

WHOLESOME WAVE, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019



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WHOLESOME WAVE, INC.

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Wholesome Wave, Inc., which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, 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.

Auditors' 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 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, 2020, 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.

Change in Accounting Principle

As discussed in Note 1, during the year ended December 31, 2020, Wholesome Wave, Inc., adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to these matters.

Other Matter

The financial statements of Wholesome Wave, Inc., as of December 31, 2019 were audited by Blum, Shapiro & Company, P.C., whose partners and professional staff joined CliftonLarsonAllen LLP as of January 1, 2021 and has subsequently ceased operations. Blum, Shapiro & Company, P.C.'s report dated December 7, 2020 expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

West Hartford, Connecticut
June 24, 2021

WHOLESONE WAVE, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 669,332	\$ 692,523
Accounts receivable	269,769	93,555
Contributions receivable	58,832	34,136
Investments	151,436	124,147
Prepaid expenses	25,414	-
Other assets	5,425	5,425
Property and equipment, net	<u>30,765</u>	<u>47,800</u>
Total Assets	\$ <u>1,210,973</u>	\$ <u>997,586</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 548,165	\$ 670,188
Deferred compensation	145,456	124,147
Note payable	500,000	500,000
Total liabilities	<u>1,193,621</u>	<u>1,294,335</u>
Net Assets		
Without donor restrictions	(54,151)	(1,345,902)
With donor restrictions	71,503	1,049,153
Total net assets	<u>17,352</u>	<u>(296,749)</u>
Total Liabilities and Net Assets	\$ <u>1,210,973</u>	\$ <u>997,586</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, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Private grants and contributions	\$ 3,142,068	\$ 17,424	\$ 3,159,492	\$ 2,720,376	\$ 857,897	\$ 3,578,273
Program income, net	1,098,878	-	1,098,878	1,202,942	-	1,202,942
Government grants and contracts	757,677	-	757,677	222,792	-	222,792
Donated services	-	-	-	12,459	-	12,459
Other income	89,124	-	89,124	534	-	534
Investment income	1,341	-	1,341	-	-	-
Net assets released from restrictions	995,074	(995,074)	-	1,865,901	(1,865,901)	-
Total public support and revenue	<u>6,084,162</u>	<u>(977,650)</u>	<u>5,106,512</u>	<u>6,025,004</u>	<u>(1,008,004)</u>	<u>5,017,000</u>
Expenses						
Program services	3,949,040	-	3,949,040	4,177,796	-	4,177,796
Management and general	377,977	-	377,977	1,037,703	-	1,037,703
Development and fundraising	465,394	-	465,394	674,689	-	674,689
Total expenses	<u>4,792,411</u>	<u>-</u>	<u>4,792,411</u>	<u>5,890,188</u>	<u>-</u>	<u>5,890,188</u>
Increase (Decrease) in Net Assets	1,291,751	(977,650)	314,101	134,816	(1,008,004)	(873,188)
Net Assets - Beginning of Year	<u>(1,345,902)</u>	<u>1,049,153</u>	<u>(296,749)</u>	<u>(1,480,718)</u>	<u>2,057,157</u>	<u>576,439</u>
Net Assets - End of Year	<u>\$ (54,151)</u>	<u>\$ 71,503</u>	<u>\$ 17,352</u>	<u>\$ (1,345,902)</u>	<u>\$ 1,049,153</u>	<u>\$ (296,749)</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, 2020 AND 2019

	2020				2019			
	Program Services	Management and General	Development and Fundraising	Total	Program Services	Management and General	Development and Fundraising	Total
Personnel costs	\$ 930,762	\$ 165,475	\$ 295,498	\$ 1,391,735	\$ 1,209,507	\$ 703,310	\$ 596,123	\$ 2,508,940
Incentive costs	1,699,642	-	-	1,699,642	1,795,902	-	-	1,795,902
Contracted services	366,975	91,360	109,220	567,555	790,314	28,448	-	818,762
Office expense	121,181	11,848	16,252	149,281	177,673	51,460	46,855	275,988
Professional fees	726,514	66,333	23,748	816,595	5,415	166,114	2,278	173,807
Travel and meetings	16,284	2,201	1,499	19,984	129,143	6,270	5,296	140,709
Occupancy	71,977	10,845	16,300	99,122	57,383	26,485	24,137	108,005
Insurance	10,768	1,622	2,438	14,828	-	51,243	-	51,243
Donated services	-	-	-	-	12,459	-	-	12,459
Depreciation expense	-	17,035	-	17,035	-	4,373	-	4,373
Miscellaneous expenses	4,937	11,258	439	16,634	-	-	-	-
Total Expenses	\$ 3,949,040	\$ 377,977	\$ 465,394	\$ 4,792,411	\$ 4,177,796	\$ 1,037,703	\$ 674,689	\$ 5,890,188

The accompanying notes are an integral part of the financial statements

WHOLESONE WAVE, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 314,101	\$ (873,188)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	17,035	4,373
Bad debt expense	-	38,103
Unrealized gain on investments	(1,341)	-
(Increase) decrease in operating assets:		
Accounts receivable	(176,214)	(11,592)
Contributions receivable	(24,696)	502,240
Prepaid expenses	(25,414)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(122,023)	426,474
Deferred revenue	-	(262,549)
Deferred compensation	21,309	31,064
Net cash provided by (used in) operating activities	<u>2,757</u>	<u>(145,075)</u>
Cash Flows from Investing Activities		
Purchase of investments	(25,948)	(31,064)
Purchase of property and equipment	-	(45,000)
Net cash used in investing activities	<u>(25,948)</u>	<u>(76,064)</u>
Net Decrease in Cash and Cash Equivalents	(23,191)	(221,139)
Cash and Cash Equivalents - Beginning of Year	<u>692,523</u>	<u>913,662</u>
Cash and Cash Equivalents - End of Year	<u>\$ 669,332</u>	<u>\$ 692,523</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 and program income.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which replaces numerous requirements in accordance with accounting principles generally accepted in the United States of America, including industry-specific requirements, and provides companies with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of the new standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. The new standard is effective for annual reporting periods beginning after December 15, 2019. Management has adopted ASU 2014-09 for the year ended December 31, 2020. The amendments have been applied using the modified retrospective method.

There was no cumulative effect of applying ASU 2014-09.

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. Wholesome Wave does not currently have any net assets with donor restriction to be maintained in perpetuity.

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.

Revenue Recognition

Wholesome Wave recognizes revenue at an amount that reflects the consideration to which Wholesome Wave expects to be entitled in exchange for transferring goods or services to its customers using the following five step process:

1. Identify the contract(s) with the customer
2. Identify the performance obligation(s) in the contract
3. Determine the transaction price
4. Allocate the transaction price to performance obligations in the contract
5. Recognize revenue when (or as) the company satisfies a performance obligation

Refer to the following disclosures for details on how the above five step process is applied to Wholesome Wave's contracts with customers.

WHOLESOME WAVE, INC.

NOTES TO FINANCIAL STATEMENTS

Service Contracts

Wholesome Wave revenue is derived from contracts to provide nutrition consulting services and sponsorship agreements. Income is recognized at a point in time when the performance obligations have been met.

Contract Balances

The opening and closing balances of Wholesome Wave's service contracts receivable are as follows:

	<u>Receivables</u>
Opening (January 1, 2019)	\$ 120,066
Closing (December 31, 2019)	<u>93,555</u>
Decrease	<u>\$ (26,511)</u>
Opening (January 1, 2020)	\$ 93,555
Closing (December 31, 2020)	<u>269,769</u>
Increase	<u>\$ 176,214</u>

Transaction Price

Consulting services and sponsorship agreements services are identified through contracts. The transaction price is determined up on establishment of the contract that contains the final terms of the agreement, including the description and price of each service and payment terms. Management has determined that Wholesome Wave's contracts do not contain a significant financial component.

Performance Obligations

Contracts for services are assessed for performance obligations at contract inception. Wholesome Wave determines the performance obligations based on contract specifics and ultimate deliverables to the client. To identify the performance obligations, Wholesome Wave considers all of the services promised in the contract regardless of whether they are explicitly stated or implied by customary business practices.

The services rendered represent point in time transactions for services rendered and invoiced at a point in time. Revenue is not recognized until the service has been rendered and the performance obligation has been met.

WHOLESOME WAVE, INC.

NOTES TO FINANCIAL STATEMENTS

Contributions Including Government Grants and Contracts

Certain governmental grants and contracts received by a not-for-profit are generally considered to be contributions rather than exchange transactions since there was not commensurate value transferred between the resource provider and Wholesome Wave. Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of return of assets) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor.

Wholesome Wave reports contributions of cash and other assets as donor-restricted support 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 accompanying statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented as net assets without donor restrictions.

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 \$-0- and \$12,459 for the years ended December 31, 2020 and 2019, respectively. General volunteer services do not meet these criteria for recognition.

Wholesome Wave reports gifts of property and equipment as support without donor restrictions. 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. Wholesome Wave reports expirations of donor restrictions when the assets are placed in service.

Conditional government grants and contracts not recognized as revenue as of December 31, 2020 and 2019 total \$198,000 and \$-0-, respectively. Government grants and contracts are conditioned on incurring qualified program expenses.

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.

WHOLESOME WAVE, INC.

NOTES TO FINANCIAL STATEMENTS

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through June 24, 2021, which represents the date the financial statements were available to be issued.

See Note 11 for events that occurred subsequent to year end.

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.

Marketable Equity Securities

Marketable Equity Securities are valued at the closing price reported in the active market in which the individual securities are traded.

WHOLESOME WAVE, INC.

NOTES TO FINANCIAL STATEMENTS

There have been no changes in the methodologies used at December 31, 2020 and 2019.

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 following is a summary of the source of fair value measurements for assets that are measured at fair value as of December 31, 2020 and 2019:

<u>Description</u>	<u>December 31, 2020</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 145,456	\$ 145,456	\$ -	\$ -
Marketable equity securities	5,980	5,980	-	-
Total Assets at Fair Value	<u>\$ 151,436</u>	<u>\$ 151,436</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Description</u>	<u>December 31, 2019</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 124,147	\$ 124,147	\$ -	\$ -
Total Assets at Fair Value	<u>\$ 124,147</u>	<u>\$ 124,147</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable, which represent promises made by individuals and corporations, receivable in less than one year, consist of \$58,832 and \$34,136 at December 31, 2020 and 2019, respectively. Based on management's assessment of outstanding balances, it has concluded that no reserve is deemed necessary at December 31, 2020 and 2019.

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, 2022. The purpose of this note payable is to provide working capital. There was \$500,000 outstanding on this note at December 31, 2020 and 2019.

WHOLESOME WAVE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purpose or time periods at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
In-School distribution channel program	\$ 40,000	\$ 40,000
Individual contributions restricted	17,424	-
Produce Purchasing Power	14,079	47,904
Walmart - capacity building	-	857,896
Multi city fruit and vegetable prescription program	-	66,375
Fruit and vegetable prescription program whitepaper	-	20,461
Food Insecurity Nutrition Initiative	-	16,517
	<u>\$ 71,503</u>	<u>\$ 1,049,153</u>

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Walmart- capacity building	\$ 857,896	\$ -
Multi city fruit and vegetable prescription program	66,375	6,403
Produce Purchasing Power	33,825	2,096
Fruit and vegetable prescription program whitepaper	20,461	2,343
Food Insecurity Nutrition Initiative	16,517	56,530
Los Angeles gift card program	-	1,226,540
Humana programs - Tampa	-	259,414
Weight Watchers programs	-	77,219
SNAP matching program	-	97,237
Chobani fruit and vegetable prescription program	-	92,206
Newman's Own fellowship programs	-	32,913
Individual contributions released	-	13,000
	<u>\$ 995,074</u>	<u>\$ 1,865,901</u>
Total Net Assets Released from Restrictions	<u>\$ 995,074</u>	<u>\$ 1,865,901</u>

WHOLESOME WAVE, INC.

NOTES TO FINANCIAL STATEMENTS

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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 669,332	\$ 692,523
Accounts receivable	269,769	93,555
Contributions receivable	58,832	34,136
Investments	5,980	-
	<u>1,003,913</u>	<u>820,214</u>
Less net assets with donor restrictions	<u>(71,503)</u>	<u>(1,049,153)</u>
Total Financial Assets Available to Management for General Expenditure Within One Year or (Deficiency) of Liquid Net Assets	\$ <u>932,410</u>	\$ <u>(228,939)</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.

NOTE 8 - ROYALTY AGREEMENT

During 2019, Wholesome Wave signed a royalty agreement with Wholesome Crave, LLC, for intellectual property licensing. Wholesome Crave will utilize certain trademarks owned by Wholesome Wave and in return will pay a royalty. As of December 31, 2020 and 2019, \$10,089 and \$5,864, respectively, was received under this agreement.

NOTE 9 - 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 \$112,058 and \$128,987 for the years ended December 31, 2020 and 2019, respectively.

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

Year Ending December 31

2021	\$ 117,064
2022	<u>50,024</u>
Total	\$ <u>167,088</u>

WHOLESOME WAVE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - 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, 2020 and 2019.

Wholesome Wave also maintains a nonqualified 457(b) deferred compensation plan for eligible employees. As of December 31, 2020 and 2019, assets that fully fund the related liabilities of \$145,456 and \$124,147, respectively, are included in investments and the related liability is included in deferred compensation in the statements of financial position. During the years ended December 31, 2020 and 2019, deferred compensation expense totaled \$14,400 for each year.

NOTE 11 - CORONAVIRUS

On March 11, 2020, the World Health Organization declared the coronavirus to be a global pandemic. Wholesome Wave is unable to determine the direct impact of the outbreak on future operations at this time.

On April 23, 2020, Wholesome Wave received a Paycheck Protection Program (PPP) loan of \$359,674 granted by the Small Business Administration (SBA) under the Coronavirus Aid Relief, and Economic Security Act (CARES Act). All or a portion of this loan may be forgivable based on the amount of qualifying expenses incurred and levels of employee headcount and salaries maintained during a measurement period. Wholesome Wave considers PPP loans to be conditional contributions, with a right-of return in the form of an obligation to be repaid if barriers to entitlement are not met. These barriers include incurring qualifying expenses and maintaining certain levels of employee headcount and salary during a measurement period. Wholesome Wave considers reviews of our application for forgiveness by the lender and the SBA as well as potential audits to be administrative in nature rather than barriers to entitlement. During the year ended December 31, 2020 Wholesome Wave recognized \$359,674 as government grants and contracts revenue based on the amount of qualifying expenditures incurred and employee headcount and salary levels maintained through December 31, 2020. The application for forgiveness of the full amount of the loan, which is based on qualifying expenses incurred over a 24 week measurement period, was submitted on November 25, 2020. At the time of issuance of the financial statements, notice of forgiveness had not been received from the lender.

On February 8, 2021, Wholesome Wave received a second PPP loan of \$359,672 granted by the SBA under the CARES Act. The PPP loan has the same restrictions as noted above. Any portion of the loan that must be repaid will bear interest at a rate of 1% per annum and will be due in February of 2026. Principal payments will begin 10 months after the date of the note, unless a loan forgiveness application is submitted within the 10-month period.

NOTE 12 – FUTURE OPERATIONS

Due to the deficit in net assets without donor restrictions, management is working to reverse the deficit within net assets without donor restrictions. Wholesome Wave will be requesting forgiveness for the second PPP loan of \$359,672 during 2021. Once the coronavirus epidemic wanes and the economy returns to some semblance of normalcy, management expects to begin receiving additional royalty payments from Wholesome Crave.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

