

**STUDENT ACTION WITH FARMWORKERS**

**AUDITED FINANCIAL STATEMENTS**

**AUGUST 31, 2017 AND 2016**

**STUDENT ACTION WITH FARMWORKERS**

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# Mark S. Danes, CPA, PLLC

## Certified Public Accountant and Consultant

### Independent Auditor's Report

Board of Directors  
Student Action with Farmworkers  
Durham, North Carolina

We have audited the accompanying financial statements of Student Action with Farmworkers (the Organization) (a nonprofit organization), which comprise the statements of financial position as of August 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows 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.

#### *Auditor's 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 auditor considers internal control relevant to the Organization'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 Organization'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 the Organization as of August 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.

Mark S. Danes, CPA, PLLC

November 21, 2017

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**Student Action with Farmworkers**  
**Statements of Financial Position**

August 31, 2017 and 2016

	2017	2016
<b>Assets</b>		
Cash and cash equivalents	\$ 161,588	\$ 115,626
Grants receivable	-	60,000
Accounts receivable	56,234	103,174
Prepaid expenses	18,373	14,101
Security deposit	265	1,859
Beneficial interest in assets held by community foundation	195,582	176,076
Property and equipment, net	9,132	12,078
 Total assets	 \$ 441,174	 \$ 482,914
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 2,086	\$ 2,973
Accrued compensated absences payable	18,409	22,780
Accrued expenses and payroll withholdings	8,356	6,161
 Total liabilities	 28,851	 31,914
 <b>Net Assets</b>		
<b>Unrestricted</b>		
Board designated	175,000	175,000
Undesignated	219,278	183,807
Temporarily restricted	18,045	92,193
 Total net assets	 412,323	 451,000
 Total liabilities and net assets	 \$ 441,174	 \$ 482,914

See accompanying notes to financial statements.

**Student Action with Farmworkers**  
**Statements of Activities**  
For the Years Ended August 31, 2017 and 2016

	2017	2016
<b>Unrestricted Net Assets</b>		
Support and Revenue		
Grants		
Government	\$ 135,298	\$ 112,491
Foundations	194,806	260,120
Contributions	279,732	294,129
Material sales	2,148	2,967
Registration fees	1,975	4,580
Interest income	297	209
Return on assets held by community foundation	19,506	(4,315)
Other revenue	3,730	4,514
Net assets released from restrictions	92,193	40,626
Total unrestricted support, revenue and reclassifications *	729,685	715,321
Expenses		
Program services	533,713	552,604
Management and general	120,464	135,756
Fundraising	40,037	39,960
Total expenses	694,214	728,320
Change in unrestricted net assets	35,471	(12,999)
<b>Temporarily Restricted Net Assets</b>		
Support and Revenue		
Foundation grants	18,045	92,193
Contributions	-	-
Net assets released from restrictions	(92,193)	(40,626)
Change in temporarily restricted net assets *	(74,148)	51,567
Change in net assets	(38,677)	38,568
Beginning net assets	451,000	412,432
Ending net assets	\$ 412,323	\$ 451,000

\* The combined support and revenue for both net asset categories is \$655,537 and \$766,888 for the years ended August 31, 2017 and 2016, respectively.

See accompanying notes to financial statements.

**Student Action with Farmworkers**  
**Statements of Functional Expenses**  
For the Years Ended August 31, 2017 and 2016

	<b>2017:</b>				<b>2016:</b>			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel Expenses	\$ 281,908	\$ 81,744	\$ 31,466	\$ 395,118	\$ 278,671	\$ 90,728	\$ 28,916	\$ 398,315
Contracted Services	22,485	10,563	994	34,042	44,861	19,548	1,295	65,704
Contracted Services - Donated	7,823	2,055	1,565	11,443	7,659	3,172	692	11,523
Office Expenses and Printing	12,228	1,906	2,541	16,675	11,642	2,244	2,382	16,268
Occupancy Expenses -								
Donated	10,763	2,946	1,058	14,767	10,529	3,246	992	14,767
Travel Expenses	15,069	465	429	15,963	16,205	862	646	17,713
Student Expenses and Stipends	84,107	-	-	84,107	108,991	2,000	-	110,991
Support to Others/Scholarships	52,450	-	-	52,450	32,707	-	-	32,707
Training/Meeting/Event Facility								
Rental	16,511	-	-	16,511	16,003	132	40	16,175
Food and Refreshments for								
Trainings and Meetings	10,260	632	-	10,892	9,638	916	18	10,572
Insurance	5,319	5,461	523	11,303	5,260	3,992	495	9,747
Other Operating Expenses	12,643	6,113	1,219	19,975	9,134	3,141	4,346	16,621
Other Expenses	2,147	8,579	242	10,968	1,304	5,775	138	7,217
	<u>\$ 533,713</u>	<u>\$ 120,464</u>	<u>\$ 40,037</u>	<u>\$ 694,214</u>	<u>\$ 552,604</u>	<u>\$ 135,756</u>	<u>\$ 39,960</u>	<u>\$ 728,320</u>

See accompanying notes to financial statements.

**Student Action with Farmworkers**  
**Statements of Cash Flows**  
For the Years Ended August 31, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Change in net assets	\$ (38,677)	\$ 38,568
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	2,946	1,829
Donated property and equipment	-	(10,184)
Return on assets held by communitiy foundation	(19,506)	4,315
Changes in assets and liabilities:		
Grants receivable	60,000	(1,833)
Accounts receivable	46,940	(56,729)
Prepaid expenses	(4,272)	(1,590)
Security deposit	1,594	(215)
Accounts payable	(887)	(943)
Accrued expenses	(2,176)	3,469
Net cash provided by (used in) operating activities	45,962	(23,313)
Cash Flows From Investing Activities		
Net cash provided by (used in) investing activities	-	-
Cash Flows From Financing Activities		
Net cash provided by (used in) financing activities	-	-
Net increase (decrease) in cash and cash equivalents	45,962	(23,313)
Cash and cash equivalents at beginning of year	115,626	138,939
Cash and cash equivalents at end of year	\$ 161,588	\$ 115,626
Supplemental Disclosures		
Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ -	\$ -

See accompanying notes to financial statements.

**Student Action with Farmworkers**  
**Notes to Financial Statements**  
August 31, 2017 and 2016

Note 1 - Nature of Activities

Student Action with Farmworkers (the Organization) was established to bring students and farmworkers together to learn about each other's lives, share resources and skills, improve conditions for farmworkers and build diverse coalitions working for social change.

The Organization accomplishes its mission by working with farmworkers to address their concerns through leadership development of young people, grassroots education, documentary and cultural arts, support of organizing, and policy advocacy.

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been classified as an organization that is not a private foundation.

Note 2 - Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Functional Allocation of Expenses

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

Cash and Cash Equivalents

As a general rule, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

For the years presented, cash equivalents also include a certificate of deposit worth approximately \$25,000 that matures annually with an interest rate of about one percent. Given the amounts involved, presentation of this item as a short-term investment is not considered necessary.



**Student Action with Farmworkers**  
**Notes to Financial Statements**  
August 31, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Receivables, Promises to Give and Revenue Recognition

Receivables and promises to give are stated at the amounts management expects to collect from balances outstanding at year end. The Organization uses the allowance method to determine uncollectible receivables and promises to give. The allowance is based on prior years' experience and management's analysis of specific amounts outstanding at year end. For the years presented, no allowance was considered necessary and all balances are expected to be collected within one year of the statement of financial position date.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Revenue from grants that are deemed to be exchange transactions are recognized at the time the reimbursable expenses are incurred.

Property and Equipment

Property and equipment is stated at cost for purchased assets and at fair market value on the date of the gift for donated assets. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily or permanently restricted contributions. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (3-10 years). Maintenance, repairs and small equipment purchases are charged to expense when incurred. Betterments and renewals in excess of \$500 are capitalized. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation amounts are removed and any gain or loss is recorded.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and classified as a public charity under 170(b)(1)(A)(vi). It is also exempt from North Carolina income and franchise taxes under the North Carolina Non-Profit Corporation Act. It is responsible for unrelated business income, if any. No provision has been made for income taxes in the financial statements. Furthermore, the Organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The IRS Form 990 and other tax returns generally remain subject to examination by the taxing authorities for three years after they are filed.

Non-Cash Contributions

Donated property, marketable securities and other non-cash donations are recorded as contributions at their estimated fair value as of the date of donation.

# Student Action with Farmworkers

## Notes to Financial Statements

August 31, 2017 and 2016

### Note 2 - Summary of Significant Accounting Policies (Continued)

#### Non-Cash Contributions (Continued)

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

The Organization receives donated specialized consulting, computer management and documentary services, prizes for special events, catering and other goods and services. In addition, a substantial number of volunteers have donated significant amounts of their time for both program and supporting services. Management estimates that the Organization received approximately 11,000 and 13,000 volunteer hours for the years ended August 31, 2017 and 2016, respectively. No amounts have been reflected in the financial statements for these volunteer services since they did not meet the criteria for recognition.

#### Fair Value Measurements

U.S. GAAP establishes 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 or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

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

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

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Organization had no Level 3 assets or liabilities for the years presented.

### Note 3 - Concentrations

Certain employees of the Organization's labor force (representing approximately 75% of the Organization's employees for the years presented) are members of the Communication Workers of America, Local 32035. The Organization's most recent contract with the Union was entered into during fiscal year 2016. The contract is effective from September 1, 2016 to August 31, 2019. The union contract covers all of the Organization's non-management employees.

**Student Action with Farmworkers**  
**Notes to Financial Statements**  
August 31, 2017 and 2016

Note 3 - Concentrations (Continued)

The Organization received approximately 15% and 30% of its revenue from one and two sources for the years ended August 31, 2017 and 2016, respectively. A significant reduction in this level of support, if this were to occur, could have a significant impact on the Organization programs and activities

Note 4 - Beneficial Interest in Assets Held by Community Foundation

In March 2014, the Organization transferred \$175,000 to the Triangle Community Foundation (the Foundation) in exchange for future distributions of the non-endowment agency fund (the Fund). The Foundation reports the Fund as both an asset and a liability, since the assets in the Fund are considered as belonging to the Organization. The Fund consists of socially responsible investments with approximately 65% in equity securities and 35% in fixed income securities. The portfolio is considered to be a Level 2 item in the fair value hierarchy described in Note 2 above. In this case, investments are held in a pool of publicly traded assets. The pool of assets is valued based on the net asset value of the shares held by the pool. The Organization values its portion of the pool based on its respective percentage of the asset pool's total value.

The Board of Directors of the Foundation has complete legal and fiduciary control of assets of the Fund, including, but not limited to, full authority and discretion as to investment and reinvestment of assets. The Fund and all funds therein shall be administered by the Foundation subject to its Charter and Bylaws, including the power contained therein for the Board of Directors of the Foundation to modify any restrictions or conditions if in their sole judgment (without the approval of any trustee, custodian, or agent) such restrictions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation.

Note 5 - Property and Equipment

An analysis of cost, accumulated depreciation, net book value of property and equipment, and the estimated useful life used in computing depreciation is summarized as follows:

	2017	2016
Vehicles	\$ 12,894	\$ 12,894
Office equipment	13,176	13,176
	26,070	26,070
Less accumulated depreciation	(16,938)	(13,992)
	\$ 9,132	\$ 12,078

Depreciation expense for the years ended August 31, 2017 and 2016 totaled \$2,946 and \$1,829, respectively.

**Student Action with Farmworkers**  
**Notes to Financial Statements**  
August 31, 2017 and 2016

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available from the following organizations for program activity:

	2017	2016
Blue Cross Blue Shield Foundation of North Carolina	\$ 18,045	\$ -
Z. Smith Reynolds Foundation	-	60,000
Triangle Community Foundation	-	15,125
United Way of the Greater Triangle	-	12,068
Foundation for Health Leadership & Innovation	-	5,000
	\$ 18,045	\$ 92,193

Note 7 - Related Party Transactions

The Organization received contributions from another not-for-profit entity that employs a staff member who also serves on the Organizations' Board of Directors. For the years ended August 31, 2017 and 2016, such contributions amounted to \$10,000 in cash and \$34,182 in donated use of office space and administrative services.

The Organization paid \$10,500 in fiscal year 2016 to a law firm that employed the husband of a Board member of the Organization.

It is not unusual for members of the Board of Directors to serve as staff members of other entities that choose to host student interns of the Organization and for these entities to make contributions to defray the interns' costs to the Organization. The amounts involved for the years presented are not considered material to the financial statements taken as a whole.

Note 8 - Retirement Plans

The Organization maintains a tax deferred retirement benefit plan called the Progress Sharing Plan (the Plan or PSP). The Plan covers full-time employees as of September 1, 1999 or employees who have completed one year of service and have attained age 21. The employer makes discretionary contributions to the Plan each year and the contribution is "allocated" or divided among participants eligible to share in the contribution for the Plan depending upon how much compensation the employee received during the year and the compensation received by other eligible employees. For the years ended August 31, 2017 and 2016, contributions to this plan were \$5,843 and \$4,576, respectively. These contributions represent 2% of eligible employee annual salaries for fiscal years 2017 and 2016 minus forfeitures.

The Organization also maintains a tax deferred 403(b) retirement plan that allows for employee deferrals, but not employer contributions.

**Student Action with Farmworkers**  
**Notes to Financial Statements**  
August 31, 2017 and 2016

Note 8 - Retirement Plans (Continued)

On May 15, 2017, employee balances in the 403(b) plan were transferred via rollover to the Progress Sharing Plan. The PSP allows for non-employer matched employee deferrals and consolidating the plans reduces administration.

Note 9 - Subsequent Events

In accordance with U.S. GAAP, the Organization has evaluated all events subsequent to the statement of financial position date of August 31, 2017, through November 21, 2017, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure.