

THE FOOD ALLIANCE
FINANCIAL STATEMENTS
Year Ended December 31, 2008

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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 not-for-profit corporation) as of December 31, 2008, 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, 2007 and, in our report March 21, 2008, 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, 2008, 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

Portland, Oregon
April 17, 2009

THE FOOD ALLIANCE
STATEMENT OF FINANCIAL POSITION

December 31, 2008
(With Comparative Totals as of December 31, 2007)

ASSETS

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 376,684	\$ 276,356
Grants receivable	416,831	249,999
Accounts receivable	55,506	76,230
Prepaid expenses	640	640
Furniture and equipment, net of accumulated depreciation of \$32,256 and \$26,330, respectively	<u>5,094</u>	<u>9,194</u>
Total assets	<u>\$ 854,755</u>	<u>\$ 612,419</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 17	\$ 5,089
Accrued vacation payable	7,505	8,135
Deferred revenue	39,300	74,341
Note payable	<u>150,000</u>	<u>-</u>
Total liabilities	<u>196,822</u>	<u>87,565</u>
Net assets		
Unrestricted	109,501	17,502
Temporarily restricted	<u>548,432</u>	<u>507,352</u>
Total net assets	<u>657,933</u>	<u>524,854</u>
Total liabilities and net assets	<u>\$ 854,755</u>	<u>\$ 612,419</u>

See notes to financial statements.

THE FOOD ALLIANCE
STATEMENT OF ACTIVITIES

Year Ended December 31, 2008
(With Comparative Totals for the Year Ended December 31, 2007)

	Unrestricted	Temporarily Restricted	Total	
			2008	2007
Revenues and other support				
Grants and foundation support	\$ -	\$ 628,000	\$ 628,000	\$ 123,000
Government grants and contracts	106,973	-	106,973	235,407
Consulting	32,280	-	32,280	24,540
Certification fees	153,707	-	153,707	120,650
Individual memberships and contributions	35,332	-	35,332	22,957
Special events, net expense of \$24,611 and \$17,348, respectively	90,354	-	90,354	34,552
Investment income	8,500	-	8,500	3,808
	<u>427,146</u>	<u>628,000</u>	<u>1,055,146</u>	<u>564,914</u>
Net assets released from restrictions	<u>586,920</u>	<u>(586,920)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>1,014,066</u>	<u>41,080</u>	<u>1,055,146</u>	<u>564,914</u>
Expenses				
Program services	818,636	-	818,636	706,917
Supporting services				
Management and general	57,624	-	57,624	69,285
Fund-raising	45,807	-	45,807	55,961
Total expenses	<u>922,067</u>	<u>-</u>	<u>922,067</u>	<u>832,163</u>
Change in net assets	91,999	41,080	133,079	(267,249)
Net assets				
Beginning of year	<u>17,502</u>	<u>507,352</u>	<u>524,854</u>	<u>792,103</u>
End of year	<u>\$ 109,501</u>	<u>\$ 548,432</u>	<u>\$ 657,933</u>	<u>\$ 524,854</u>

See notes to financial statements.

THE FOOD ALLIANCE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2008

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

	SUPPORTING SERVICES					
	PROGRAM SERVICES	Management and General	Fund- Raising	Shared Expenses	Total	
					2008	2007
Salaries and benefits	\$ 414,363	\$ 33,498	\$ 33,093	\$ -	\$ 480,954	\$ 454,087
Employee benefits	48,395	2,203	3,773	-	54,371	49,148
Payroll taxes	37,135	2,389	2,912	-	42,436	42,232
Professional services	199,454	7,895	-	220	207,569	157,642
Promotions and advertising	12,079	-	-	-	12,079	9,975
Occupancy	10,210	-	-	20,834	31,044	28,327
Program supplies	1,742	-	-	-	1,742	1,408
Office supplies	-	-	-	140	140	2,042
Printing and copying	3,037	-	1,333	-	4,370	2,403
Postage and delivery	1,156	-	203	144	1,503	1,780
Dues and subscriptions	-	-	-	-	-	654
Telecommunications	3,536	-	-	2,868	6,404	6,489
Repair and maintenance	-	-	-	2,103	2,103	3,190
Equipment and tools	-	-	-	2,689	2,689	1,543
Depreciation	-	-	-	6,503	6,503	6,070
Stewardship council	2,511	-	-	-	2,511	5,377
Meetings	10,241	-	-	-	10,241	3,154
Travel	35,649	-	536	-	36,185	32,608
Insurance	-	-	-	3,539	3,539	3,699
Staff training and meetings	625	79	-	308	1,012	3,632
Board expense	-	9,537	-	-	9,537	13,222
Bank charges	-	597	1,076	1,993	3,666	1,579
Licenses and fees	-	402	228	764	1,394	1,665
Miscellaneous	-	-	-	75	75	237
Shared expense allocation	38,503	1,024	2,653	(42,180)	-	-
	\$ 818,636	\$ 57,624	\$ 45,807	\$ -	\$ 922,067	\$ 832,163

See notes to financial statements.

THE FOOD ALLIANCE

STATEMENT OF CASH FLOWS

Year Ended December 31, 2008

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

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ 133,079	\$ (267,249)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,503	6,070
Changes in assets and liabilities:		
Grants receivable	(166,832)	316,667
Accounts receivable	20,724	39,344
Accounts payable	(5,072)	(9,542)
Accrued vacation payable	(630)	2,989
Deferred revenue	(35,041)	46,841
Net cash provided by (used in) operating activities	<u>(47,269)</u>	<u>135,120</u>
Cash flows from investing activities:		
Purchase of equipment	<u>(2,403)</u>	<u>(4,437)</u>
Net cash used in investing activities	<u>(2,403)</u>	<u>(4,437)</u>
Cash flows from financing activities:		
Proceeds from note payable	<u>150,000</u>	<u>-</u>
Net cash provided by financing activities	<u>150,000</u>	<u>-</u>
Net change in cash and cash equivalents	100,328	130,683
Cash and cash equivalents, beginning of year	<u>276,356</u>	<u>145,673</u>
Cash and cash equivalents, end of year	<u><u>\$ 376,684</u></u>	<u><u>\$ 276,356</u></u>

See notes to financial statements.

THE FOOD ALLIANCE
NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE A – DESCRIPTION OF ORGANIZATION

The Food Alliance is an Oregon not-for-profit 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 unsecured and non-interest bearing.

THE FOOD ALLIANCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2008

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.
- 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.

THE FOOD ALLIANCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2008

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2007, from which the summarized information was derived.

NOTE C – GRANTS RECEIVABLE

Grants receivable consist of the following as of December 31, 2008:

Murdock Trust	\$ 136,000
BAMCO	20,000
Wallace Center for Sustainable Agriculture	83,331
Cedar Tree Foundation	100,000
Ecoworks	37,500
Russell Family Foundation	<u>40,000</u>
	<u>\$ 416,831</u>

THE FOOD ALLIANCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2008

NOTE D - NOTE PAYABLE

During 2008, the Organization received a long-term loan of \$150,000 from The Meyer Memorial Trust for the purpose of expanding the certification program. The loan bears interest at 2%, is unsecured, and matures in one lump sum on April 30, 2013. Interest is payable quarterly.

NOTE E – DEFERRED REVENUE

Deferred revenue consists of tickets and sponsorships recorded for the March 2009 Special Event totaling \$30,250, and an advance billing on services to be performed of \$9,050.

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

Net assets temporarily restricted by donors for specific purposes at December 31, 2008 are as follows:

	<u>Purpose</u>	<u>Timing</u>
Murdock Trust	\$ 136,000	\$ -
BAMCO	-	20,000
Wallace Center for Sustainable Agriculture	105,722	-
Cedar Tree Foundation	179,304	-
Wallace Center for Sustainable Agriculture	15,498	-
Ecoworks	37,500	-
Russell Family Foundation	44,408	-
Wildlife Forever Fund	10,000	-
	<u>\$ 528,432</u>	<u>\$ 20,000</u>

NOTE G – 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 \$30,443 for the year ended December 31, 2008.

THE FOOD ALLIANCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2008

NOTE G – OPERATING LEASE COMMITMENTS (CONTINUED)

Future minimum rental payments under the leases are as follows:

<u>Year Ending March 31,</u>	<u>Office Space</u>	<u>Copier</u>	<u>Total</u>
2009	\$ 27,270	1,260	\$ 28,530
2010	20,925	1,260	22,185
2011	-	315	315
After 2012	-	-	-
	<u>\$ 48,195</u>	<u>\$ 2,835</u>	<u>\$ 51,030</u>

NOTE H – 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, 2008 totaled \$26,006.