

COMBINED FINANCIAL STATEMENTS

FOOD & WATER WATCH

FOOD & WATER ACTION FUND

**FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

**FOOD & WATER WATCH
FOOD & WATER ACTION FUND**

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying combined financial statements of Food & Water Watch and Food & Water Action Fund (collectively the Organizations), which comprise the combined statement of financial position as of December 31, 2021, 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.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organizations as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Organizations and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organizations' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organizations' 2020 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated January 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

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.



January 6, 2023

**FOOD & WATER WATCH
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**COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

ASSETS		<u>2021</u>	<u>2020</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	4,388,917	\$ 3,369,410
Investments		10,583,853	7,872,339
Contributions receivable		1,103,203	747,842
Due from related party		-	11,126
Accounts receivable		2,078	1,163
Prepaid expenses		501,873	452,387
Other current assets		<u>8,400</u>	<u>8,400</u>
Total current assets		<u>16,588,324</u>	<u>12,462,667</u>
PROPERTY AND EQUIPMENT			
Equipment		443,947	486,694
Computer equipment		1,102,231	1,197,781
Leasehold improvements		<u>1,565,219</u>	<u>1,565,219</u>
Total property and equipment		3,111,397	3,249,694
Less: Accumulated depreciation		<u>(1,790,972)</u>	<u>(1,574,703)</u>
Net property and equipment		<u>1,320,425</u>	<u>1,674,991</u>
NONCURRENT ASSETS			
Security deposits		<u>172,472</u>	<u>186,290</u>
TOTAL ASSETS		<u>\$ 18,081,221</u>	<u>\$ 14,323,948</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Loan payable	\$	-	\$ 2,006,800
Accounts payable and accrued expenses		294,539	413,033
Accrued payroll and related benefits		1,419,117	1,387,129
Deferred rent and lease incentive		203,217	163,369
Accounts payable to related parties		-	5,300
Funds held on behalf of others		<u>1,273</u>	<u>8,215</u>
Total current liabilities		<u>1,918,146</u>	<u>3,983,846</u>
NONCURRENT LIABILITIES			
Security deposits held		5,500	5,500
Deferred rent and lease incentive, net of current portion		<u>1,868,937</u>	<u>2,039,505</u>
Total noncurrent liabilities		<u>1,874,437</u>	<u>2,045,005</u>
Total liabilities		<u>3,792,583</u>	<u>6,028,851</u>
NET ASSETS			
Without donor restrictions		13,157,574	8,163,847
With donor restrictions		<u>1,131,064</u>	<u>131,250</u>
Total net assets		<u>14,288,638</u>	<u>8,295,097</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 18,081,221</u>	<u>\$ 14,323,948</u>

**FOOD & WATER WATCH
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**COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 18,557,847	\$ 3,237,921	\$ 21,795,768	\$ 18,407,216
Investment income, net	33,368	-	33,368	159,749
Other revenue	71,756	-	71,756	88,938
Net assets released from donor restrictions	2,238,107	(2,238,107)	-	-
Total support and revenue	<u>20,901,078</u>	<u>999,814</u>	<u>21,900,892</u>	<u>18,655,903</u>
EXPENSES				
Program Services:				
Food	5,040,378	-	5,040,378	5,672,734
Water	3,795,847	-	3,795,847	5,929,840
Climate	2,407,052	-	2,407,052	-
Advocacy	638,594	-	638,594	655,515
Total program services	<u>11,881,871</u>	<u>-</u>	<u>11,881,871</u>	<u>12,258,089</u>
Supporting Services:				
Management and General	2,160,561	-	2,160,561	2,137,225
Fundraising	3,871,719	-	3,871,719	3,255,417
Total supporting services	<u>6,032,280</u>	<u>-</u>	<u>6,032,280</u>	<u>5,392,642</u>
Total expenses	<u>17,914,151</u>	<u>-</u>	<u>17,914,151</u>	<u>17,650,731</u>
Change in net assets before other item	2,986,927	999,814	3,986,741	1,005,172
OTHER ITEM				
Extinguishment of debt	2,006,800	-	2,006,800	-
Change in net assets	4,993,727	999,814	5,993,541	1,005,172
Net assets at beginning of year	8,163,847	131,250	8,295,097	7,289,925
NET ASSETS AT END OF YEAR	\$ 13,157,574	\$ 1,131,064	\$ 14,288,638	\$ 8,295,097

**FOOD & WATER WATCH
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**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021								2020	
	Program Services				Supporting Services				Total Expenses	Total Expenses
	Food	Water	Climate	Advocacy	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries, benefits, and payroll taxes	\$ 3,711,915	\$ 2,791,559	\$ 1,857,597	\$ 244,932	\$ 8,606,003	\$ 1,277,450	\$ 1,353,654	\$ 2,631,104	\$ 11,237,107	\$ 11,355,348
Occupancy	375,835	259,625	150,819	60,433	846,712	154,776	135,445	290,221	1,136,933	1,237,370
Printing and copying	42,030	48,222	31,345	11,015	132,612	7,112	776,779	783,891	916,503	645,598
Database	160,691	122,660	87,003	125,631	495,985	58,024	106,520	164,544	660,529	618,949
Postage, shipping, and delivery	13,492	12,143	8,675	4,606	38,916	2,232	586,197	588,429	627,345	393,858
Contracted services	48,203	126,345	11,157	52,046	237,751	30,085	186,319	216,404	454,155	648,434
Depreciation and amortization	145,138	102,752	56,671	-	304,561	34,584	49,895	84,479	389,040	367,077
Telephone and internet	139,943	101,928	93,486	-	335,357	10,546	10,241	20,787	356,144	385,626
Mailhouse and direct mailing	-	-	-	83,649	83,649	499	216,132	216,631	300,280	183,274
Contributions	47,525	250	-	-	47,775	255,713	500	256,213	303,988	319,350
Technology	76,520	66,815	45,552	-	188,887	25,507	24,362	49,869	238,756	314,128
Dues and subscriptions	60,186	57,055	5,278	-	122,519	705	26,216	26,921	149,440	162,010
Office expense	5,550	4,169	1,843	115	11,677	98,621	17,239	115,860	127,537	107,917
List rental	-	-	-	8,612	8,612	888	116,901	117,789	126,401	119,465
Insurance	38,421	28,832	18,925	5,389	91,567	12,142	13,632	25,774	117,341	107,244
Miscellaneous	100,388	(274)	(6,266)	-	93,848	20,332	(275)	20,057	113,905	120,601
Staff development	30,006	21,571	15,112	11,505	78,194	13,404	15,516	28,920	107,114	114,432
Equipment and maintenance	10,626	7,654	5,325	3,392	26,997	3,470	75,888	79,358	106,355	35,100
Accounting	482	735	100	-	1,317	104,634	93	104,727	106,044	16,584
Caging	-	-	-	-	-	-	87,962	87,962	87,962	88,855
Organizational membership	28,924	21,890	21,600	-	72,414	3,500	-	3,500	75,914	40,791
Travel	12,246	19,250	2,453	87	34,036	9,347	20,677	30,024	64,060	46,711
Graphic design/art	154	116	116	15,492	15,878	5,955	35,717	41,672	57,550	44,917
Legal	(9,773)	1,829	63	4,883	(2,998)	23,286	16,006	39,292	36,294	119,440
Promotional items	264	680	198	6,607	7,749	2	103	105	7,854	4,883
Recruitment	-	25	-	-	25	7,747	-	7,747	7,772	21,569
Organizing materials	1,612	16	-	200	1,828	-	-	-	1,828	31,200
TOTAL	\$ 5,040,378	\$ 3,795,847	\$ 2,407,052	\$ 638,594	\$ 11,881,871	\$ 2,160,561	\$ 3,871,719	\$ 6,032,280	\$ 17,914,151	\$ 17,650,731

See accompanying notes to combined financial statements.

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**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,993,541	\$ 1,005,172
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	389,040	367,077
Unrealized gain (loss)	43,987	(64,495)
Realized loss	(2,872)	(11,821)
Receipt of contributed securities and other assets	(228,188)	(135,412)
Proceeds from the sale of contributed securities	232,905	133,775
Gain on disposal of fixed assets	-	271
Extinguishment of debt	(2,006,800)	-
(Increase) decrease in:		
Contributions receivable	(355,361)	158,958
Due from related party	11,126	(1,212)
Accounts receivable	(915)	10,977
Prepaid expenses	(49,486)	116,893
Other current assets	-	(8,400)
Security deposits	13,818	(3,105)
(Decrease) increase in:		
Accounts payable and accrued expenses	(118,494)	(124,661)
Accrued payroll and related benefits	31,988	38,731
Deferred rent and lease incentive	(130,720)	(144,713)
Accounts payable to related parties	(5,300)	-
Funds held on behalf of others	(6,942)	4,264
Security deposits held	-	5,500
Net cash provided by operating activities	<u>3,811,327</u>	<u>1,347,799</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(34,474)	(24,818)
Purchases of investments	(4,381,746)	(4,380,210)
Proceeds from sale of investments	<u>1,624,400</u>	<u>1,288,571</u>
Net cash used by investing activities	<u>(2,791,820)</u>	<u>(3,116,457)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>-</u>	<u>2,006,800</u>
Net cash provided by financing activities	<u>-</u>	<u>2,006,800</u>
Net increase in cash and cash equivalents	1,019,507	238,142
Cash and cash equivalents at beginning of year	<u>3,369,410</u>	<u>3,131,268</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,388,917</u>	<u>\$ 3,369,410</u>

**FOOD & WATER WATCH
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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Food & Water Watch (FWW) is a nonprofit 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.

Climate - FWW is working at the state and local level to pass meaningful legislation to stop catastrophic climate change by eliminating the production and use of fossil fuels which makes progress towards banning fracking and stopping new and existing fossil fuel infrastructure.

Food & 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 organizations. 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 of Directors are referred to as Board Designated and are also reported as net assets without donor restrictions. The Organizations did not have any Board Designated net assets as of December 31, 2021.
- **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.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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

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. 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 as incurred. Depreciation and amortization expense for the year ended December 31, 2021 totaled \$389,040.

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, 2021, 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.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

**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. The Organizations did not have any unrecognized conditional contributions as of December 31, 2021.

Foreign currency translation -

The U.S. Dollar is the functional currency for the 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.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

**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.

New accounting pronouncements not yet adopted -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

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 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. 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 ASUs at the required implementation dates and management is currently in the process of evaluating the adoption methods and the impacts of the new standards on its accompanying combined financial statements.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. INVESTMENTS

Investments consisted of the following as of December 31, 2021:

	Fair Value
Mutual funds	\$ 6,223,726
Money market funds	4,331,612
Common stock	28,515
TOTAL	<u>\$ 10,583,853</u>

Included in investment income, net are the following:

Interest and dividends	\$ 94,421
Unrealized loss	(43,987)
Realized gain	2,872
Investment advisor fees	(19,938)
TOTAL INVESTMENT INCOME, NET	<u>\$ 33,368</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 applied for forgiveness as stipulated by the terms of the note. On June 29, 2021, FWW received notice that the loan was forgiven in its entirety, both accrued interest and principal. This amount is recorded as Extinguishment of debt, which is an Other Item on the Combined Statement of Activities and Change in Net Assets.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021:

Subject to expenditure for specified purpose:	
Advocacy	\$ 633,014
Water	208,050
Total subject to expenditure for specific purpose	841,064
Subject to passage of time	290,000
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 1,131,064</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:

Water	1,158,621
Food	557,500
Advocacy	466,986
Climate	55,000
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 2,238,107</u>

**FOOD & WATER WATCH
FOOD & WATER ACTION FUND**

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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	\$ 4,388,917
Investments	10,583,853
Contributions receivable	1,103,203
Accounts receivable	2,078
Less: Donor restricted funds, net of time restricted funds available within one year	<u>(841,064)</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 15,236,987</u>
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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 September 2029. These leases are for spaces in Washington D.C., California, Florida, Illinois, New Jersey, New York, 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 and lease liability on the Combined Statement of Financial Position.

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

Year Ending December 31,

2022	\$ 1,307,675
2023	1,090,660
2024	936,662
2025	960,078
2026	984,080
Thereafter	<u>2,834,120</u>
TOTAL	<u>\$ 8,113,275</u>

Rent expense for the year ended December 31, 2021 was \$1,112,187 and is included in occupancy in the accompanying Combined Statement of Functional Expenses. The deferred rent liability was \$2,072,154.

**FOOD & WATER WATCH
FOOD & WATER ACTION FUND**

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

7. RETIREMENT PLAN

The Organizations have a 403(b) retirement plan (the 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, 2021 was \$637,180 and is included in salaries, benefits, and payroll taxes in the accompanying Combined 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, 2021.

- *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 are deemed to be actively traded.
- *Money Market Funds* - The money market funds are open-end mutual funds that are registered with the Securities and Exchange Commission and deemed to be actively traded.
- *Common Stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.

**FOOD & WATER WATCH
FOOD & WATER ACTION FUND**

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

8. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy as of December 31, 2021.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2021</u>
Investments:				
Mutual funds	\$ 6,223,726	\$ -	\$ -	\$ 6,223,726
Money market funds	4,331,612	-	-	4,331,612
Common stock	<u>28,515</u>	<u>-</u>	<u>-</u>	<u>28,515</u>
TOTAL INVESTMENTS	<u>\$ 10,583,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,583,853</u>

9. ALLOCATION OF JOINT COSTS

During the year ended December 31, 2021, 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 \$1,836,142 of joint costs, which are not specifically attributed to a particular component of the activities.

These joint costs were allocated as follows:

Program	\$ 1,043,104
Management and General	620,805
Fundraising	<u>172,233</u>
TOTAL EXPENSES	<u>\$ 1,836,142</u>

10. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through January 6, 2023, the date the combined financial statements were issued.

SUPPLEMENTAL INFORMATION

**FOOD & WATER WATCH
FOOD & WATER ACTION FUND**

**COMBINING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021**

	FWW	FWAF	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 3,378,655	\$ 1,010,262	\$ -	\$ 4,388,917
Investments	10,583,853	-	-	10,583,853
Contributions receivable	507,786	595,417	-	1,103,203
Due from related party	1,016,122	-	(1,016,122)	-
Accounts receivable	2,078	-	-	2,078
Prepaid expenses	425,562	76,311	-	501,873
Other current assets	8,400	-	-	8,400
Total current assets	<u>15,922,456</u>	<u>1,681,990</u>	<u>(1,016,122)</u>	<u>16,588,324</u>
PROPERTY AND EQUIPMENT				
Equipment	443,947	-	-	443,947
Computer equipment	1,102,231	-	-	1,102,231
Leasehold improvements	1,565,219	-	-	1,565,219
Property and equipment	3,111,397	-	-	3,111,397
Less: Accumulated depreciation and amortization	(1,790,972)	-	-	(1,790,972)
Net property and equipment	<u>1,320,425</u>	<u>-</u>	<u>-</u>	<u>1,320,425</u>
NONCURRENT ASSETS				
Security deposits	172,472	-	-	172,472
TOTAL ASSETS	<u>\$ 17,415,353</u>	<u>\$ 1,681,990</u>	<u>\$ (1,016,122)</u>	<u>\$ 18,081,221</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 231,858	\$ 62,681	\$ -	\$ 294,539
Accrued payroll and related benefits	1,419,117	-	-	1,419,117
Deferred rent and lease incentive	203,217	-	-	203,217
Due to related party	-	1,016,122	(1,016,122)	-
Funds held on behalf of others	1,273	-	-	1,273
Total current liabilities	<u>1,855,465</u>	<u>1,078,803</u>	<u>(1,016,122)</u>	<u>1,918,146</u>
NONCURRENT LIABILITIES				
Security deposits	5,500	-	-	5,500
Deferred rent and lease incentive, net of current portion	1,868,937	-	-	1,868,937
Total noncurrent liabilities	<u>1,874,437</u>	<u>-</u>	<u>-</u>	<u>1,874,437</u>
Total liabilities	<u>3,729,902</u>	<u>1,078,803</u>	<u>(1,016,122)</u>	<u>3,792,583</u>
NET ASSETS (DEFICIT)				
Without donor restrictions	13,187,401	(29,827)	-	13,157,574
With donor restrictions	498,050	633,014	-	1,131,064
Total net assets	<u>13,685,451</u>	<u>603,187</u>	<u>-</u>	<u>14,288,638</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,415,353</u>	<u>\$ 1,681,990</u>	<u>\$ (1,016,122)</u>	<u>\$ 18,081,221</u>

**FOOD & WATER WATCH
FOOD & WATER ACTION FUND**

**COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>FWW</u>	<u>FWAF</u>	<u>Eliminations</u>	<u>Total</u>
SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS				
Contributions	\$ 17,453,720	\$ 1,229,127	\$ (125,000)	\$ 18,557,847
Investment income, net	33,368	-	-	33,368
Other revenue	71,756	98,482	(98,482)	71,756
Net assets released from donor restrictions	1,771,121	466,986	-	2,238,107
	<u>19,329,965</u>	<u>1,794,595</u>	<u>(223,482)</u>	<u>20,901,078</u>
EXPENSES				
Program Services:				
Food	3,694,197	1,471,181	(125,000)	5,040,378
Water	3,795,847	-	-	3,795,847
Climate	2,407,052	-	-	2,407,052
Advocacy	638,594	-	-	638,594
	<u>10,535,690</u>	<u>1,471,181</u>	<u>(125,000)</u>	<u>11,881,871</u>
Supporting Services:				
Management and General	2,259,043	-	(98,482)	2,160,561
Fundraising	3,871,719	-	-	3,871,719
	<u>6,130,762</u>	<u>-</u>	<u>(98,482)</u>	<u>6,032,280</u>
	<u>16,666,452</u>	<u>1,471,181</u>	<u>(223,482)</u>	<u>17,914,151</u>
Change in net assets before other item	2,663,513	323,414	-	2,986,927
OTHER ITEM				
Extinguishment of debt	2,006,800	-	-	2,006,800
Change in net assets without donor restrictions	<u>4,670,313</u>	<u>323,414</u>	<u>-</u>	<u>4,993,727</u>
SUPPORT AND REVENUE, WITH DONOR RESTRICTIONS				
Contributions	2,137,921	1,100,000	-	3,237,921
Net assets released from donor restrictions	(1,771,121)	(466,986)	-	(2,238,107)
Change in net assets with donor restrictions	<u>366,800</u>	<u>633,014</u>	<u>-</u>	<u>999,814</u>
CHANGE IN NET ASSETS	<u>\$ 5,037,113</u>	<u>\$ 956,428</u>	<u>\$ -</u>	<u>\$ 5,993,541</u>

**FOOD & WATER WATCH
FOOD & WATER ACTION FUND**

**COMBINING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>FWW</u>	<u>FWAF</u>	<u>Total</u>
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS			
Net assets (deficit) at beginning of year	\$ 8,517,088	\$ (353,241)	\$ 8,163,847
Change in net assets (deficit) without donor restrictions	<u>4,670,313</u>	<u>323,414</u>	<u>4,993,727</u>
TOTAL NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 13,187,401</u>	<u>\$ (29,827)</u>	<u>\$ 13,157,574</u>
NET ASSETS WITH DONOR RESTRICTIONS			
Net assets at beginning of year	\$ 131,250	\$ -	\$ 131,250
Change in net assets with donor restrictions	<u>366,800</u>	<u>633,014</u>	<u>999,814</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 498,050</u>	<u>\$ 633,014</u>	<u>\$ 1,131,064</u>
TOTAL NET ASSETS	<u>\$ 13,685,451</u>	<u>\$ 603,187</u>	<u>\$ 14,288,638</u>