

ORGANIC FARMING RESEARCH FOUNDATION
(A California Nonprofit Organization)
Notes to Financial Statements
For the Year Ended December 31, 2020

Draft

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the year ended December 31, 2020:

Net Assets Released from Restrictions

Satisfaction of Purpose Restrictions:

Soil Health	
Research Grants	\$ 211,462
Climate Policy	107,945
CA Department of Agriculture Crop Block	110,930
USDA Risk Management Agency	54,382
USDA Farm Service Agency	11,531
USDA Organic Agriculture Research and Extension Initiative	188,283
NRCS Coop Agreement	895
United Natural Foods, Inc. Foundation	11,000
NORA	5,000
Organic Agriculture Research Symposium	5,269
Southern Sustainable Agriculture Research & Education	18,040
Total Net Assets Released from Restrictions	\$ 724,737

NOTE 9 – LONG-TERM DEBT

On April 21, 2020, the Foundation was issued a \$74,761 U.S. Small Business Administration loan with Santa Cruz County Bank bearing interest annually at 1% and maturing on April 21, 2022. This loan was issued under the Paycheck Protection Program and the provisions of Section 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Foundation may apply to Santa Cruz County Bank for loan forgiveness in an amount equal to the sum of payroll costs, interest on a covered mortgage obligation, covered rent obligations, and covered utility payments incurred during the 8-week period or 24-week period beginning on the date of first disbursement. The loan was completely forgiven on January 6, 2021.

NOTE 10 – ENDOWMENT

Interpretation of Relevant Law

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions.

The Board of Trustees of the Foundation has interpreted the California version of the UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

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The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies approved by the Board of Directors. The Foundation has invested the endowment funds into a six-month certificate of deposit, which is reviewed at maturity every six months.

Spending Policy

The Foundation is able to spend the interest earned on the endowment funds. The Foundation is able to borrow principal funds from the endowment fund based on a super majority vote by the Board of Directors. If the principal fund is borrowed, the Foundation has a goal to repay the funds as soon as possible based on a development plan presented by Senior Management and approved by the Executive Committee. See Note 4 for additional disclosures related to fair values and changes in the endowment net assets.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Federal Awards and Grants

The Foundation has received federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Lease Commitments

In December 2019, the Foundation extended its office space lease on Potrero Street Santa Cruz through January 31, 2023, at \$2,552 to \$2,655 per month. In August 2020, the Foundation terminated the original terms of the lease and signed a new one-year lease for office space on Potrero Street in Santa Cruz, which commenced September 1, 2020 and expected to end on August 31, 2021, at \$1,315 per month. Total rent expense for the year ended December 31, 2020 was \$26,561.

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NOTE 12 – RETIREMENT PLAN

The Foundation has a 403(b) Plan covering all eligible employees. The Foundation makes matching contributions equal to fifty percent of employee payroll deductions up to \$150 per month per employee. The Foundation contributed \$9,600 to the Plan for the year ended December 31, 2020.

NOTE 13 – COVID-19 PANDEMIC IMPACT

Management has evaluated all subsequent events from the statement of financial position date of December 31, 2020, through the date the financial statements were available to be issued, May 18, 2021. Beginning in March 2020, the United States economy began suffering adverse effects from the COVID 19 Virus Crisis ("CV19 Crisis"). As of the date of issuance of the financial statements, the Foundation had not suffered a material adverse impact from the CV19 Crisis. However, the future impact of the CV19 Crisis cannot be reasonably estimated.