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WHOLESOME WAVE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

WHOLESOME WAVE, INC.

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Independent Auditors' Report

To the Board of Directors
Wholesome Wave, Inc.
Bridgeport, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of Wholesome Wave, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Wholesome Wave, Inc., as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 12, 2018 on our consideration of Wholesome Wave, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Wholesome Wave, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wholesome Wave, Inc.'s internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
September 12, 2018

WHOLESONE WAVE, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 676,384	\$ 941,904
Accounts receivable	107,599	111,993
Grants receivable	97,238	-
Contributions receivable	282,557	137,849
Investments - deferred compensation	84,822	60,431
Other assets	5,425	12,358
Property and equipment, net	<u>13,021</u>	<u>15,093</u>
Total Assets	<u>\$ 1,267,046</u>	<u>\$ 1,279,628</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 306,852	\$ 442,520
Deferred revenue	262,551	227,968
Deferred compensation	84,822	60,431
Total liabilities	<u>654,225</u>	<u>730,919</u>
Net Assets		
Unrestricted	(137,724)	(376,701)
Temporarily restricted	750,545	925,410
Total net assets	<u>612,821</u>	<u>548,709</u>
Total Liabilities and Net Assets	<u>\$ 1,267,046</u>	<u>\$ 1,279,628</u>

The accompanying notes are an integral part of the financial statements

WHOLESOME WAVE, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue						
Private grants and contributions	\$ 2,561,220	\$ 1,540,000	\$ 4,101,220	\$ 2,170,669	\$ 1,690,000	\$ 3,860,669
Government grants and contracts	1,687,838	-	1,687,838	1,723,216	-	1,723,216
Donated services	957,591	-	957,591	834,709	-	834,709
Program income	503,737	-	503,737	241,089	-	241,089
Other income	8,666	-	8,666	7,217	-	7,217
Net assets released from restrictions	1,714,865	(1,714,865)	-	960,974	(960,974)	-
Total public support and revenue	<u>7,433,917</u>	<u>(174,865)</u>	<u>7,259,052</u>	<u>5,937,874</u>	<u>729,026</u>	<u>6,666,900</u>
Expenses						
Program services:	5,495,149	-	5,495,149	5,827,396	-	5,827,396
Management and general	1,059,775	-	1,059,775	891,236	-	891,236
Development and fundraising	640,016	-	640,016	953,543	-	953,543
Total expenses	<u>7,194,940</u>	<u>-</u>	<u>7,194,940</u>	<u>7,672,175</u>	<u>-</u>	<u>7,672,175</u>
Increase (Decrease) in Net Assets	238,977	(174,865)	64,112	(1,734,301)	729,026	(1,005,275)
Net Assets - Beginning of Year	<u>(376,701)</u>	<u>925,410</u>	<u>548,709</u>	<u>1,357,600</u>	<u>196,384</u>	<u>1,553,984</u>
Net Assets - End of Year	<u>\$ (137,724)</u>	<u>\$ 750,545</u>	<u>\$ 612,821</u>	<u>\$ (376,701)</u>	<u>\$ 925,410</u>	<u>\$ 548,709</u>

The accompanying notes are an integral part of the financial statements

WHOLESONE WAVE, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 64,112	\$ (1,005,275)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	6,878	4,540
(Increase) decrease in operating assets:		
Accounts receivable	4,394	37,664
Grants receivable	(97,238)	67,050
Contributions receivable	(144,708)	(48,886)
Other assets	6,933	93,066
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(135,668)	103,245
Deferred revenue	34,583	75,329
Deferred compensation	24,391	17,482
Net cash used in operating activities	<u>(236,323)</u>	<u>(655,785)</u>
Cash Flows from Investing Activities		
Purchase of investments	(24,391)	(17,482)
Purchase of property and equipment	(4,806)	(19,633)
Net cash used in investing activities	<u>(29,197)</u>	<u>(37,115)</u>
Cash Flows from Financing Activities		
Payments on note payable	-	(40,000)
Net cash used in financing activities	<u>-</u>	<u>(40,000)</u>
Decrease in Cash and Cash Equivalents	(265,520)	(732,900)
Cash and Cash Equivalents - Beginning of Year	<u>941,904</u>	<u>1,674,804</u>
Cash and Cash Equivalents - End of Year	<u>\$ 676,384</u>	<u>\$ 941,904</u>

The accompanying notes are an integral part of the financial statements

WHOLESOME WAVE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017				2016			
	Program Services	Management and General	Development and Fundraising	Total	Program Services	Management and General	Development and Fundraising	Total
Personnel costs	\$ 1,744,036	\$ 462,047	\$ 253,625	\$ 2,459,708	\$ 1,732,449	\$ 544,055	\$ 323,055	\$ 2,599,559
Grants to other organizations	1,762,950	-	-	1,762,950	1,709,693	-	-	1,709,693
Contracted services	712,475	186,047	325,939	1,224,461	974,597	4,826	444,759	1,424,182
Donated services	957,591	-	-	957,591	834,709	-	-	834,709
Travel and meetings	96,599	87,727	15,292	199,618	326,498	114,043	13,065	453,606
Office expense	163,916	131,391	42,777	338,084	109,519	124,642	37,413	271,574
Fundraising events	-	-	-	-	-	-	118,058	118,058
Professional fees	-	117,774	-	117,774	55,228	43,248	-	98,476
Occupancy	57,582	53,226	-	110,808	44,844	30,009	17,193	92,046
Insurance	-	11,027	-	11,027	15,971	20,928	-	36,899
Miscellaneous expenses	-	3,658	-	3,658	23,888	3,479	-	27,367
Depreciation expense	-	6,878	-	6,878	-	4,540	-	4,540
Advertising and promotion	-	-	2,383	2,383	-	1,466	-	1,466
Total Expenses	\$ 5,495,149	\$ 1,059,775	\$ 640,016	\$ 7,194,940	\$ 5,827,396	\$ 891,236	\$ 953,543	\$ 7,672,175

The accompanying notes are an integral part of the financial statements

WHOLESOME WAVE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Wholesome Wave, Inc. (Wholesome Wave) is a not-for-profit organization located in Bridgeport, Connecticut. Its mission is to make life healthier, tastier and more meaningful and accessible to all through locally and sustainably grown food. Wholesome Wave is supported by contributions from private foundations and donors, as well as grants from federal awarding agencies.

Effective May 8, 2017, the organization legally changed its name from Wholesome Wave Foundation Charitable Ventures, Inc., to Wholesome Wave, Inc.

Basis of Accounting and Presentation

The financial statements of Wholesome Wave have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the accounts of Wholesome Wave are reported in the following net asset categories:

Unrestricted Net Assets

Unrestricted net assets represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure.

Permanently Restricted Net Assets

Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit Wholesome Wave to expend the income earned thereon. Wholesome Wave did not have any permanently restricted net assets as of December 31, 2017 and 2016.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and certain highly liquid investments with original maturities of 90 days or less, exclusive of amounts held by brokers, which are considered to be investments.

Wholesome Wave places its cash deposits with high credit-quality institutions. Such deposits exceed federal depository insurance limits at times during the year. However, management believes that Wholesome Wave's deposits are not subject to significant credit risk.

WHOLESOME WAVE, INC.

NOTES TO FINANCIAL STATEMENTS

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. See Note 2 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income includes Wholesome Wave's gains and losses on investments bought and sold as well as held during the year. Realized and unrealized gains and losses and other investment income are reflected in the accompanying statements of activities and changes in net assets as net realized and unrealized gains and losses on investments and investment income. These amounts are reported in the statements of activities and changes in net assets as increases or decreases in unrestricted, temporarily restricted or permanently restricted net assets as appropriate based on any donor stipulations or law.

Property and Equipment

Property and equipment acquisitions and improvements thereon that exceed \$1,000 are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives. Repairs and maintenance are charged to expense as incurred.

Governmental Grants and Contracts

Other than certain awards to fund capital expenditures, governmental grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost-reimbursement grants and contracts is recognized to the extent of costs incurred. Revenue from performance-based grants and contracts is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenue recognized are presented as deferred revenue.

Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Wholesome Wave reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services recognized in the financial statements totaled \$957,591 and \$834,709 for the years ended December 31, 2017 and 2016, respectively. General volunteer services do not meet these criteria for recognition.

WHOLESOME WAVE, INC.

NOTES TO FINANCIAL STATEMENTS

Wholesome Wave reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions on how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations about how long those assets must be maintained, Wholesome Wave reports expirations of donor restrictions when the assets are placed in service.

Program Income

Program income includes revenue received from local farmer's markets, third-party payers and others for services rendered. Wholesome Wave recognizes the revenue from these services when earned, which is when the services are performed. Amounts received in advance of earning these revenues are recorded as deferred revenue.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Income Taxes

Wholesome Wave is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code.

Advertising

Wholesome Wave expenses advertising costs as incurred. Advertising expense totaled \$2,383 and \$1,466 for the years ended December 31, 2017 and 2016, respectively.

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the current year's presentation.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through September 12, 2018, which represents the date the financial statements were available to be issued.

NOTE 2 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that Wholesome Wave has the ability to access.

WHOLESOME WAVE, INC.

NOTES TO FINANCIAL STATEMENTS

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

Financial Instruments Measured at Fair Value

The following is a description of the valuation methodologies and investment strategies used for assets measured at fair value:

Mutual Funds

Mutual funds are valued at the quoted net unit value of shares held by Wholesome Wave at year end.

There have been no changes in the methodologies used at December 31, 2017 and 2016.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Wholesome Wave believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair values of all investments are determined using quoted prices for identical assets in active markets in which Wholesome Wave has access (Level 1).

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable, which represent promises made by individuals and corporations, receivable in less than one year, consist of \$282,557 and \$137,849 at December 31, 2017 and 2016, respectively. Based on management's assessment of outstanding balances, it has concluded that no reserve is deemed necessary at December 31, 2017 and 2016.

WHOLESOME WAVE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose or time periods at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Multi City Fruit & Vegetable Prescription Program	\$ 725,545	\$ -
Los Angeles Fruit & Vegetable Prescription Program	-	475,738
National Nutrition Incentive Network	-	289,328
Wholesome Crave	-	105,541
External marketing	-	30,000
Food Insecurity Nutrition Initiative	25,000	20,000
Future periods	-	4,803
	<u>\$ 750,545</u>	<u>\$ 925,410</u>

NOTE 5 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the following purpose or time restrictions for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Multi City Fruit & Vegetable Prescription Program	\$ 789,455	\$ -
Los Angeles Fruit & Vegetable Prescription Program	475,738	494,263
National Nutrition Incentive Network	289,328	110,672
Wholesome Crave	105,541	194,459
External Marketing	30,000	-
Food Insecurity Nutrition Initiative	20,000	-
Passage of time	4,803	34,260
Chef Action Network	-	77,320
Policy Advocacy/Summit	-	50,000
	<u>\$ 1,714,865</u>	<u>\$ 960,974</u>
Total Net Assets Released from Restrictions		

WHOLESOME WAVE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LEASE COMMITMENTS

Wholesome Wave has an operating lease agreement for its office space in Bridgeport, Connecticut, expiring in June 2022 and a copier lease expiring in February 2021. Rent expense under these leases totaled \$109,261 and \$92,001 for the years ended December 31, 2017 and 2016, respectively.

Future minimum lease payments under these operating leases are as follows:

Year Ending December 31

2018	\$	99,385
2019		103,949
2020		108,513
2021		100,618
2022		<u>50,204</u>
Total	\$	<u>462,669</u>

NOTE 7 - RETIREMENT PLANS

Wholesome Wave sponsors a tax-deferred 401(k) profit-sharing retirement plan for its employees over the age of 21. An employee is eligible to participate in the plan after three months of service. Each plan year, Wholesome Wave may make discretionary profit-sharing contributions as determined by the Board of Directors for all eligible participants. Wholesome Wave did not make discretionary profit-sharing contributions for the years ended December 31, 2017 and 2016.

Wholesome Wave also maintains a nonqualified 457(b) deferred compensation plan for eligible employees. As of December 31, 2017 and 2016, assets that fully fund the related liabilities of \$84,822 and \$60,431, respectively, are included in investments - deferred compensation and the related liability is included in deferred compensation in the statements of financial position. During the years ended December 31, 2017 and 2016, deferred compensation expense totaled \$14,400 and \$13,869, respectively.

NOTE 8 - GOVERNMENT GRANTS AND CONTRACTS

Based on historical experience, management believes grant and contract receivables represent negligible credit risk. Wholesome Wave receives a significant portion of its total support from federal grants and contracts. As with all government funding, these grants and contracts are subject to reduction or termination in future years. Any significant reduction in these grants and contracts could have an adverse effect on Wholesome Wave's program services.