Organic Farming Research Foundation

(A California Nonprofit Organization)

Audited Financial Statements & Reports
December 31, 2021

Chavan & Associates, LLP
Certified Public Accountants
15105 Concord Circle, Ste 130
Morgan Hill, CA 95037

ORGANIC FARMING RESEARCH FOUNDATION
(A California Nonprofit Organization)

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Financial Section

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Organic Farming Research Foundation
Santa Cruz, California

Opinion

We have audited the financial statements of Organic Farming Research Foundation (a California Nonprofit Organization) (the "Foundation") which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will

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always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

C & A LLP

June 10, 2022
San Jose, California

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Financial Statements

ORGANIC FARMING RESEARCH FOUNDATION
(A California Nonprofit Organization)
Statement of Financial Position
December 31, 2021

ASSETS	
Cash and cash equivalents	$ 782,704
Grants receivable	1,037,707
Operating investments	654
Other assets	2,666
Endowment - certificates of deposit	108,097
Beneficial interest in assets held by community foundation	26,920
Total Assets	$ 1,958,748
LIABILITIES	
Accounts payable	$ 70,432
Credit cards payable	7,850
Grants payable	10,705
Unearned revenue	888,973
Accrued vacation and employee benefits	34,320
Total Liabilities	1,012,280
NET ASSETS	
Without donor restrictions:	
Undesignated	521,557
Designated by the Board for operating reserves	158,955
Total net assets without donor restrictions	680,512
With donor restrictions:	
Endowment:	
Perpetual in nature	106,354
Purpose restrictions	159,602
Total net assets with donor restrictions	265,956
Total Net Assets	946,468
Total Liabilities and Net Assets	$ 1,958,748

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Government grants and contributions	$ -	364,507	$ 364,507
Corporate contributions	213,178	69,541	282,719
Foundation contributions	170,500	120,041	290,541
Contributions from individuals	82,052	-	82,052
Indirect public support	6,729	-	6,729
Net investment return	1,512	-	1,512
Miscellaneous revenue	3	-	3
Net assets released from restrictions:			
Satisfaction of program restrictions	454,171	(454,171)	-
Total Revenue and Support	928,145	99,918	1,028,063
OPERATING EXPENSES			
Program services:			
Research	283,405	-	283,405
Policy	192,897	-	192,897
Communication	48,603	-	48,603
Total program expenses	524,905	-	524,905
Support services:			
Management and general	146,373	-	146,373
Fundraising and development	104,310	-	104,310
Total support services expenses	250,683	-	250,683
Total Expenses	775,588	-	775,588
Change in Net Assets	152,557	99,918	252,475
Beginning Net Assets	571,977	160,409	732,386
Prior Period Adjustment	(44,022)	5,629	(38,393)
Beginning Net Assets - Adjusted	527,955	166,038	693,993
Ending Net Assets	$ 680,512	$ 265,956	$ 946,468

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, 2021

	Support Services			Program Services				
	Management and General	Fundraising and Development	Total Support Services	Research	Policy	Commun-ications	Total Program Services	Total Expenses
Personnel	$ 114,135	$ 93,659	$ 207,794	$ 137,863	$ 140,298	$ 38,406	$ 316,567	$ 524,361
Professional services	8,151	4,524	12,675	127,906	42,360	2,590	172,856	185,531
Office expenses	1,202	-	1,202	129	400	-	529	1,731
Postage and shipping	557	1,958	2,515	-	-	-	-	2,515
Occupancy	7,510	2,800	10,310	10,455	6,226	4,515	21,196	31,506
Equipment and furniture	2,059	-	2,059	-	400	-	400	2,459
Printing and publications	-	-	-	101	-	-	101	101
Travel	197	203	400	977	150	73	1,200	1,600
Conferences and meetings	-	-	-	4,939	499	-	5,438	5,438
Depreciation	568	-	568	-	-	-	-	568
Insurance	4,371	-	4,371	-	-	-	-	4,371
Advertising	-	-	-	60	-	-	60	60
Media and data services	3,607	360	3,967	384	1,296	2,848	4,528	8,495
License and fees	4,016	806	4,822	591	1,268	171	2,030	6,852
Total Expenses	$ 146,373	$ 104,310	$ 250,683	$ 283,405	$ 192,897	$ 48,603	$ 524,905	$ 775,588

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 252,475
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation expense	568
Realized and unrealized (gain) loss on operating investments	(358)
Change in beneficial interests in assets held by others	(84)
Endowment net investment (return) loss	(377)
Loans forgiven	(74,761)
Prior period adjustments	(38,393)
Changes in operating assets and liabilities:	
Decrease (increase) in grants receivable	(443,540)
Decrease (increase) in other assets	1,488
Increase (decrease) in accounts payable	48,774
Increase (decrease) in grants payable	(12,916)
Increase (decrease) in credit cards payable	4,999
Increase (decrease) in accrued vacation and employee benefits	9,972
Increase (decrease) in unearned revenue	397,691
Net cash provided by (used for) operating activities	145,538
Net increase (decrease) in cash and cash equivalents	145,538
Cash and cash equivalents - beginning of year	637,166
Cash and cash equivalents - end of year	$ 782,704

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

Notes to Financial Statements

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.

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.

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, 2021, there was no allowance for uncollectable accounts.

As of December 31, 2021, the Foundation’s receivables comprised of 48% from USDA National Institute of Food and Agriculture (NIFA), 17% from National Organic Research Agenda’s (NORA) Organic Agriculture Research and Extension Initiative, 16% from California Department of Food and Agriculture’s Specialty Crop Block Grant Program, and 10% from USDA Natural Resources Conservation Service (NRCS).

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, 2021.

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.

Revenue Recognition Accounted for in Accordance with ASC 605: Topic 958 Not for Profit Entities

Grants – Grants awarded by federal, state or local agencies, or passed through to the Foundation from another donor that received similar grants, are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes. Revenue is recognized when qualified expenses are incurred and conditions under the grant agreement are met. 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. The following summarizes the Foundation's grant revenue for the fiscal year ended December 31, 2021:

	Grant Revenue
National Organic Research Agenda - OREI	$ 216,936
USDA Natural Resources Conservation Service (NRCS)	31,763
UC Agriculture & Natural Resources	19,076
Sustainable Agriculture Research and Education (SARE)	18,902
Federal PPP loan forgiven	74,761
Other grants	3,069
Totals	$ 364,507

Fund-Raising Events – The Foundation holds fund-raising events and reports the revenues generated, net of any direct operating costs, as revenue, gains, and other support in the accompanying statements of activities. Fund-raising revenue is recognized at fair value on the earlier of the receipt of cash or an unconditional promise to give.

Contribution Revenue – The Foundation receives support from individuals, corporations, and other nonprofit organizations in support of its mission. Contribution revenue is recognized at fair value on the earlier of the receipt of cash or an unconditional promise to give. From time to time, the Foundation receives promises to give that have certain conditions such as meeting specific performance-related barriers or limiting the Foundation's discretion on use of the funds. Other contributions may have revocable features to the promises to give. Such conditional promises to give are recognized when the conditions are substantially met.

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, 2021, the Foundation had $60 in 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 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.

Concentrations

For the year ended December 31, 2021, grants comprised 35% of total revenue, corporate contributions comprised 28% of total revenue, and contributions from other foundations comprised 28%.

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 August 2018, FASB issued Accounting Standards Update 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.* Effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. This ASU did not have a significant impact on the Foundation's financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services. The update also requires additional disclosure to enable readers of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation has adopted this update, along with all subsequent amendments (collectively, "ASC 606") under the modified retrospective method. Additionally, the Foundation applied the practical expedient (i) to account for revenues with similar characteristics as a collective group rather than individually, (ii) to not adjust the transaction price for the effects of significant financing components (if any), and (iii) to not disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period when the performance obligations relate to contracts with an expected duration of less than one year. The effect of the Foundation's adoption of ASC 606 is outlined below.

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction (i.e., ASC 606). The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Foundation adopted this update on a modified prospective basis and the effects of the adoption are outlined below.

The effect of ASC 606 and ASU 2018-08 on the Foundation's financial statements were examined in conjunction with one another. Prior to the clarifications provided in ASU 2018-08, transactions with customers that benefited the general public were considered to be exchange transactions. Under the clarified guidance, such transactions constitute contributions. The Foundation reassessed the nature of its revenue-producing arrangements to ensure alignment with the definition of a contract under ASC 606 and an exchange transaction under ASU 2018-08 and determined that there were no significant or material changes required to the classification of the Foundation's revenue. The following changes in accounting policies occurred, during the year ended December 31, 2021, as a result of the implementation of the ASC 606 and ASU 2018-08.

- The Foundation's revenue from government grants and contracts were previously accounted for as exchange transactions since the arrangement with the customer benefited the general public, and revenue was recognized as expenses were incurred. Under ASU 2018-08, the Foundation revenue from government grants and contracts are considered contributions because the customer does not receive commensurate value for the consideration received by the Foundation; rather, the purpose of these arrangements is for the benefit of the general public. Therefore, the Foundation management concluded that the agreements are conditional due to rights of return/release and barriers to entitlement to funds. Revenue is recognized when the condition is satisfied. Because the nature of conditions is either based on incurring qualifying expenses or satisfying a milestone or other deliverable, the pattern of revenue recognition remained consistent with previous years. Therefore, under the prospective approach, there was no material change in the revenue recognition for government grants and contracts. Under ASU 2018-08, a refundable advance is recorded when the Foundation receives assets (i.e. cash) in advance of the satisfaction of the conditions within these arrangements. As of December 31, 2021, there were no refundable advances recorded related to government grants and contracts and there were no unearned revenues in prior fiscal periods that required reclassification to refundable advances.

- Contribution revenue was accounted for under ASC Topic 958-605, *Not for Profit Entities, Revenue Recognition*, before the implementation of the new standards. With the clarifications outlined in ASU 2018-08, management reviewed existing agreements as of the effective date, as well as new agreements, and concluded that there are no material changes in revenue related to contributions.

- In addition, the Foundation elected the net asset release policy option for contributions with donor restrictions that were initially conditional contributions. As part of this election, the Foundation reports contributions restricted by donors (that were conditional in nature) as increases in net assets without donor restrictions if the conditions are met and the restrictions expire in the reporting period in which the revenue is recognized. The Foundation has not changed its policy for unconditional contributions such that the Foundation reports contributions restricted by donors (that were unconditional in nature) as increases in net assets with donor restrictions. When the donor restriction expires on an unconditional contribution, the release is reported as net assets released from donor restrictions in the statement of activities.

As part of ASU 2018-08, the Foundation adopted the standards for “contributions made” using the prospective approach to adoption. For contributions made to others that were considered to be unconditional in nature, the Foundation continues to report these contributions made as “accounts payable and accrued expenses” in the statement of financial position. As payments are made to the recipients of those grants or contributions, the accounts payable and accrued expenses balance is reduced. Awards made to other organizations that are conditional in nature are not recorded as expenses until the condition has been satisfied. Payments made in advance to other organizations for which conditions have not yet been satisfied are classified as “advances” in the statement of financial position. As the conditions are satisfied, expenses are recorded in the statement of activities and the advances are reduced. As of December 31, 2021, the Foundation did not make any payments in advance.

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. On April 8, 2020, the FASB voted to defer the effective date of ASU 2016-02 by one additional year. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. Management 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 Tope 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 15, 2021. Management does not anticipate this ASU will have a significant impact on its financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU No. 2020-07 was issued to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities. The standard is effective for annual reporting periods beginning after June 15, 2021 and should be applied on a retrospective basis. Management 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	$ 652,419
Grants receivable	1,037,707
Total	$ 1,690,126

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

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, 2021, $26,920 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.

The following table presents assets and liabilities measured at fair value on a recurring basis as of December 31, 2021:

		Fair Value Measurements at Report Date Using		
Description	Total	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	$ 654	$ 654	$ -	$ -
Endowment investments:				
Certificates of deposit	108,097	-	108,097	-
Beneficial interests in:				
Assets held by community foundation	26,920	-	-	26,920
Total	$ 135,671	$ 654	$ 108,097	$ 26,920

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, 2021:

		Beneficial Interests
	Donor Restricted Endowments	Assets Held by Community Foundation
Beginning Balance	$ 107,720	$ 26,836
Investment return, net	377	84
Ending Balance	$ 108,097	$ 26,920

NOTE 5 – GRANTS RECEIVABLE

As of December 31, 2021, two grantors accounted for a majority of the total grants receivable, as follows:

USDA National Institute of Food and Agriculture (NIFA)	$ 500,000
USDA Organic Agriculture Research and Extension Initiative	178,987
CDFA Specialty Crop Block Grant Program	165,946
USDA Natural Resources Conservation Service (NRCS)	104,624
Miscellaneous	88,150
Total Grants Receivable	$ 1,037,707

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

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 2021, the outstanding balances totaled $7,850.

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, 2021:

USDA National Institute of Food and Agriculture (NIFA)	$ 497,187
CDFA Specialty Crop Block Grant Program	165,690
USDA Organic Agriculture Research and Extension Initiative	123,399
USDA Natural Resources Conservation Service (NRCS)	87,342
Southern Sustainable Agriculture Research & Education	12,940
UC Agriculture & Natural Resources	2,415
Total Unearned Revenue from Conditional Contributions	$ 888,973

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2021:

Net Assets with Donor Restrictions	
Subject to Expenditure for Specified Purpose:	
Ceres Trust	$ 5,629
19/20 Grant Making Program	18,082
21/22 Grant Making Program	100,500
Heller Foundation climate	35,391
Total Net Assets Subject to Expenditure for Specified Purpose	159,602
Endowment:	
Subject to NFP endowment spending policy and appropriation:	
General use	106,354
Total Net Assets with Donor Restrictions	$ 265,956

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, 2021:

Net Assets Released from Restrictions	
Satisfaction of Purpose Restrictions:	
Heller Foundation climate	$ 4,608
Climate Policy	57,055
Ceres Trust	15,000
National Organic Research Agenda	7,000
21/22 Grant Making Program	6,000
CDFA Specialty Crop Block Grant Program	256
USDA Organic Agriculture Research and Extension Initiative	216,936
USDA Natural Resources Conservation Service	31,763
USDA National Institute of Food and Agriculture (NIFA)	2,813
Southern Sustainable Agriculture Research & Education	18,903
UC Agriculture & Natural Resources	19,076
PPP loan forgiven	74,761
Total Net Assets Released from Restrictions	$ 454,171

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.

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, 2021 was $14,014.

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 $9,390 to the Plan for the year ended December 31, 2021.

NOTE 13 – COVID-19 PANDEMIC IMPACT

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Foundation is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Foundation's customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Foundation's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.