

**NORTHEAST ORGANIC FARMING
ASSOCIATION OF NEW JERSEY, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Northeast Organic Farming Association of New Jersey, Inc.
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June 30, 2022 and 2021

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Northeast Organic Farming Association of New Jersey, Inc.

We have reviewed the accompanying financial statements of Northeast Organic Farming Association of New Jersey, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Northeast Organic Farming Association of New Jersey, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Lear & Pannepacker, LLP

Princeton, New Jersey
November 8, 2022

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Northeast Organic Farming Association of New Jersey, Inc.
Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash	\$ 58,681	\$ 214,231
Grants receivable, net	43,495	--
Prepaid expenses	1,837	2,256
Investments	139,266	--
Property and equipment, net	<u>5,461</u>	<u>8,131</u>
Total assets	\$ <u>248,740</u>	\$ <u>224,618</u>
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 14,689	\$ --
Accrued expenses	58,200	1,060
Deferred revenue	<u>8,198</u>	<u>6,716</u>
Total liabilities	81,087	7,776
Net assets without donor restrictions		
Undesignated	28,387	--
Board-designated	<u>139,266</u>	<u>216,842</u>
Total net assets without donor restrictions	<u>167,653</u>	<u>216,842</u>
Total liabilities and net assets	\$ <u>248,740</u>	\$ <u>224,618</u>

See accompanying notes and independent accountant's review report

Northeast Organic Farming Association of New Jersey, Inc.
Statements of Activities
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue, gains, and other support		
Government grants	\$ 194,076	\$ 35,140
Individual and business contributions	90,284	82,897
Educational workshop fees	23,844	9,915
Winter conference	17,509	10,080
Membership fees	14,239	15,064
Program service fees	4,800	2,400
Other income	1,165	3,409
Private foundation grants	--	15,000
Investment income (loss)	<u>(30,573)</u>	<u>443</u>
Total revenue, gains and other support	315,344	174,348
Expenses		
Program services	296,598	109,168
Management and general	56,995	49,371
Fundraising	<u>10,940</u>	<u>9,629</u>
Total expenses	<u>364,533</u>	<u>168,168</u>
Change in net assets	(49,189)	6,180
Net assets, beginning of year	<u>216,842</u>	<u>210,662</u>
Net assets, end of year	<u>\$ 167,653</u>	<u>\$ 216,842</u>

See accompanying notes and independent accountant's review report

Northeast Organic Farming Association of New Jersey, Inc.
Statement of Functional Expenses
Year Ended June 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Contracted program expenses	\$ 168,363	\$ --	\$ --	\$ 168,363
Salaries	67,937	19,411	9,705	97,053
Professional fees	7,679	13,615	--	21,294
Supplies	18,455	1,384	--	19,839
Conference expense	14,715	--	--	14,715
Payroll taxes and benefits	8,643	2,470	1,235	12,348
Office expenses	1,312	10,025	--	11,337
Travel expense	4,804	--	--	4,804
Dues and subscriptions	--	3,818	--	3,818
Insurance	1,237	2,280	--	3,517
Miscellaneous expense	1,430	1,322	--	2,752
Depreciation and amortization	--	2,670	--	2,670
Advertising	<u>2,023</u>	<u>--</u>	<u>--</u>	<u>2,023</u>
Total expenses	<u>\$ 296,598</u>	<u>\$ 56,995</u>	<u>\$ 10,940</u>	<u>\$ 364,533</u>

See accompanying notes and independent accountant's review report

Northeast Organic Farming Association of New Jersey, Inc.
Statement of Functional Expenses
Year Ended June 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 61,493	\$ 17,452	\$ 8,688	\$ 87,633
Professional fees	23,553	11,204	--	34,757
Conference expense	9,717	--	--	9,717
Payroll taxes and benefits	6,868	1,599	941	9,408
Office expenses	3,497	10,436	--	13,933
Dues and subscriptions	--	3,910	--	3,910
Insurance	1,448	2,012	--	3,460
Miscellaneous expense	1,288	1,440	--	2,728
Depreciation and amortization	--	1,318	--	1,318
Advertising	<u>1,304</u>	<u>--</u>	<u>--</u>	<u>1,304</u>
Total expenses	<u>\$ 109,168</u>	<u>\$ 49,371</u>	<u>\$ 9,629</u>	<u>\$ 168,168</u>

See accompanying notes and independent accountant's review report

Northeast Organic Farming Association of New Jersey, Inc.
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$(49,189)	\$ 6,180
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,670	1,318
Net unrealized loss on investments	36,848	--
Changes in operating assets and liabilities:		
Grants receivable	(43,495)	--
Prepaid expenses	419	341
Accounts payable	14,689	--
Accrued expenses	57,140	376
Deferred revenue	<u>1,482</u>	<u>391</u>
Net cash provided by operating activities	20,564	8,606
Cash flows from investing activities		
Purchase of investments	(176,114)	--
Purchase of fixed assets	<u>--</u>	<u>(9,449)</u>
Net cash used in investing activities	<u>(176,114)</u>	<u>(9,449)</u>
Net change in cash	(155,550)	(843)
Cash at beginning of year	<u>214,231</u>	<u>215,074</u>
Cash at end of year	<u>\$ 58,681</u>	<u>\$ 214,231</u>

See accompanying notes and independent accountant's review report

Northeast Organic Farming Association of New Jersey, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

Note 1 – Summary of significant accounting policies

Significant accounting policies followed by Northeast Organic Farming Association of New Jersey, Inc. in the preparation of the accompanying financial statements are summarized below:

Nature of organization

Northeast Organic Farming Association of New Jersey, Inc. (the "Association") is organized to promote an environmentally sound, economically viable, and regionally based organic agriculture system in New Jersey. The Association is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The programs of the Association include: The Beginning Farmer Program, Technical Assistance to Organic Growers, and educational programs geared towards farmers, gardeners, organic lawn care specialists and consumers.

In September 2021, The Association entered into a cooperative agreement with the United States Department of Agriculture (USDA). The objective of this cooperative agreement is to create certificate programs in organic inspection, design on-boarding and training models for new inspectors, and increase outreach to diverse and underserved communities in the Northeast region of the United States. Costs of this program through September 29, 2022 are reimbursable up to \$249,775. Total revenue and expenses under this agreement for the year ended June 30, 2022 of \$168,363 are included in Government grants and Contracted program expenses in the accompanying financial statements.

The Association's key annual event is the Winter Conference, which provides education on organic food/farming and gardening through workshops, keynote speakers, publications, networking, and trade shows.

Basis of presentation

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Association uses the following classifications to distinguish among restrictions:

Net assets without donor restrictions

Net assets without donor restrictions include all net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Contributions with donor-imposed restrictions that are met during the same year as the contribution is received are included in net assets without donor restrictions.

Net assets with donor restrictions

Net assets with donor restrictions include donor-restricted contributions subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Northeast Organic Farming Association of New Jersey, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

Note 1 – Summary of significant accounting policies (continued)

Functional expenses

The costs of providing programs and other activities are summarized in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs, fundraising, and general areas based on an analysis of personnel time and space utilized for the related activities.

Cash and cash equivalents

Cash consists of checking and bank deposit sweep accounts maintained with financial institutions. For purposes of the financial statements, the Association considers all investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2022 and 2021.

Promises to give

Unconditional promises to give are recognized as contribution revenue in the period received. Promises to give expected to be collected in less than one year are recorded at net realizable value and those expected to be collected in more than one year are discounted to the present value of future cash flows to be recorded at fair value. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Association uses the allowance method to record promises to give, and considers the amounts reported to be substantially collectible as of the statement of financial position date. Accordingly, there was no bad debt expense for the years ended June 30, 2022 and 2021.

Investments

Investments with readily determinable fair values are measured at fair value based on quoted market prices in the statement of financial position. Investment income or loss (including gains and losses in investments, interest, dividends, and investment fees) is included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Revenue recognition

Revenue is recognized when earned. All public support and grant revenue is considered to be available for unrestricted use unless specifically restricted by the donor or the terms of a grant. Revenue from public support is recognized at the time an unconditional promise to give or transfer of assets is made. Revenues from membership dues are recognized over the terms of the memberships. Revenues from program fees are recognized at the time the service is provided. Cost reimbursement government grants are recognized as revenue in the period the qualifying allowable expenditures are incurred. Amounts collected in advance but unearned and the unamortized portion of membership dues are reflected in the statement of financial position as deferred revenue.

Beginning and ending contract balances for the years ended June 30, were as follows:

	<u>2022</u>		<u>2021</u>		<u>2020</u>
Grants receivable, net	\$ 43,495	\$	--	\$	--
Deferred revenue	\$ 8,198	\$	6,716	\$	6,325

Northeast Organic Farming Association of New Jersey, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

Note 1 – Summary of significant accounting policies (continued)

Donated facilities, materials and services

The Association recognizes donated facilities, materials and services to the extent that these items are able to be reasonably valued and provide tangible benefit to the Association. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Association in its mission. The value of these contributed services is not reflected on the Association's financial statements since they do not meet the criteria for recognition under U.S. GAAP.

Property and equipment

Property and equipment are capitalized at cost, or if donated, at the approximate fair value at the date of donation. Repairs which neither increase the value of the asset nor extend its useful life are expensed as incurred. As assets are sold or retired, the cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized. Depreciation and amortization is computed using the straight-line method at rates based on the estimated useful life of the asset. Additions and major improvements with a useful life of more than one year and a cost value of \$1,000 or more are capitalized.

Income taxes

The Association has been classified by the Internal Revenue Service ("IRS") as an organization described under section 501(c)(3) of the Internal Revenue Code ("the Code") as exempt from Federal income taxes under section 501(a) of the Code.

ASC Topic 740 *Accounting for Uncertainty in Income Taxes* clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. The guidance also provides instruction on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure.

The Association's policy is to account for interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Advertising

The Association expenses advertising costs as incurred. Total advertising expenses amounted to \$2,023 and \$1,304 for the years ended June 30, 2022 and 2021, respectively.

Use of estimates

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

Northeast Organic Farming Association of New Jersey, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

Note 2 – Fair value measurements

Financial Accounting Standards Board ASC 820, *Fair Value Measurements*, provides a framework for measuring, reporting and disclosing fair value under generally accepted accounting principles. The 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 an active market for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 - Quoted prices for identical instruments in active markets.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Significant inputs to the valuation model are unobservable.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The investments held by the Association at June 30, 2022, were considered level 1, as the fair value of the investments is based on quoted market prices in active markets.

Note 3 – Investments

Cost and fair value consists of the following at June 30, 2022:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 149,313	\$ 118,549
Equities	4,283	3,275
Exchange traded funds	<u>22,501</u>	<u>17,442</u>
Total	\$ <u>176,097</u>	\$ <u>139,266</u>

Total investment income for the years ended June 30 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 7,643	\$ 443
Unrealized loss	(36,855)	--
Investment fees	<u>(1,361)</u>	<u>--</u>
Total investment income (loss)	\$ <u>(30,573)</u>	\$ <u>443</u>

The Association had no investments at June 30, 2021.

Northeast Organic Farming Association of New Jersey, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

Note 4 – Concentration of credit risk

The Association places its cash in high credit quality financial institutions. At times, cash balances may be in excess of the FDIC insurance limit. The Association has not experienced any losses and believes it is not exposed to any significant credit risk on such funds.

Note 5 – Property and equipment

The costs and accumulated depreciation and amortization of property and equipment are summarized at June 30, as follows:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 3,599	\$ 3,599
Website	<u>5,850</u>	<u>5,850</u>
Total	9,449	9,449
Less accumulated depreciation and amortization	<u>(3,988)</u>	<u>(1,318)</u>
Property and equipment, net	<u>\$ 5,461</u>	<u>\$ 8,131</u>

Note 6 – Board designated net assets

Board designated net assets consists of net assets designated for the NOFA New Jersey Organic Future Fund. This fund is designated by the board of directors to promote the Association's Mission to support organic farming and agriculture in New Jersey through education, technical assistance and policy action. Income or growth will be re-invested unless or until a time when the NOFA-NJ Finance Committee determines a need to access income for operating funds.

Note 7 – Liquidity and availability of financial assets

The Association manages its liquid resources by focusing on investing excess cash in interest-bearing accounts with reputable financial institutions that maximize earnings potential. This policy is designed to ensure adequate financial assets are available to meet general expenditures, liabilities, and other obligations as they become due.

The Association prepares a detailed budget to ensure adequate resources to cover programs.

The following reflects the Association's financial assets available to be used for general expenditures within one year of June 30:

	<u>2022</u>	<u>2021</u>
Cash	\$ 58,681	\$ 214,231
Grants receivable, net	43,495	--
Investments	<u>139,266</u>	<u>--</u>
Total financial assets	241,442	214,231
Less those unavailable for general expenditures within one year due to board designations	<u>139,266</u>	<u>--</u>
	<u>\$ 102,176</u>	<u>\$ 214,231</u>

Note 8 – Related party transactions

The Association received cash contributions from members of its board of directors totaling \$45,100 and \$55,410 for the years ended June 30, 2022 and 2021, respectively.

Northeast Organic Farming Association of New Jersey, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

Note 9 – Revenue concentrations

The revenue from a one-time grant from the USDA (Note 1) accounted for 40% of the Association's total revenue and all of the grants receivable total for the year ended and as of June 30, 2022.

Note 10 – COVID-19

In March 2020, the World Health Organization (WHO) declared COVID-19 a global pandemic. This pandemic event has resulted in significant business disruption and uncertainty in both global and US markets. The Association, like many other entities, is dependent upon sustained donor and volunteer support. While management believes the Association is in an appropriate position to weather the potential short-term effects of these world-wide events, the direct and long-term impact to the Association and its financial statements is undetermined at this time.

In February 2021, the Association received a loan of \$16,462, which is guaranteed by the U.S. Small Business Administration under the Paycheck Protection Program (PPP). This loan was forgiven in September 2021. Accordingly, in accordance with ASU 2018-08, the Association has included this with government grant income in the accompanying financial statements for year ended June 30, 2021.

Note 11 – Subsequent events

The Association evaluated subsequent events through November 8, 2022, which is the date the financial statements were available for issuance.