



**FOOD AND WATER ACTION FUND**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**FOOD AND WATER ACTION FUND**

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DECEMBER 31, 2019**

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of Food and Water Action Fund (the Fund), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food and Water Action Fund as of December 31, 2019, and the changes in its net assets (deficit) and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Food and Water Action Fund

***Other Matter - Consolidated Financial Statements***

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated statements of financial position of Food and Water Watch and Food and Water Action Fund as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended (none of which is presented herein), and we expressed an unmodified opinion on those financial statements. Such consolidated financial statements are the general-purpose financial statements of Food and Water Watch and Food and Water Action Fund and the financial statements of Food and Water Action Fund presented herein are not a valid substitute for those consolidated financial statements.

*Councilor, Buchanan + Mitchell, P.C.*

Washington, D.C.  
December 15, 2020

Certified Public Accountants

**FOOD AND WATER ACTION FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**

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**Assets**

**Current Assets**

Cash and Cash Equivalents	\$ 611,737
Contributions Receivable	141,214
Due from Related Parties	9,915
Prepaid Expenses	<u>24,446</u>

Total Current Assets 787,312

**Total Assets** \$ 787,312

**Liabilities and Net Deficit**

**Current Liabilities**

Accounts Payable	\$ 34,860
Due to Related Party	<u>938,973</u>

Total Current Liabilities 973,833

**Net Deficit**

Without Donor Restrictions (186,521)

Total Net Deficit (186,521)

**Total Liabilities Net Deficit** \$ 787,312

*See accompanying Notes to Financial Statements.*

**FOOD AND WATER ACTION FUND**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenue</b>			
Contributions	\$ 1,103,604	\$ 155,000	\$ 1,258,604
Other Income	195	-	195
Net Assets Released from Restrictions	<u>209,167</u>	<u>(209,167)</u>	<u>-</u>
Total Support and Revenue	1,312,966	(54,167)	1,258,799
<b>Expenses</b>			
Program Services			
Advocacy	<u>1,040,757</u>	<u>-</u>	<u>1,040,757</u>
Total Program Services	1,040,757	-	1,040,757
Supporting Services			
Management and General	317,191	-	317,191
Fundraising	<u>361,593</u>	<u>-</u>	<u>361,593</u>
Total Supporting Services	<u>678,784</u>	<u>-</u>	<u>678,784</u>
Total Expenses	<u>1,719,541</u>	<u>-</u>	<u>1,719,541</u>
Change in Net Deficit	(406,575)	(54,167)	(460,742)
Net Assets, Beginning of Year	<u>220,054</u>	<u>54,167</u>	<u>274,221</u>
<b>Net Deficit, End of Year</b>	<u><u>\$ (186,521)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (186,521)</u></u>

*See accompanying Notes to Financial Statements.*

**FOOD AND WATER ACTION FUND**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services	Supporting Services		Total Expenses
	Advocacy	Management and General	Fundraising	
Accounting	\$ -	\$ 15,000	\$ -	\$ 15,000
Bank Charges	661	16,780	-	17,441
Branding Costs	-	9,071	-	9,071
Caging	-	-	33,202	33,202
Consulting and Contracted Services	10,695	-	40,000	50,695
Contributions	20,000	-	-	20,000
Database	101,727	-	75	101,802
Direct Mailing	32,546	14,202	14,795	61,543
Dues and Subscriptions	48,125	-	-	48,125
Employee Benefits	56,405	20,102	8,275	84,782
Graphic Design/Art	-	-	29,100	29,100
Legal	12,214	183	-	12,397
Office Expenses	374	2,249	14,619	17,242
Organizing Materials	35,273	-	1,008	36,281
Payroll Taxes	38,698	13,791	5,677	58,166
Postage, Shipping, and Delivery	49,985	13,157	40,316	103,458
Printing and Copying	97,168	20,382	95,510	213,060
Promotional Items	31,102	10,202	4,858	46,162
Salaries	504,863	179,927	74,067	758,857
Technology	32	2,145	-	2,177
Travel	889	-	91	980
<b>Total</b>	<b>\$ 1,040,757</b>	<b>\$ 317,191</b>	<b>\$ 361,593</b>	<b>\$ 1,719,541</b>

*See accompanying Notes to Financial Statements.*

**FOOD AND WATER ACTION FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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<b>Cash Flows from Operating Activities</b>	
Change in Net Deficit	\$ (460,742)
Adjustments to Reconcile Change in Net Deficit to Net Cash Used in Operating Activities	
Changes in Assets and Liabilities	
(Increase) in Contributions Receivable	(119,001)
Decrease in Accounts Receivable	2,260
(Increase) in Due from Related Parties	(9,915)
Decrease in Prepaid Expenses	22,569
(Decrease) in Accounts Payable	(2,317)
(Decrease) in Accrued Payroll and Benefits	(2,546)
Increase in Due to Related Party	<u>178,055</u>
Net Cash Used in Operating Activities	<u>(391,637)</u>
Net Decrease in Cash and Cash Equivalents	(391,637)
Cash and Cash Equivalents, Beginning of Year	<u>1,003,374</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 611,737</u></u>

*See accompanying Notes to Financial Statements.*



**FOOD AND WATER ACTION FUND**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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**1. ORGANIZATION**

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: The Fund lobbies and advocates for common sense policies that result in healthy, safe food, and access to safe and affordable drinking water.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Method of Accounting*

The financial statements have been prepared on the accrual basis of accounting.

*Financial Statements Presentation*

The Fund shares common management and employees with Food and Water Watch, a 501(c)(3) organization. A consolidated financial statement has been prepared that brings together assets, liabilities, net assets (deficit), and operating results of these two affiliated entities. These financial statements should be read in conjunction with the consolidated financial statements.

*Cash Equivalents*

The Fund considers all short-term investments with original maturities of three months or less to be cash equivalents included in cash.

*Contributions*

The Fund reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donor assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

*Contributions Receivables*

Contributions receivable are recorded at the amount the Fund expects to collect on balances outstanding at the end of the fiscal year. Management closely monitors accounts receivable and charges off any balances that are determined to be uncollectible. As of December 31, 2019, the Fund's allowance for doubtful accounts was \$-0-. The Fund had no bad debt expense for the year ended December 31, 2019.

*Classes of Net Assets*

The Fund is required to report its financial position and activities according to two classes of net assets; net assets without donor-imposed restrictions and net assets with donor-imposed restrictions.

Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Fund. These net assets may be used at the discretion of the Fund's management and Board of Directors.

## FOOD AND WATER ACTION FUND

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Classes of Net Assets (Continued)*

Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Fund. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

##### *Accounting for Uncertainty in Income Taxes*

The Fund is exempt under Section 501(c)(4) of the Internal Revenue Code (the Code) from the payment of taxes on income other than unrelated business income. No provision for income tax is required for the year ended December 31, 2019, as the Fund had no net unrelated business income. In addition, the Fund has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

The Fund requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. The Fund does not believe its financial statements include, or reflect, any uncertain tax positions. The Fund’s IRS Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by taxing authorities generally three years after filing.

##### *Use of Estimates*

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### *Functional Allocation of Expenses*

The allocation of the costs of providing various programs has been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits, payroll taxes, and office expenses, which are allocated on the basis of estimates of time and effort by employees.

#### 3. ADOPTION OF NEW ACCOUNTING STANDARD

During the year ended December 31, 2019, the Fund adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides additional guidance in (1) evaluating whether transactions should be accounted for as contributions (within the scope of ASC 958) or as exchange (reciprocal) transactions (subject to ASC 606); and (2) distinguishing between conditional and unconditional contributions. Management believes that the adoption of this ASU enhances the comparability of the financial information among not-for-profit entities.

**FOOD AND WATER ACTION FUND**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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**3. ADOPTION OF NEW ACCOUNTING STANDARD (CONTINUED)**

This change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions as of January 1, 2019. The impact of adoption was not material to the financial statements.

**4. LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Fund's cash flows have seasonal variations due to the timing of contributions, program revenues, and vendor payments. The Fund manages its liquidity to meet general expenditures, liabilities, and other obligations as they become due.

The following reflects the Fund's financial assets as of December 31, 2019, reduced by amounts not available for general operating expenditure within one year:

*Financial Assets*

Cash and Cash Equivalents	\$ 611,737
Contributions Receivable	141,214
	<hr/>
Total Financial Assets and Liquidity Resources Available within One Year	<u>\$ 752,951</u>

**5. RELATED PARTY TRANSACTIONS**

The Fund shares common management and employees with Food and Water Watch (the Organization), a 501(c)(3) organization 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. The Fund is billed by the Organization for its share of personnel costs and office expenses. These costs totaled \$933,929 for the year ended December 31, 2019. At December 31, 2019, the Fund owed the Organization \$938,973 for shared costs.

In 2019, the Board of Directors approved a \$125,000 contribution to the Fund. This amount is included in contributions receivable in the accompanying statement of financial position. The amount was paid in 2020.

The Fund is also affiliated with two political action committees; Food and Water Action PAC and Food and Water Action IEPAC. The Fund bills each political action committee its share of direct salary costs and other direct expenses paid on their behalf. These costs approximated \$14,240 for the year ended December 31, 2019. At December 31, 2019, the political action committees owed the Fund \$9,915.

**6. CONCENTRATIONS**

The Fund's demand deposits with financial institutions at times exceeded federally insured limits. The Fund has not experienced any losses in such accounts, and management believes the Fund is not exposed to any significant credit risks.

**7. ALLOCATION OF JOINT COSTS**

During the year ended December 31, 2019, the Fund conducted activities that included requests for contributions considered as fundraising as well as program contributions and management

**FOOD AND WATER ACTION FUND**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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**7. ALLOCATION OF JOINT COSTS (CONTINUED)**

and general contributions. These activities included direct mail campaigns. The cost of conducting these activities included a total of \$181,365 of joint costs, which are not specifically attributed to a particular component of the activities. These joint costs were allocated as follows:

Program	\$ 107,459
Management and General	47,740
Fundraising	<u>26,166</u>
Total	<u>\$ 181,365</u>

**8. NET ASSETS WITH DONOR RESTRICTIONS**

At December 31, 2019, there were no net assets with donor restrictions.

For the year ended December 31, 2019, net assets released from donor restrictions were as follows:

Advocacy	<u>\$ 209,167</u>
Total Net Assets Released from Restrictions	<u>\$ 209,167</u>

**9. SUBSEQUENT EVENTS**

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on the daily life and operations of individuals, businesses, and nonprofit organizations around the world. There is uncertainty about financial and economic impacts in all sectors of the economy. The financial markets have experienced significant volatility, and this may continue for an extended period of time. In light of these circumstances, the Fund continues to assess how best to adapt to changed circumstances.

The Fund has evaluated all subsequent events through December 15, 2020, which was the date the financial statements were available to be issued. No subsequent events requiring disclosure were identified based on this evaluation.