

COMBINED FINANCIAL STATEMENTS

FOOD AND WATER WATCH

FOOD AND WATER ACTION FUND

FOR THE YEAR ENDED DECEMBER 31, 2020

FOOD AND WATER WATCH
FOOD AND WATER ACTION FUND

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Food and Water Watch
Food and Water Watch Action Fund
Washington, D.C.

We have audited the accompanying combined financial statements of Food and Water Watch and Food and Water Watch Action Fund (the Organizations), which comprise the combined statement of financial position as of December 31, 2020, and the related combined statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organizations as of December 31, 2020, and the combined change in its net assets and its combined cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining schedules on pages 16 - 18 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

January 18, 2022

FOOD AND WATER WATCH
FOOD AND WATER ACTION FUND
COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 3,369,410
Investments	7,872,339
Contributions receivable	747,842
Due from related party	11,127
Accounts receivable	1,163
Prepaid expenses	452,387
Other current assets	<u>8,400</u>
Total current assets	<u>12,462,668</u>

PROPERTY AND EQUIPMENT

Equipment	486,694
Computer equipment	1,197,781
Leasehold improvements	<u>1,565,219</u>
Property and equipment	3,249,694
Less: Accumulated depreciation and amortization	<u>(1,574,703)</u>
Net property and equipment	<u>1,674,991</u>

NONCURRENT ASSETS

Security deposits	<u>186,290</u>
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TOTAL ASSETS \$ 14,323,949

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Loan payable	\$ 2,006,800
Accounts payable and accrued liabilities	418,334
Accrued payroll and related benefits	1,387,129
Deferred rent and lease incentive, current	163,369
Funds held on behalf of others	<u>8,215</u>
Total current liabilities	<u>3,983,847</u>

NONCURRENT LIABILITIES

Security deposits	5,500
Deferred rent and lease incentive, net of current portion	<u>2,039,505</u>

Total noncurrent liabilities 2,045,005

Total liabilities 6,028,852

NET ASSETS

Without donor restrictions	8,163,847
With donor restrictions	<u>131,250</u>
Total net assets	<u>8,295,097</u>

TOTAL LIABILITIES AND NET ASSETS \$ 14,323,949

FOOD AND WATER WATCH

FOOD AND WATER ACTION FUND

COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and contributions	\$ 16,031,028	\$ 2,376,188	\$ 18,407,216
Investment income, net	159,749	-	159,749
Other revenue	88,938	-	88,938
Net assets released from donor restrictions	<u>3,806,917</u>	<u>(3,806,917)</u>	<u>-</u>
Total support and revenue	<u>20,086,632</u>	<u>(1,430,729)</u>	<u>18,655,903</u>
EXPENSES			
Program Services:			
Food	5,672,734	-	5,672,734
Water	5,929,840	-	5,929,840
Advocacy	<u>655,515</u>	<u>-</u>	<u>655,515</u>
Total program services	<u>12,258,089</u>	<u>-</u>	<u>12,258,089</u>
Supporting Services:			
Management and General	2,137,225	-	2,137,225
Fundraising	<u>3,255,417</u>	<u>-</u>	<u>3,255,417</u>
Total supporting services	<u>5,392,642</u>	<u>-</u>	<u>5,392,642</u>
Total expenses	<u>17,650,731</u>	<u>-</u>	<u>17,650,731</u>
Change in net assets	2,435,901	(1,430,729)	1,005,172
Net assets at beginning of year	<u>5,727,946</u>	<u>1,561,979</u>	<u>7,289,925</u>
NET ASSETS AT END OF YEAR	<u>\$ 8,163,847</u>	<u>\$ 131,250</u>	<u>\$ 8,295,097</u>

FOOD AND WATER WATCH
FOOD AND WATER ACTION FUND
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Food	Water	Advocacy		Management and General	Fundraising		
Salaries, benefits, payroll taxes	\$ 4,200,488	\$ 4,195,465	\$ 315,176	\$ 8,711,129	\$ 1,382,372	\$ 1,261,847	\$ 2,644,219	\$ 11,355,348
Occupancy	423,794	428,949	28,003	880,746	207,167	149,457	356,624	1,237,370
Database	170,352	170,056	87,218	427,626	88,813	102,510	191,323	618,949
Contracted services	152,057	160,530	92,858	405,445	37,102	205,887	242,989	648,434
Printing and copying	24,804	21,428	-	46,232	1,586	457,056	458,642	504,874
Postage, shipping, and delivery	12,474	11,886	9,166	33,526	5,120	355,212	360,332	393,858
Telephone and internet	190,923	170,150	-	361,073	12,855	11,698	24,553	385,626
Depreciation and amortization	121,403	129,727	-	251,130	78,266	37,681	115,947	367,077
Contributions	21,995	173,855	20,000	215,850	103,000	500	103,500	319,350
Technology	124,363	122,720	4,549	251,632	35,293	27,203	62,496	314,128
Dues and subscriptions	57,862	46,628	20,020	124,510	9,454	28,046	37,500	162,010
Printing and copying	-	-	37,386	37,386	9,786	93,552	103,338	140,724
Mailhouse	-	-	-	-	-	119,992	119,992	119,992
List rental	-	-	-	-	-	119,465	119,465	119,465
Legal	19,433	49,917	30,274	99,624	19,816	-	19,816	119,440
Miscellaneous	-	97,385	-	97,385	23,216	-	23,216	120,601
Staff development	45,757	46,132	-	91,889	10,887	11,656	22,543	114,432
Office expense	6,390	8,040	3,567	17,997	68,548	21,372	89,920	107,917
Insurance	38,599	38,937	2,463	79,999	15,790	11,455	27,245	107,244
Caging	-	-	-	-	-	88,855	88,855	88,855
Accounting	-	-	-	-	16,584	-	16,584	16,584
Direct mailing	-	-	-	-	-	63,282	63,282	63,282
Travel	15,848	17,082	281	33,211	2,292	11,208	13,500	46,711
Graphic design/art	-	-	-	-	-	44,917	44,917	44,917
Organizational membership	22,947	17,844	-	40,791	-	-	-	40,791
Equipment and maintenance	12,243	12,828	830	25,901	5,269	3,930	9,199	35,100
Organizing materials	1,168	665	2,332	4,165	-	27,035	27,035	31,200
Recruitment	7,876	8,146	-	16,022	3,980	1,567	5,547	21,569
Promotional items	1,958	1,470	1,392	4,820	29	34	63	4,883
TOTAL	\$ 5,672,734	\$ 5,929,840	\$ 655,515	\$ 12,258,089	\$ 2,137,225	\$ 3,255,417	\$ 5,392,642	\$ 17,650,731

See accompanying notes to combined financial statements.

FOOD AND WATER WATCH
FOOD AND WATER ACTION FUND
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,005,172
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	367,077
Unrealized gain	(64,495)
Realized gain	(11,821)
Receipt of contributed securities and other assets	(135,412)
Proceeds from the sale of contributed securities	133,775
Loss on disposal of fixed assets	271
Decrease (increase) in:	
Contributions receivable	158,958
Due from related party	(1,212)
Accounts receivable	10,977
Prepaid expenses	116,893
Other current assets	(8,400)
Security deposits	(3,105)
(Decrease) increase in:	
Accounts payable and accrued liabilities	(124,661)
Accrued payroll and related benefits	38,731
Deferred rent abatement	(144,713)
Funds held on behalf of others	4,264
Security deposits	<u>5,500</u>
Net cash provided by operating activities	<u>1,347,799</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of fixed assets	(24,818)
Purchase of investments	(4,380,210)
Proceeds from sale of investments	<u>1,288,571</u>
Net cash used by investing activities	<u>(3,116,457)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from loan payable	<u>2,006,800</u>
Net cash provided by financing activities	<u>2,006,800</u>
Net increase in cash and cash equivalents	238,142
Cash and cash equivalents at beginning of year	<u>3,131,268</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,369,410</u>

FOOD AND WATER WATCH
FOOD AND WATER ACTION FUND
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Food and Water Watch (FWW) is a not-for-profit corporation that works with grassroots organizations and other allies around the world to stop corporate control of the public's food and water and finds solutions to create an economically and environmentally viable future. FWW is supported primarily by grants from foundations and contributions from individuals. FWW's program areas are:

Food - FWW provides public education about health and environmental issues that promote food production that is sustainable and local, chemical free, humanely raised, family farmed, and clearly labeled.

Water - The water program educates and advocates about affordable, publicly-controlled drinking water, health and environmental dangers of bottled water, health and environmental dangers of fracking and fossil fuels, the importance of moving from fossil fuels to safe, renewable energy, and the importance of public investment in infrastructure.

Food and Water Action Fund (the Fund) is a nonprofit organization that supports the educational work of Food and Water Watch. The Fund's program area is to lobby and advocate for common sense policies that result in healthy, safe food, and access to safe and affordable drinking water.

Principles of combination -

The accounts of FWW have been combined with the Fund (collectively, the Organizations) due to common management and economic interest between the two organization. All intercompany transactions and balances have been eliminated.

Basis of presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Contributions restricted by donors are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Combined Statement of Activities and Change in Net Assets as net assets released from donor restrictions.

Cash and cash equivalents -

The Organizations consider all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

FOOD AND WATER WATCH
FOOD AND WATER ACTION FUND
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Cash and cash equivalents (continued) -

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Organizations maintain cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors, in the accompanying Combined Statement of Activities and Change in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. The Organizations' policy is to liquidate all gifts of investments as soon as possible after the gift.

Contributions receivable -

Contributions receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment in excess of \$1,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2020 totaled \$367,077.

Income taxes -

FWW is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. FWW is not a private foundation.

The Fund is exempt from Federal income taxes under Section 501(c)(4) of the Internal Revenue Code. The Fund is exempt from Federal taxes on income other than 1) unrelated business income; or 2) the lesser of political expenditures under IRC Section 537(f)(3) or net investment income.

Uncertain tax positions -

For the year ended December 31, 2020, the Organizations have documented their consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

FOOD AND WATER WATCH
FOOD AND WATER ACTION FUND
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Grants and contributions -

The majority of the Organizations' revenue is received through grants and contributions. Grants and contributions are recognized in the appropriate category of net assets in the period received. The Organizations perform an analysis of the individual contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Grants and contributions qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grants qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. These transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, the Organizations recognize revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For grants treated as conditional contributions, the Organizations did not have any unrecognized conditional awards as of December 31, 2020.

Foreign currency translation -

The U. S. Dollar is the functional currency for Organizations' worldwide operations. Transactions in currencies other than U.S. Dollars are translated into dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in currencies other than U.S. Dollars are translated into dollars at the exchange rate in effect at the date of the Combined Statement of Financial Position.

Use of estimates -

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statement of Activities and Change in Net Assets.

FOOD AND WATER WATCH
FOOD AND WATER ACTION FUND
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Functional allocation of expenses (continued) -

Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Organizations are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort.

Investment risks and uncertainties -

The Organizations invest in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying combined financial statements.

Fair value measurement -

The Organizations adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Organizations account for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Organizations' operations. The overall potential impact is unknown at this time.

New accounting pronouncement not yet adopted -

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Combined Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

The Organizations plan to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying combined financial statements.

FOOD AND WATER WATCH
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NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. INVESTMENTS

Investments consisted of the following as of December 31, 2020:

	Fair Value
Money market	\$ 3,104,704
Mutual funds	4,767,635
TOTAL	\$ <u>7,872,339</u>

Included in investment income, net are the following:

Interest and dividends	\$ 91,119
Unrealized gain	64,495
Realized gain	11,821
Investment advisor fees	(7,686)
TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES	\$ <u>159,749</u>

3. LOAN PAYABLE

In May 2020, FWW received loan proceeds in the amount of \$2,006,800 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part.

FWW used the proceeds for purposes consistent with the Paycheck Protection Program and has met the conditions for forgiveness of the loan. Subsequent to year-end, FWW was notified that the full amount of the loan principal and interest was forgiven. Accordingly, the Organizations will record revenue from debt extinguishment in 2021.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2020:

Subject to Expenditure for Specified Purpose:	
Water	\$ <u>131,250</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Purpose restrictions accomplished:	
Food	\$ 545,083
Water	1,448,226
Advocacy	411,525
States	1,402,083
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ <u>3,806,917</u>

FOOD AND WATER WATCH
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NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2020

5. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Combined Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 3,369,410
Investments	7,872,339
Contributions receivable	747,842
Due from related party	101,208
Accounts receivable	<u>1,163</u>
Subtotal financial assets available within one year	12,091,962
Less: Donor restricted funds	<u>131,250</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 12,223,212</u>

The Organizations have a policy to structure their financial assets to be available and liquid as their obligations become due.

6. LEASE COMMITMENTS

The Organizations lease office space under various operating leases that extend through February 2029. These leases are for spaces in Washington D.C., California, Florida, Illinois, Maryland, New Jersey, New York, Oregon, Pennsylvania, and Belgium. Under the lease agreements, the base rents increase annually based on scheduled increases provided in the leases. The Organizations received \$1,027,175 in rent abatements and \$1,486,640 in build-out allowances.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Lease incentives are amortized over the life of the lease on a straight-line basis as an offset to rent expense. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Combined Statement of Financial Position.

The following is a schedule of the future minimum lease payments:

<u>Year Ending December 31,</u>	
2021	\$ 1,273,902
2022	1,307,675
2023	1,090,660
2024	936,662
2025	960,078
Thereafter	<u>3,818,200</u>
TOTAL	<u>\$ 9,387,177</u>

Rent expense for the year ended December 31, 2020 was \$1,161,021. The deferred rent liability was \$2,202,874.

FOOD AND WATER WATCH

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NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2020

7. RETIREMENT PLAN

The Organizations have a 403(b) retirement plan which is available to all eligible employees. Employees become eligible to participate in the Plan at the beginning of the calendar year following their one year anniversary. Contributions to the retirement plan are approved annually by the Board of Directors. The retirement plan also allows employees to defer a portion of their salary up to the maximum legal amount. The retirement expense for the year ended December 31, 2020 was \$589,377 and is included in salaries, benefits, and payroll taxes on the accompanying Statement of Functional Expenses.

8. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organizations have categorized their financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Combined Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organizations have the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of December 31, 2020.

- *Money market funds* - The money market fund is an open-end mutual fund that is registered with the Securities and Exchange Commission and is deemed to be actively traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Organizations are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organizations's are deemed to be actively traded.

The table below summarizes, by level within the fair value hierarchy as of December 31, 2020.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2020</u>
Investments:				
Money market	\$ 3,104,704	\$ -	\$ -	\$ 3,104,704
Mutual funds	<u>4,767,635</u>	<u>-</u>	<u>-</u>	<u>4,767,635</u>
TOTAL INVESTMENTS	<u>\$ 7,872,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,872,339</u>

FOOD AND WATER WATCH
FOOD AND WATER ACTION FUND
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2020

9. ALLOCATION OF JOINT COSTS

During the year ended December 31, 2020, the Organizations conducted activities that included requests for contributions considered as fundraising as well as program contributions and management and general contributions. These activities included direct mail campaigns. The cost of conducting these activities included a total of \$780,129 of joint costs, which are not specifically attributed to a particular component of the activities.

These joint costs were allocated as follows:

Program	\$ 460,525
Management and General	199,292
Fundraising	<u>120,312</u>
TOTAL EXPENSES	<u>\$ 780,129</u>

10. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through January 18, 2022, the date the combined financial statements were issued.

SUPPLEMENTAL INFORMATION

FOOD AND WATER WATCH

FOOD AND WATER ACTION FUND

COMBINING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020

	FWW	FWAF	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 2,514,137	\$ 855,273	\$ -	\$ 3,369,410
Investments	7,872,339	-	-	7,872,339
Contributions receivable, current	735,789	12,053	-	747,842
Due from related party	1,210,959	11,127	(1,210,959)	11,127
Accounts receivable	1,163	-	-	1,163
Prepaid expenses	438,760	13,627	-	452,387
Other current assets	8,400	-	-	8,400
Total current assets	12,781,547	892,080	(1,210,959)	12,462,668
PROPERTY AND EQUIPMENT				
Equipment	486,694	-	-	486,694
Computer equipment	1,197,781	-	-	1,197,781
Leasehold improvements	1,565,219	-	-	1,565,219
Property and equipment	3,249,694	-	-	3,249,694
Less: Accumulated depreciation and amortization	(1,574,703)	-	-	(1,574,703)
Net property and equipment	1,674,991	-	-	1,674,991
NON CURRENT ASSETS				
Security deposits	186,290	-	-	186,290
TOTAL ASSETS	\$ 14,642,828	\$ 892,080	\$ (1,210,959)	\$ 14,323,949
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Loan payable	\$ 2,006,800	\$ -	\$ -	\$ 2,006,800
Accounts payable accrued liabilities	383,972	34,362	-	418,334
Accrued payroll and related benefits	1,387,129	-	-	1,387,129
Deferred rent and lease incentive, current	163,369	-	-	163,369
Due to related party	-	1,210,959	(1,210,959)	-
Funds held on behalf of others	8,215	-	-	8,215
Total current liabilities	3,949,485	1,245,321	(1,210,959)	3,983,847
NONCURRENT LIABILITIES				
Security deposits	5,500	-	-	5,500
Deferred rent and lease incentive, net of current portion	2,039,505	-	-	2,039,505
Total noncurrent liabilities	2,045,005	-	-	2,045,005
Total liabilities	5,994,490	1,245,321	(1,210,959)	6,028,852
NET ASSETS				
Without donor restrictions	8,517,088	(353,241)	-	8,163,847
With donor restrictions	131,250	-	-	131,250
Total net assets	8,648,338	(353,241)	-	8,295,097
TOTAL LIABILITIES AND NET ASSETS	\$ 14,642,828	\$ 892,080	\$ (1,210,959)	\$ 14,323,949

FOOD AND WATER WATCH
FOOD AND WATER ACTION FUND
COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>FWW</u>	<u>FWAF</u>	<u>Eliminations</u>	<u>Total</u>
SUPPORT AND REVENUE, WITHOUT DONOR RESTRICTIONS				
Contributions	\$ 14,952,941	\$ 1,078,087	\$ -	\$ 16,031,028
Investment income, net	159,749	-	-	159,749
Other revenue	88,938	90,081	(90,081)	88,938
Net assets released from donor restrictions	3,395,392	411,525	-	3,806,917
	<hr/>			
Total support and revenue without donor restrictions	18,597,020	1,579,693	(90,081)	20,086,632
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EXPENSES				
Program Expenses:				
Food	5,672,734	-	-	5,672,734
Water	5,929,840	-	-	5,929,840
Advocacy	-	655,515	-	655,515
	<hr/>			
Total program expenses	11,602,574	655,515	-	12,258,089
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Supporting Services:				
Management and General	1,681,144	546,162	(90,081)	2,137,225
Fundraising	2,710,681	544,736	-	3,255,417
	<hr/>			
Total supporting services	4,391,825	1,090,898	(90,081)	5,392,642
	<hr/>			
Total expenses	15,994,399	1,746,413	(90,081)	17,650,731
	<hr/>			
Change in net assets without donor restrictions	2,602,621	(166,720)	-	2,435,901
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SUPPORT AND REVENUE, WITH DONOR RESTRICTIONS				
Contributions	1,964,663	411,525	-	2,376,188
Net assets released from donor restrictions	(3,395,392)	(411,525)	-	(3,806,917)
	<hr/>			
Change in net assets with donor restrictions	(1,430,729)	-	-	(1,430,729)
	<hr/>			
CHANGE IN NET ASSETS	\$ 1,171,892	\$ (166,720)	\$ -	\$ 1,005,172
	<hr/>			

FOOD AND WATER WATCH

FOOD AND WATER ACTION FUND

COMBINING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>FWW</u>	<u>FWAF</u>	<u>Total</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS			
Net assets at beginning of year	\$ 5,914,467	\$ (186,521)	\$ 5,727,946
Change in net assets without donor restrictions	<u>2,602,621</u>	<u>(166,720)</u>	<u>2,435,901</u>
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 8,517,088</u>	<u>\$ (353,241)</u>	<u>\$ 8,163,847</u>
NET ASSETS WITH DONOR RESTRICTIONS			
Net assets at beginning of year	\$ 1,561,979	\$ -	\$ 1,561,979
Change in net assets with donor restrictions	<u>(1,430,729)</u>	<u>-</u>	<u>(1,430,729)</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 131,250</u>	<u>\$ -</u>	<u>\$ 131,250</u>
TOTAL NET ASSETS	<u>\$ 8,648,338</u>	<u>\$ (353,241)</u>	<u>\$ 8,295,097</u>