

THE FOOD ALLIANCE
FINANCIAL STATEMENTS
Year Ended December 31, 2007

**THE FOOD ALLIANCE
FINANCIAL STATEMENTS**

Year Ended December 31, 2007

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KERN & THOMPSON, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Food Alliance
Portland, Oregon

We have audited the statement of financial position of The Food Alliance (a nonprofit corporation) as of December 31, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of The Food Alliance as of December 31, 2006 and, in our report February 20, 2007, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Food Alliance at December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Kern & Thompson, LLC

March 21, 2008

THE FOOD ALLIANCE

STATEMENT OF FINANCIAL POSITION

December 31, 2007
(With Comparative Totals as of December 31, 2006)

	2007	2006
ASSETS		
Cash and cash equivalents	\$ 276,356	\$ 145,673
Grants receivable	249,999	566,666
Accounts receivable	76,230	115,574
Prepaid expenses	640	640
Furniture and equipment, net of accumulated depreciation of \$26,330 and \$20,260, respectively	9,194	10,827
Total assets	\$ 612,419	\$ 839,380
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 5,089	\$ 14,631
Accrued vacation payable	8,135	5,146
Deferred revenue	74,341	27,500
Total liabilities	87,565	47,277
Net assets		
Unrestricted	17,502	(50,307)
Temporarily restricted	507,352	842,410
Total net assets	524,854	792,103
Total liabilities and net assets	\$ 612,419	\$ 839,380

See notes to financial statements.

THE FOOD ALLIANCE
STATEMENT OF ACTIVITIES

Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	Unrestricted	Temporarily Restricted	Total	
			2007	2006
Revenues and other support				
Grants and foundation support	\$ -	\$ 123,000	\$ 123,000	\$ 755,000
Government grants and contracts	235,407	-	235,407	209,819
Consulting	24,540	-	24,540	37,376
Certification fees	120,650	-	120,650	111,387
Individual memberships and contributions	22,957	-	22,957	6,593
Special events, net expense of \$17,348 and \$13,602, respectively	34,552	-	34,552	43,668
Investment income	3,808	-	3,808	766
441,914	123,000	564,914	1,164,609	
Net assets released from restrictions by satisfaction of purpose restrictions	458,058	(458,058)	-	-
Total revenues and other support	899,972	(335,058)	564,914	1,164,609
Expenses				
Program services	706,917	-	706,917	587,077
Supporting services	69,285	-	69,285	75,041
Management and general Fund-raising	55,961	-	55,961	69,244
Total expenses	832,163	-	832,163	731,362
Change in net assets	67,809	(335,058)	(267,249)	433,247
Net assets				
Beginning of year	(50,307)	842,410	792,103	358,856
End of year	\$ 17,502	\$ 507,352	\$ 524,854	\$ 792,103

See notes to financial statements.

THE FOOD ALLIANCE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2007

(With Comparative Totals for the Year Ended December 31, 2006)

	SUPPORTING SERVICES				Total	
	Program and Services	Management and General	Fund-Raising	Shared Expenses	2007	2006
Salaries and benefits	\$ 372,585	\$ 38,612	\$ 42,890	\$ -	\$ 454,087	\$ 367,540
Employee benefits	42,149	2,176	4,823	-	49,148	28,004
Payroll taxes	34,562	3,692	3,978	-	42,232	35,423
Professional services	150,308	7,334	-	-	157,642	176,279
Promotions	9,975	-	-	-	9,975	5,655
Occupancy	9,165	-	-	19,162	28,327	20,633
Program supplies	1,408	-	-	-	1,408	2,305
Office supplies	1,390	243	-	409	2,042	677
Printing and copying	1,547	-	728	128	2,403	5,768
Postage and delivery	1,287	-	328	165	1,780	2,748
Dues and subscriptions	271	-	-	383	654	919
Telecommunications	2,950	-	-	3,539	6,489	7,209
Repair and maintenance	-	-	-	3,190	3,190	1,609
Equipment and tools	-	-	-	1,543	1,543	4,525
Depreciation	-	-	-	6,070	6,070	5,644
Stewardship council	5,377	-	-	-	5,377	1,794
Meetings	3,154	-	-	-	3,154	4,683
Travel	32,571	-	37	-	32,608	34,387
Insurance	-	-	-	3,699	3,699	2,969
Staff training	2,357	-	-	1,275	3,632	-
Board expense	-	13,222	-	-	13,222	16,477
Bank charges	-	738	841	-	1,579	1,361
Licenses and fees	-	668	-	997	1,665	1,465
Miscellaneous	-	-	-	237	237	3,288
Shared expense allocation	35,861	2,600	2,336	(40,797)	-	-
	<u>\$ 706,917</u>	<u>\$ 69,285</u>	<u>\$ 55,961</u>	<u>\$ -</u>	<u>\$ 832,163</u>	<u>\$ 731,362</u>

See notes to financial statements.

THE FOOD ALLIANCE

STATEMENT OF CASH FLOWS

Year Ended December 31, 2007

(With Comparative Totals for the Year Ended December 31, 2006)

	2007	2006
Cash flows from operating activities:		
Change in net assets	\$ (267,249)	\$ 433,247
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,070	5,644
Changes in assets and liabilities:		
Grants receivable	316,667	(363,666)
Accounts receivable	39,344	(18,852)
Prepaid expenses	-	2,557
Accounts payable	(9,542)	10,164
Accrued vacation	2,989	1,031
Deferred revenue	46,841	(9,450)
Net cash provided by operating activities	135,120	60,675
Cash flows from investing activities:		
Purchase of equipment	(4,437)	(12,195)
Net change in cash	130,683	48,480
Cash and cash equivalents, beginning of year	145,673	97,193
Cash and cash equivalents, end of year	\$ 276,356	\$ 145,673

See notes to financial statements.

THE FOOD ALLIANCE
NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A – DESCRIPTION OF ORGANIZATION

The Food Alliance is an Oregon nonprofit corporation that creates market incentives for adoption of sustainable agricultural practices, and educates food-based businesses on the benefits of sustainable agriculture. The Organization was founded in 1997 with support from leaders in both organic and conventional agriculture, as well as from advocates for farm labor, animal welfare, and the environment.

- **Certification** - The Food Alliance operates a voluntary certification and eco-labeling program for farms, ranches and food processors and distributors, with standards covering a full range of industry and consumer concerns, including safe and fair working conditions, humane treatment of animals, elimination of hormones and antibiotics, elimination of genetically modified organisms, reduction or elimination of pesticides (including herbicides, fungicides, etc.), conservation of soil and water resources, and protection of wildlife habitat.
- **Market Partnerships** - The Organization develops partnerships with food product distributors and retailers (including grocery stores, institutional food service providers, and restaurants) to facilitate procurement and promotion of socially and environmentally responsible food products.
- **Education of Business Stakeholders** - The Food Alliance educates business leaders on how purchase decisions affect environmental health, the well-being of farm laborers and farm animals, and the vitality of agricultural communities. The Organization also provides services to food-based businesses, including orientations on sustainable agriculture and the market for sustainable products, audits of production or purchasing systems to assess social and/or environmental impacts, and consulting to improving social and/or environmental performance.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Organization classifies as cash and cash equivalents all checking, savings, money market accounts and all investments maturing within 90 days from the date of purchase.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Substantially all of the Organization's credit sales are to a customer base that has a history of paying promptly. Therefore, no allowance for doubtful accounts is recorded. Accounts receivable are secured and non-interest bearing.

THE FOOD ALLIANCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2007

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions, including promises to give, are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

The Organization maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 105 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

Basis of Presentation

The accompanying financial statements have been prepared to focus on the Organization as a whole and to present fund balances and transactions in three classes of net assets – unrestricted, temporarily restricted, and permanently restricted, as follows:

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

THE FOOD ALLIANCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2007

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Furniture and Equipment

Furniture and equipment is recorded at cost and depreciated using the straight-line method over 2-5 useful years.

Maintenance and repairs are expensed when incurred. Betterments and renewals are capitalized.

Income Taxes

The Organization operates as a nonprofit organization and has received tax-exempt status under Code Section 501(c)(3) of the Internal Revenue Code.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized in the Statement of Activities. Certain costs, including salaries, occupancy, supplies and equipment rent, have been allocated among the programs and supporting services benefited.

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2006, from which the summarized information was derived.

NOTE C – LINE OF CREDIT

The Organization has a revolving line of credit for \$40,000 at 1.5% over prime (7.5% at December 31, 2007) with Shore Bank Pacific secured by all assets of the Organization. There is no outstanding balance as of December 31, 2007.

THE FOOD ALLIANCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2007

NOTE D – DEFERRED REVENUE

Deferred revenue consists of tickets and sponsorships recorded for the March 2008 Special Event totaling \$64,112, and an advance billing on services to be performed of \$10,229.

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

Net assets temporarily restricted by donors for specific purposes at December 31, 2007 are as follows:

	<u>Purpose</u>	<u>Timing</u>
Meyer Memorial Trust	\$ 59,048	\$ -
Sequoia Foundation	43,831	-
Bullitt Foundation	21,323	-
Wallace Center for Sustainable Agriculture	39,507	249,999
Cedar Tree Foundation	<u>93,644</u>	<u>-</u>
	\$ <u>257,353</u>	\$ <u>249,999</u>

NOTE F – OPERATING LEASE COMMITMENTS

The Organization has entered into a lease agreement for office space commencing in February 2007 and ending September 30, 2010. The Organization leases office equipment under operating leases with monthly lease payments of \$105. Lease expenses totaled \$20,633 for the year ended December 31, 2007.

Future minimum rental payments under the leases are as follows:

<u>Year Ending</u>	<u>Office</u>	<u>Copier</u>	<u>Total</u>
<u>March 31,</u>	<u>Space</u>	<u></u>	<u></u>
2008	\$ 26,475	\$ 1,260	\$ 27,735
2009	27,270	1,260	28,530
2010	20,925	1,260	22,185
After 2011	<u>-</u>	<u>315</u>	<u>315</u>
	\$ <u>74,670</u>	\$ <u>4,095</u>	\$ <u>78,765</u>

THE FOOD ALLIANCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2007

NOTE G – PENSION PLAN

The Organization has a defined contribution pension plan. Matching contributions are 6% of salaries for all employees who contribute 3%, and 3% for employees who do not contribute, after the first month of employment. Contributions to the plan for the year ended December 31, 2007 totaled \$23,567.

NOTE H – PRIOR PERIOD ADJUSTMENT

Beginning unrestricted net assets have been decreased by \$27,500 to correct the prior year omission of the deferred revenue recorded for the March 2007 special event. The prior year comparative totals have also been restated to reflect an increase in special event revenue of \$9,450.