SCHALL & ASHENFARB Certified Public Accountants, LLC

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ARCADIA CENTER FOR SUSTAINABLE FOOD AND AGRICULTURE

Audited Financial Statements

December 31, 2019

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Independent Auditor's Report

To the Board of Directors of
Arcadia Center for Sustainable Food and Agriculture

Report on the Financial Statements

We have audited the accompanying financial statements of Arcadia Center for Sustainable Food and Agriculture (the "Center"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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. 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 organization'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 organization'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arcadia Center for Sustainable Food and Agriculture as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

February 8, 2021

ARCADIA CENTER FOR SUSTAINABLE FOOD AND AGRICULTURE
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2019

Assets

Cash and cash equivalents	$437,037
Pledges receivable	47,500
Government grants receivable	27,296
Prepaid expenses and other assets	5,734
Fixed assets, net (Note 3)	611,261
Total assets	$1,128,828

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	$35,677
Deferred revenue	6,635
Loan from related party (Note 4)	407,839
Total liabilities	450,151
Net assets:	
Without donor restrictions	403,569
With donor restrictions (Note 5)	275,108
Total net assets	678,677
Total liabilities and net assets	$1,128,828

The attached notes and auditor's report are an integral part of these financial statements.

ARCADIA CENTER FOR SUSTAINABLE FOOD AND AGRICULTURE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Contributions	$486,939	$233,000	$719,939
Government grants	275,980		275,980
Special events (expenses with a direct benefit to donors) (Note 6)	57,179		57,179
Farm sales, net of cost of goods sold	70,361		70,361
Program fees and other income	66,186		66,186
Net assets released from restrictions (Note 5)	307,262	(307,262)	0
Total public support and revenue	1,263,907	(74,262)	1,189,645
Expenses:			
Program services	848,397		848,397
Management and general	154,424		154,424
Fundraising	142,517		142,517
Total expenses	1,145,338	0	1,145,338
Change in net assets	118,569	(74,262)	44,307
Net assets - beginning of year	285,000	349,370	634,370
Net assets - end of year	$403,569	$275,108	$678,677

The attached notes and auditor's report are an integral part of these financial statements.

ARCADIA CENTER FOR SUSTAINABLE FOOD AND AGRICULTURE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Total Expenses
Salaries	$530,648	$44,842	$36,482	$611,972
Payroll taxes and benefits	62,671	5,294	4,309	72,274
Total personnel services	593,319	50,136	40,791	684,246
Farm production expenses	38,189			38,189
Food purchases	14,375	564		14,939
Professional fees	41,945	78,213	93,685	213,843
Facility and equipment expense	27,453	15,600		43,053
Program supplies and materials	41,748	1,528	263	43,539
Insurance	24,490	2,055	1,667	28,212
Office expenses	10,796	3,953	5,982	20,731
Grants and direct assistance	1,266			1,266
Travel, meetings, and conferences	9,615	315	129	10,059
Fundraising event costs			15,609	15,609
Other expenses	6,978	2,060		9,038
Depreciation and amortization	38,223			38,223
Total expenses	848,397	154,424	158,126	1,160,947
Less: special event expenses with a direct benefit to donors			(15,609)	(15,609)
Total expenses reported by function on the statement of activities	$848,397	$154,424	$142,517	$1,145,338

The attached notes and auditor's report are an integral part of these financial statements.

ARCADIA CENTER FOR SUSTAINABLE FOOD AND AGRICULTURE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash flows from operating activities:	
Change in net assets	$44,307
Adjustments to reconcile change in net assets	
to net cash provided by operating activities:	
Loans forgiven	(50,000)
Depreciation and amortization	38,223
Changes in assets and liabilities:	
Pledges receivable	(10,000)
Government grants receivable	6,604
Prepaid expenses and other assets	(5,734)
Accounts payable and accrued expenses	2,011
Deferred revenue	6,635
Total adjustments	(12,261)
Net cash provided by operating activities	32,046
Cash flows from investing activities:	
Purchases of fixed assets	(53,763)
Net cash used for investing activities	(53,763)
Net decrease in cash and cash equivalents	(21,717)
Cash and cash equivalents - beginning of year	458,754
Cash and cash equivalents - end of year	$437,037
Supplemental information:	
Interest and taxes paid	$0

The attached notes and auditor's report are an integral part of these financial statements.

ARCADIA CENTER FOR SUSTAINABLE FOOD AND AGRICULTURE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1 - Nature of the Organization

Arcadia Center for Sustainable Food and Agriculture (the "Center") is a nonprofit organization dedicated to creating a more equitable and sustainable local food system in the Washington, DC area. Based on the historic grounds of Woodlawn Estate in Alexandria, Virginia, thanks to a landmark partnership with the National Trust for Historic Preservation, Arcadia manages four distinct program areas that address a specific need in the community, while collectively engaging consumers, farmers, schools, and institutions.

The Center has been notified by the Internal Revenue Service that it is a not-for-profit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting, which is the process of recording revenue and expenses when earned or incurred rather than received or paid.

Effective January 1, 2019, the Center adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "Topic 606"). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price, and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective January 1, 2019, the Center adopted ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("Topic 605"). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, the Center evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transaction is determined to be an exchange transaction, the Center applies guidance under Topic 606. If the transaction is determined to be non-reciprocal, it is treated as a contribution under Topic 605.

Analysis of the various provisions of both of these standards resulted in no significant changes in the way the Center recognizes revenue.

b. Basis of Presentation

The Center reports information regarding its financial position and activity according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represents all activity without donor-imposed restrictions.

- *Net Assets With Donor Restrictions* – relates to contributions of cash and other assets with donor stipulations that make clear the assets' restrictions, either due to a program nature or by the passage of time.

c. Revenue Recognition

The Center has adopted Topic 606 using the modified retrospective method applied to all contracts after January 1, 2019 and continues to use legacy GAAP for all contracts before January 1, 2019.

The Center receives revenue from farm sales and program fees that fall under Topic 606 which have been included in the statement of activities. Program fees consist of Farm Camp and school field trip fees. Program fees are recognized as revenue as the performance obligations are met. The Center sells locally produced food to underserved communities in the Washington, DC area. Revenue from farm sales is recognized upon delivery of goods to customers. Farm sales and program income that has been earned but not paid at year end is recognized as income and a related receivable. Cash that has been received but not earned at year end is recognized as deferred revenue.

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

Contributions may be subject to conditions which are defined under ASU No. 2018-08 as both a barrier to entitlement and a right of return of payments, or release from obligations, and are recognized as income once the conditions have been substantially met.

Government grants have been evaluated and are considered to be non-reciprocal; therefore, they are also treated as contributions under Topic 605. In addition, government grants meet the criteria of being conditional. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Cash received in advance of the conditions being met is treated as a liability.

Contributions and grants expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques. Receivables are reviewed for collectability. Based on knowledge of specific donors and factoring in historical experience, no allowance for doubtful accounts exists as of December 31, 2019. Write-offs will be made in the period the receivable is deemed to be uncollectable. At December 31, 2019, all receivables are due within one year.

d. Cash and Cash Equivalents
The Center considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

e. Concentration of Credit Risk
Financial instruments, which potentially subject the Center to concentration of credit risk, consist of cash and money market accounts, which are placed at financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. At year end and at various times throughout the year, balances were in excess of insured amounts. However, the Center has not experienced any losses due to bank failure.

f. Fixed Assets
Furniture, equipment, and leasehold improvements are capitalized in the year acquired and are carried at cost, if purchased, or fair value, if donated. Maintenance and repairs, which neither materially add to the value of the asset nor appreciably prolong its life, are charged to expense as incurred. Depreciation was computed using the straight-line method over the estimated useful life of the respective assets as follows:

Equipment – *5 – 10 years*
Vehicles – *5 – 7 years*
Leasehold improvements – *Life of lease*

g. In-Kind Services
The Center records donated services if they create or enhance non-financial assets or if the service requires specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided in-kind.

Board members and other individuals volunteer their time and perform a variety of tasks that assist the Center. These services do not meet the criteria to be recorded and have not been included in the financial statements.

h. Expense Allocation
The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Center.

Salaries were allocated using time and effort as the basis. The following costs were allocated using the salary allocation as the basis:

- Payroll taxes and benefits
- Insurance

All other expenses have been charged directly to the applicable program or supporting services.

i. Management Estimates

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

j. Accounting for Uncertainty of Income Taxes

The Center does not believe its financial statements include any material, uncertain tax positions. The Center had previously filed tax returns on a June fiscal year end before changing to a December calendar year end, effective December 31, 2018. Tax filings for the periods ended June 30, 2016 and later are subject to examination by applicable taxing authorities.

k. New Accounting Pronouncements

FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the December 31, 2021 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional disclosures.

FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2022 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

The Center is in the process of evaluating the impact these standards will have on future financial statements.

Note 3 - Fixed Assets

Fixed assets consist of the following:

Equipment	$97,096
Vehicles	190,202
Leasehold improvements	488,070
	775,368
Less: accumulated depreciation and amortization	(164,107)
Total fixed assets, net	$611,261

Note 4 - Loan From Related Party

The Center previously received an interest-free start-up loan from an organization owned by a board member. The Center and the lender have a debt settlement agreement whereby the lender expects to forgive the loan in annual installments until it is completely forgiven on November 30, 2027.

As of January 1, 2019, the outstanding balance on this loan was $457,829. During the year ended December 31, 2019, $50,000 of this loan was forgiven and reported as contribution revenue on the statement of activities. The outstanding balance at December 31, 2019 is $407,939.

Note 5 - Net Assets With Donor Restrictions

The following summarizes the activity of net assets with donor restrictions:

	Beginning Balance 1/1/19	Contributions	Released from Restrictions	Ending Balance 12/31/19
Program restricted:				
Farm improvements	$77,870	$0	($34,762)	$43,108
Food Systems Interventions	0	78,000	(1,000)	77,000
Mobile Market	76,500	40,000	(76,500)	40,000
Veteran Farmer program	150,000	100,000	(150,000)	100,000
Total program restricted	304,370	218,000	(262,262)	260,108
Time restricted – general	45,000	15,000	(45,000)	15,000
Total	$349,370	$233,000	($307,262)	$275,108

Note 6 - Fundraising Event

The Center holds an annual fundraising event. The event proceeds are summarized as follows:

Gross revenue	$72,788
Less: expenses with a direct benefit to donors	(15,609)
Total	57,179

Note 7 - Commitments and Contingencies

Program Audits
Government supported projects are subject to audit by applicable granting agencies. Management does not feel it is probable that such an audit, if it were to occur, would result in any disallowed costs and has not established a reserve.

Operating Leases
The Center occupies farm property in Alexandria, Virginia under a lease agreement that expires on December 31, 2021. Additionally, the Center occupies office space for its administrative and program operations in Alexandria, Virginia that expires on March 31, 2021.

Both lease agreements are renewed on a year-to-year basis. Future minimum payments under these agreements are as follows:

Year ending:	December 31, 2020	$40,000
	December 31, 2021	5,000
	Total	$55,000

Note 8 - Availability and Liquidity

The Center maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going purposes. As part of its liquidity management, the Center operates its programs within a board approved budget and relies on contributions, government grants, and earned income to fund its operations and program activities.

The following reflects the Center's financial assets at December 31, 2019 that are available to meet cash needs for general expenditures within one year:

Financial assets at year end:		
Cash and cash equivalents	$437,037	
Pledges receivable	47,500	
Government grants receivable	27,296	
Total financial assets		$511,833
Less amounts not available for general expenditures:		
Donor contributions restricted to specific purposes		(260,108)
Financial assets available to meet cash needs for general expenditures within one year		$251,725

Note 9 - Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through February 8, 2021, the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Center operates. It is unknown how long these conditions will last and what the complete financial effect will be. Management continues to monitor the outbreak; however, as of the date of these financial statements, the potential impact cannot be quantified.

In May 2020, the Center obtained a loan from the SBA of $129,000 through the Paycheck Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during periods subsequent to receipt of the loan funds that are not less than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. Portions that are not forgiven will be payable over a five-year period, with a ten-month deferral of payments and interest will accrue at 1%. The loan forgiveness amount has not been determined as of the date of these financial statements.

In addition, in May 2020, the Center entered into a loan agreement with the SBA in the amount of $150,000 through the Economic Injury Disaster Loan Program for working capital. Payments on the loan will begin 12 months from the date of the note. Interest will accrue at 2.75% per annum. Monthly installments of $641, including principal and interest, will be payable over 30 years from the date of the note. The loan is collateralized by all assets of the Center.

No additional events have occurred subsequent to the statement of financial position date, through our evaluation date, that would require adjustment to or disclosure in the financial statements.