

WHOLESOME WAVE, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

WHOLESOME WAVE, INC.

CONTENTS

Independent Auditors' Report	1-2
Statements of Financial Position - December 31, 2018 and 2017	3
Statements of Activities and Changes in Net Assets for the Years Ended December 31, 2018 and 2017	4
Statements of Functional Expenses for the Years Ended December 31, 2018 and 2017	5
Statements of Cash Flows for the Years Ended December 31, 2018 and 2017	6
Notes to Financial Statements	7-13

Independent Auditors' Report

To the Board of Directors
Wholesome Wave, Inc.
Bridgeport, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of Wholesome Wave, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wholesome Wave, Inc., as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1, during the year ended December 31, 2018, Wholesome Wave, Inc., adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
August 6, 2019

WHOLESONE WAVE, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 913,662	\$ 676,384
Accounts receivable	120,066	107,599
Grants receivable	-	97,238
Contributions receivable	536,376	282,557
Investments - deferred compensation	93,083	84,822
Other assets	5,425	5,425
Property and equipment, net	<u>7,173</u>	<u>13,021</u>
Total Assets	<u>\$ 1,675,785</u>	<u>\$ 1,267,046</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 243,714	\$ 306,852
Deferred revenue	262,549	262,551
Deferred compensation	93,083	84,822
Note payable	500,000	-
Total liabilities	<u>1,099,346</u>	<u>654,225</u>
Net Assets		
Without donor restrictions	(1,480,718)	(137,724)
With donor restrictions	2,057,157	750,545
Total net assets	<u>576,439</u>	<u>612,821</u>
Total Liabilities and Net Assets	<u>\$ 1,675,785</u>	<u>\$ 1,267,046</u>

The accompanying notes are an integral part of the financial statements

WHOLESOME WAVE, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Private grants and contributions	\$ 1,535,350	\$ 2,716,096	\$ 4,251,446	\$ 2,561,220	\$ 1,540,000	\$ 4,101,220
Program income	552,452	-	552,452	503,737	-	503,737
Government grants and contracts	232,098	-	232,098	1,687,838	-	1,687,838
Donated services	221,882	-	221,882	957,591	-	957,591
Other income	10,595	-	10,595	8,666	-	8,666
Net assets released from restrictions	1,409,484	(1,409,484)	-	1,714,865	(1,714,865)	-
Total public support and revenue	<u>3,961,861</u>	<u>1,306,612</u>	<u>5,268,473</u>	<u>7,433,917</u>	<u>(174,865)</u>	<u>7,259,052</u>
Expenses						
Program services	3,900,874	-	3,900,874	5,495,149	-	5,495,149
Management and general	838,384	-	838,384	1,059,775	-	1,059,775
Development and fundraising	565,597	-	565,597	640,016	-	640,016
Total expenses	<u>5,304,855</u>	<u>-</u>	<u>5,304,855</u>	<u>7,194,940</u>	<u>-</u>	<u>7,194,940</u>
Increase (Decrease) in Net Assets	(1,342,994)	1,306,612	(36,382)	238,977	(174,865)	64,112
Net Assets - Beginning of Year	<u>(137,724)</u>	<u>750,545</u>	<u>612,821</u>	<u>(376,701)</u>	<u>925,410</u>	<u>548,709</u>
Net Assets - End of Year	<u>\$ (1,480,718)</u>	<u>\$ 2,057,157</u>	<u>\$ 576,439</u>	<u>\$ (137,724)</u>	<u>\$ 750,545</u>	<u>\$ 612,821</u>

The accompanying notes are an integral part of the financial statements

WHOLESOME WAVE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018				2017			
	Program Services	Management and General	Development and Fundraising	Total	Program Services	Management and General	Development and Fundraising	Total
Personnel costs	\$ 1,366,145	\$ 453,280	\$ 303,451	\$ 2,122,876	\$ 1,744,036	\$ 462,047	\$ 253,625	\$ 2,459,708
Incentive costs	1,428,260	-	-	1,428,260	1,762,950	-	-	1,762,950
Contracted services	463,459	186,743	174,127	824,329	712,475	186,047	325,939	1,224,461
Office expense	177,169	14,498	32,858	224,525	163,916	131,391	42,777	338,084
Donated services	221,882	-	-	221,882	957,591	-	-	957,591
Travel and meetings	94,508	51,972	15,105	161,585	96,599	87,727	15,292	199,618
Professional fees	58,526	60,102	31,702	150,330	-	117,774	-	117,774
Occupancy	81,659	10,924	8,321	100,904	57,582	53,226	-	110,808
Insurance	-	51,675	-	51,675	-	11,027	-	11,027
Miscellaneous expenses	9,266	1,044	33	10,343	-	3,658	-	3,658
Depreciation expense	-	8,146	-	8,146	-	6,878	-	6,878
Advertising and promotion	-	-	-	-	-	-	2,383	2,383
Total Expenses	\$ 3,900,874	\$ 838,384	\$ 565,597	\$ 5,304,855	\$ 5,495,149	\$ 1,059,775	\$ 640,016	\$ 7,194,940

The accompanying notes are an integral part of the financial statements

WHOLESONE WAVE, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (36,382)	\$ 64,112
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	8,146	6,878
(Increase) decrease in operating assets:		
Accounts receivable	(12,467)	4,394
Grants receivable	97,238	(97,238)
Contributions receivable	(253,819)	(144,708)
Other assets	-	6,933
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(63,138)	(135,668)
Deferred revenue	(2)	34,583
Deferred compensation	8,261	24,391
Net cash used in operating activities	<u>(252,163)</u>	<u>(236,323)</u>
Cash Flows from Investing Activities		
Purchase of investments	(8,261)	(24,391)
Purchase of property and equipment	<u>(2,298)</u>	<u>(4,806)</u>
Net cash used in investing activities	<u>(10,559)</u>	<u>(29,197)</u>
Cash Flows from Financing Activities		
Proceeds from note payable	<u>500,000</u>	-
Net cash provided by financing activities	<u>500,000</u>	-
Net Increase (Decrease) in Cash and Cash Equivalents	237,278	(265,520)
Cash and Cash Equivalents - Beginning of Year	<u>676,384</u>	<u>941,904</u>
Cash and Cash Equivalents - End of Year	<u>\$ 913,662</u>	<u>\$ 676,384</u>

The accompanying notes are an integral part of the financial statements

WHOLESOME WAVE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Wholesome Wave, Inc. (Wholesome Wave) is a not-for-profit organization located in Bridgeport, Connecticut. Its mission is to inspire underserved consumers to make healthier food choices by increasing affordable access to fresh, local and regional food. Wholesome Wave is supported by contributions from private foundations and donors, as well as grants from federal awarding agencies.

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment changes the previous reporting model for nonprofit organizations and enhances the disclosure requirements. The major changes include: (a) requiring the presentation of only two classes of net assets rather than three, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investments expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. This ASU is effective for annual periods beginning after December 15, 2017. Management has adopted ASU 2016-14 for the year ended December 31, 2018. The amendments have been retrospectively applied, with the exception of disclosures on liquidity and availability of resources for the year ended December 31, 2017.

Basis of Accounting and Presentation

The financial statements of Wholesome Wave have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the accounts of Wholesome Wave are reported in the following net asset categories:

Net Assets Without Donor Restrictions

Net assets with donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent contributions that are restricted by the donor as to purpose or time of expenditure. Net assets with donor restrictions also represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit Wholesome Wave to expend the income earned thereon.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

WHOLESOME WAVE, INC.

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and certain highly liquid investments with original maturities of 90 days or less, exclusive of amounts held by brokers, which are considered to be investments.

Wholesome Wave places its cash deposits with high credit-quality institutions. Such deposits exceed federal depository insurance limits at times during the year. However, management believes that Wholesome Wave's deposits are not subject to significant credit risk.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. See Note 2 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income includes Wholesome Wave's gains and losses on investments bought and sold as well as held during the year. Realized and unrealized gains and losses and other investment income are reflected in the accompanying statements of activities and changes in net assets as net realized and unrealized gains and losses on investments and investment income. These amounts are reported in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions or net assets with donor restrictions as appropriate based on any donor stipulations or law.

Property and Equipment

Property and equipment acquisitions and improvements thereon that exceed \$1,000 are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives. Repairs and maintenance are charged to expense as incurred.

Governmental Grants and Contracts

Other than certain awards to fund capital expenditures, governmental grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost-reimbursement grants and contracts is recognized to the extent of costs incurred. Revenue from performance-based grants and contracts is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenue recognized are presented as deferred revenue.

Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Wholesome Wave reports nongovernmental contributions and grants of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit their use. When a donor 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 and reported in the statements of activities and changes in net assets as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with net assets without donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

WHOLESOME WAVE, INC.

NOTES TO FINANCIAL STATEMENTS

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services recognized in the financial statements totaled \$221,882 and \$957,591 for the years ended December 31, 2018 and 2017, respectively. General volunteer services do not meet these criteria for recognition.

Wholesome Wave reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions on how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations about how long those assets must be maintained, Wholesome Wave reports expirations of donor restrictions when the assets are placed in service.

Program Income

Program income includes revenue received from local farmer's markets, third-party payers and others for services rendered. Wholesome Wave recognizes the revenue from these services when earned, which is when the services are performed. Amounts received in advance of earning these revenues are recorded as deferred revenue.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Such allocations are determined by management on an equitable basis. The expenses are allocated based on time and effort, usage or square footage.

Income Taxes

Wholesome Wave is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code.

Advertising

Wholesome Wave expenses advertising costs as incurred. Advertising expense totaled \$-0- and \$2,383 for the years ended December 31, 2018 and 2017, respectively.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through August 6, 2019, which represents the date the financial statements were available to be issued.

WHOLESOME WAVE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that Wholesome Wave has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

Financial Instruments Measured at Fair Value

The following is a description of the valuation methodologies and investment strategies used for assets measured at fair value:

Mutual Funds

Mutual funds are valued at the quoted net unit value of shares held by Wholesome Wave at year end.

There have been no changes in the methodologies used at December 31, 2018 and 2017.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Wholesome Wave believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair values of all investments are determined using quoted prices for identical assets in active markets in which Wholesome Wave has access (Level 1).

WHOLESOME WAVE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable, which represent promises made by individuals and corporations, receivable in less than one year, consist of \$536,376 and \$282,557 at December 31, 2018 and 2017, respectively. Based on management's assessment of outstanding balances, it has concluded that no reserve is deemed necessary at December 31, 2018 and 2017.

NOTE 4 - NOTE PAYABLE

During 2018, Wholesome Wave entered into a note payable with Newman's Own Foundation for \$500,000 with an annual interest rate of 1.5%. The note has a maturity date and lump sum due on August 2, 2020. The purpose of this note payable is to provide working capital. There was \$500,000 outstanding on this note at December 31, 2018.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purpose or time periods at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Los Angeles Gift Card Program	\$ 1,226,540	\$ -
Humana Programs - Tampa	259,414	-
SNAP Matching Program	97,237	-
Chobani Fruit & Vegetable Prescription Program	92,205	-
Weight Watchers Programs	77,219	-
Food Insecurity Nutrition Initiative	73,047	25,000
Multi City Fruit & Vegetable Prescription Program	72,778	725,545
Produce Purchasing Power	50,000	-
In-School Distribution Channel Program	40,000	-
Newman's Own Fellowship Programs	32,913	-
Fruit & Vegetable Prescription Program Whitepaper	22,804	-
Individual Contributions Restricted	13,000	-
	<u>\$ 2,057,157</u>	<u>\$ 750,545</u>

WHOLESOME WAVE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the following purpose or time restrictions for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Multi City Fruit & Vegetable Prescription Program	\$ 789,050	\$ 789,455
Los Angeles Gift Card Program	273,461	-
Weight Watchers Programs	127,781	-
Chobani Fruit & Vegetable Prescription Program	107,899	-
Humana Programs - Tampa	60,586	-
Newman's Own Fellowship Programs	26,795	-
Individual Contributions Released	12,000	-
Food Insecurity Nutrition Initiative	6,953	20,000
SNAP Matching Program	2,763	-
Fruit & Vegetable Prescription Program Whitepaper	2,196	-
Los Angeles Fruit & Vegetable Prescription Program	-	475,738
National Nutrition Incentive Network	-	289,328
Wholesome Crave	-	105,541
External Marketing	-	30,000
Passage of time	-	4,803
	<hr/>	<hr/>
Total Net Assets Released from Restrictions	\$ <u>1,409,484</u>	\$ <u>1,714,865</u>

NOTE 7 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Wholesome Wave's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 913,662
Accounts receivable	120,066
Contributions receivable	<u>536,376</u>
	<hr/>
Total Financial Assets Available to Management for General Expenditure Within One Year	\$ <u>1,570,104</u>

Liquidity Management

Wholesome Wave maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition to financial assets available to meet general expenditures over the next 12 months, Wholesome Wave operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

WHOLESOME WAVE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LEASE COMMITMENTS

Wholesome Wave has an operating lease agreement for its office space in Bridgeport, Connecticut, expiring in June 2022 and a copier lease expiring in February 2021. Rent expense under these leases totaled \$119,666 and \$109,261 for the years ended December 31, 2018 and 2017, respectively.

Future minimum lease payments under these operating leases are as follows:

Year Ending December 31

2019	\$	105,761
2020		110,325
2021		114,889
2022		<u>50,204</u>
Total	\$	<u>381,179</u>

NOTE 9 - RETIREMENT PLANS

Wholesome Wave sponsors a tax-deferred 401(k) profit-sharing retirement plan for its employees over the age of 21. An employee is eligible to participate in the plan after three months of service. Each plan year, Wholesome Wave may make discretionary profit-sharing contributions as determined by the Board of Directors for all eligible participants. Wholesome Wave did not make discretionary profit-sharing contributions for the years ended December 31, 2018 and 2017.

Wholesome Wave also maintains a nonqualified 457(b) deferred compensation plan for eligible employees. As of December 31, 2018 and 2017, assets that fully fund the related liabilities of \$93,083 and \$84,822, respectively, are included in investments - deferred compensation and the related liability is included in deferred compensation in the statements of financial position. During the years ended December 31, 2018 and 2017, deferred compensation expense totaled \$14,400 for each year.