052
Decrease (increase) in other assets	5,223
Increase (decrease) in accounts payable	(9,385)
Increase (decrease) in grants payable	12,135
Increase (decrease) in credit cards payable	(430)
Increase (decrease) in accrued vacation and employee benefits	4,054
Increase (decrease) in unearned revenue	(187,053)
Net cash provided by (used for) operating activities	<u>212,939</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from loan payable	<u>74,761</u>
Net cash provided by (used for) financing activities	<u>74,761</u>
Net increase (decrease) in cash and cash equivalents	287,700
Cash and cash equivalents - beginning of year	<u>349,466</u>
Cash and cash equivalents - end of year	<u><u>\$ 637,166</u></u>

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

Notes to Financial Statements

ORGANIC FARMING RESEARCH FOUNDATION

(A California Nonprofit Organization)

Notes to Financial Statements

For the Year Ended December 31, 2020

NOTE 1 – ORGANIZATION

The Organic Farming Research Foundation (the "Foundation") is a California nonprofit corporation founded in April 1990. The Foundation sponsors research related to organic farming, disseminates research results to organic farmers and growers, and educates the public and decision makers about organic farming issues.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) for not-for-profit entities (FASB Topic 958, ASU 2016-14).

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition, as applicable.

Promises to Give and Grants Receivable

The Foundation records unconditional promises to give and grants receivable that are expected to be collected within one year at net realizable value. Unconditional promises to give and grants expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Foundation determines the allowance for uncollectable promises to give and grants receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give and grants receivable are written off when deemed uncollectable. As of December 31, 2020, there was no allowance for uncollectable accounts.

As of December 31, 2020, the US Department of Agriculture comprise 62% of the Foundation's grants receivable, and the NRCS Coop Agreement comprise 20% of grants receivable.

Operating Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

ORGANIC FARMING RESEARCH FOUNDATION

(A California Nonprofit Organization)

Notes to Financial Statements

For the Year Ended December 31, 2020

Property and Equipment

The Foundation records property and equipment additions of \$1,000 or more 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. 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. Management did not review the carrying values of property and equipment for impairment because they were immaterial to the financial statements as of December 31, 2020.

Beneficial Interest in Assets Held by Community Foundation

The Foundation has investments held in the RSF Social Investment Fund (SIF) that serves social enterprises working in food & agriculture, education & the arts, and climate & environment. The Foundation granted variance power to the SIF, which allows the SIF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the SIF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the SIF for the Foundation's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Grants Payable

The Foundation records grants made to others as an expense in the period the grant is awarded. The Foundation withholds 10% of grants awarded until a final report on the results of the project is received from the grantee and evaluated and approved by the staff.

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:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve. The reserve is intended to be used for emergencies and non-recurring situations and not to replace a permanent loss of funding or ongoing budget gaps. The board can approve the use of the reserve when cash flows are inadequate to meet monthly operating needs, and it is the policy of the board to take steps to replenish the operating reserve within a reasonable period-of-time.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed (or certain grantor-imposed) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

ORGANIC FARMING RESEARCH FOUNDATION

(A California Nonprofit Organization)

Notes to Financial Statements

For the Year Ended December 31, 2020

Revenue and Revenue Recognition

Revenue is recognized when earned. When applicable, program service fees 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, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or when a unit of service is provided for performance grants and all conditions of the grants have been satisfied. Grant revenue from federal agencies is subject to independent audit and review by grantor agencies. The review could result in the disallowance of an expenditure under the terms of the grant or reductions of future grant funds. Based on prior experience, the Foundation's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Foundation.

For the year ended December 31, 2020, the Foundation recognized grant revenues from the USDA Organic Agriculture Research Education Initiative totaling 14% of revenues.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Foundation's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Foundation records donated professional services at the respective fair values of the services received, when applicable.

Advertising Costs

Advertising costs are expensed as incurred, and during the year ended December 31, 2020, the Foundation did not have any advertising costs.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Foundation is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3) and Section 23701(d) of the California Code, qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations

ORGANIC FARMING RESEARCH FOUNDATION

(A California Nonprofit Organization)

Notes to Financial Statements

For the Year Ended December 31, 2020

under IRC Sections 509(a)(1) and (3). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation may be subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined that the Foundation is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from organizations, individuals, and foundations supportive of the Foundation's mission. Investments are made by diversified investment managers/brokers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation believes that its investment strategies are prudent for the long-term welfare of the organization.

Implemented New Accounting Pronouncements

In June 2018, FASB issued Accounting Standards Update 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The FASB is issuing this Update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. A public company or a not-for-profit Foundation that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market would apply the new standard for transactions in which the entity serves as a resource provider to annual reporting periods beginning after December 15, 2018, including interim periods within that annual period. Other Foundations would apply the standard to annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. The Foundation's financial statements were not significantly impacted by this ASU.

ORGANIC FARMING RESEARCH FOUNDATION

(A California Nonprofit Organization)

Notes to Financial Statements

For the Year Ended December 31, 2020

Relevant Upcoming New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (ASU 2016-02)*. ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its balance sheet for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 31, 2021. The Foundation does not anticipate this ASU will have a significant impact on its financial statements.

In January 2018, FASB issued Accounting Standards Update (ASU) 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*. ASU 2018-01 allows for an entity to elect an optional transition practical expedient to not evaluate under Topic 842 land easements that exist or expired before the entity's adoption of Topic 842 and that were not previously accounted for as leases under Topic 840. ASU 2018-01 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 31, 2021. The Foundation does not anticipate this ASU will have a significant impact on its financial statements.

In September 2020, FASB issued Accounting Standards Update 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The FASB is issuing this update to increase the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. NFPs that receive contributed nonfinancial assets are subject to the Amendments in this Update. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The amendments in this Update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Foundation does not anticipate this ASU will have a significant impact on its financial statements.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 637,166
Total	<u>\$ 637,166</u>

As part of our liquidity management plan, the Foundation invests cash in checking, savings, short-term investments and money market funds.

ORGANIC FARMING RESEARCH FOUNDATION

(A California Nonprofit Organization)

Notes to Financial Statements

For the Year Ended December 31, 2020

NOTE 4 – FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Foundation reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk, or liquidity profile of the asset or liability.

The Foundation invests endowment funds in certificates of deposit (CDs) traded in the financial markets. Those CDs are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2.

As of December 31, 2020, \$26,836 was held in a Social Investment Fund (SIF) with a three-month renewable term. Upon maturity these notes are expected to renew for an additional three-month term unless SIF receives a request from the investors for repayment before the maturity date.

ORGANIC FARMING RESEARCH FOUNDATION

(A California Nonprofit Organization)

Notes to Financial Statements

For the Year Ended December 31, 2020

The following table presents assets and liabilities measured at fair value on a recurring basis as of December 31, 2020:

Description	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Un-observable Inputs (Level 3)
Operating investments:				
Merrill Lynch equities	\$ 296	\$ 296	\$ -	\$ -
Endowment investments:				
Certificates of deposit	107,720	-	107,720	-
Beneficial interests in:				
Assets held by community foundation	26,836	-	-	26,836
Total	<u>\$ 134,852</u>	<u>\$ 296</u>	<u>\$ 107,720</u>	<u>\$ 26,836</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis for donor restricted endowments, with fair value measurements noted above, and assets held by a community foundation, using significant unobservable inputs (Level 3), for the year ended December 31, 2020:

	Donor Restricted Endowments	Beneficial Interests Assets Held by Community Foundation
Beginning Balance	\$ 107,034	\$ 26,669
Investment return, net	686	167
Ending Balance	<u>\$ 107,720</u>	<u>\$ 26,836</u>

NOTE 5 – GRANTS RECEIVABLE

As of December 31, 2020, two grantors accounted for a majority of the total grants receivable, as follows:

USDA Organic Agriculture Research and Extension Initiative	\$ 366,680
NRCS Coop Agreement	120,000
Miscellaneous	<u>107,487</u>
Total Grants Receivable	<u>\$ 594,167</u>

All grants receivable are expected to be collected within one year, therefore no discounts have been applied.

ORGANIC FARMING RESEARCH FOUNDATION

(A California Nonprofit Organization)

Notes to Financial Statements

For the Year Ended December 31, 2020

NOTE 6 – CREDIT CARDS PAYABLE

The Foundation has two credit cards from Lighthouse Bank totaling \$47,500 in unsecured credit with an annual interest rate of 15.24% for purchases and cash advances. The credit cards are set to expire in January 2021 and 2024. The Foundation also has a Chase Bank credit card which carries a 15.24% interest rate on purchases and 26.99% on cash advances. The Chase credit card has a \$40,000 unsecured credit limit and expires in December 2023. As of December 2020, the outstanding balances totaled \$2,851.

NOTE 7 – UNEARNED REVENUE

The Foundation records conditional contributions as unearned revenue until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as net assets with restriction or net assets without restrictions. Unearned revenue from conditional contributions consisted of the following as of December 31, 2020:

NRCS Coop Agreement	\$	119,105
Southern Sustainable Agriculture Research & Education		31,842
USDA Organic Agriculture Research and Extension Initiative		<u>340,335</u>
Total Unearned Revenue from Conditional Contributions	\$	<u>491,282</u>

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2020:

Net Assets with Donor Restrictions

Subject to Expenditure for Specified Purpose:

NORA	\$	7,000
Climate Policy		32,055
Ceres Trust		<u>15,000</u>
Total Net Assets Subject to Expenditure for Specified Purpose		<u>54,055</u>

Endowment:

Subject to NFP endowment spending policy and appropriation:

General use		<u>106,354</u>
Total Net Assets with Donor Restrictions	\$	<u>160,409</u>

ORGANIC FARMING RESEARCH FOUNDATION
(A California Nonprofit Organization)
Notes to Financial Statements
For the Year Ended December 31, 2020

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the year ended December 31, 2020:

Net Assets Released from Restrictions

Satisfaction of Purpose Restrictions:

Soil Health	
Research Grants	\$ 211,462
Climate Policy	107,945
CA Department of Agriculture Crop Block	110,930
USDA Risk Management Agency	54,382
USDA Farm Service Agency	11,531
USDA Organic Agriculture Research and Extension Initiative	188,283
NRCS Coop Agreement	895
United Natural Foods, Inc. Foundation	11,000
NORA	5,000
Organic Agriculture Research Symposium	5,269
Southern Sustainable Agriculture Research & Education	18,040
Total Net Assets Released from Restrictions	\$ 724,737

NOTE 9 – LONG-TERM DEBT

On April 21, 2020, the Foundation was issued a \$74,761 U.S. Small Business Administration loan with Santa Cruz County Bank bearing interest annually at 1% and maturing on April 21, 2022. This loan was issued under the Paycheck Protection Program and the provisions of Section 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Foundation may apply to Santa Cruz County Bank for loan forgiveness in an amount equal to the sum of payroll costs, interest on a covered mortgage obligation, covered rent obligations, and covered utility payments incurred during the 8-week period or 24-week period beginning on the date of first disbursement. The loan was completely forgiven on January 6, 2021.

NOTE 10 – ENDOWMENT

Interpretation of Relevant Law

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions.

The Board of Trustees of the Foundation has interpreted the California version of the UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

ORGANIC FARMING RESEARCH FOUNDATION

(A California Nonprofit Organization)

Notes to Financial Statements

For the Year Ended December 31, 2020

The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies approved by the Board of Directors. The Foundation has invested the endowment funds into a six-month certificate of deposit, which is reviewed at maturity every six months.

Spending Policy

The Foundation is able to spend the interest earned on the endowment funds. The Foundation is able to borrow principal funds from the endowment fund based on a super majority vote by the Board of Directors. If the principal fund is borrowed, the Foundation has a goal to repay the funds as soon as possible based on a development plan presented by Senior Management and approved by the Executive Committee. See Note 4 for additional disclosures related to fair values and changes in the endowment net assets.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Federal Awards and Grants

The Foundation has received federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Lease Commitments

In December 2019, the Foundation extended its office space lease on Potrero Street Santa Cruz through January 31, 2023, at \$2,552 to \$2,655 per month. In August 2020, the Foundation terminated the original terms of the lease and signed a new one-year lease for office space on Potrero Street in Santa Cruz, which commenced September 1, 2020 and expected to end on August 31, 2021, at \$1,315 per month. Total rent expense for the year ended December 31, 2020 was \$26,561.

ORGANIC FARMING RESEARCH FOUNDATION
(A California Nonprofit Organization)
Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE 12 – RETIREMENT PLAN

The Foundation has a 403(b) Plan covering all eligible employees. The Foundation makes matching contributions equal to fifty percent of employee payroll deductions up to \$150 per month per employee. The Foundation contributed \$9,600 to the Plan for the year ended December 31, 2020.

NOTE 13 – COVID-19 PANDEMIC IMPACT

Management has evaluated all subsequent events from the statement of financial position date of December 31, 2020, through the date the financial statements were available to be issued, May 18, 2021. Beginning in March 2020, the United States economy began suffering adverse effects from the COVID 19 Virus Crisis ("CV19 Crisis"). As of the date of issuance of the financial statements, the Foundation had not suffered a material adverse impact from the CV19 Crisis. However, the future impact of the CV19 Crisis cannot be reasonably estimated.