



C O R N U C O P I A

I N S T I T U T E

FINANCIAL STATEMENTS

December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Cornucopia Institute, Inc.
Viroqua, Wisconsin

We have audited the accompanying financial statements of The Cornucopia Institute, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended December 31, 2019, 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 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 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 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 The Cornucopia Institute, Inc. as of December 31, 2019 and 2018, 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.

Adoption of New Accounting Guidance

As discussed in Note 1 to the financial statements, The Cornucopia Institute, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued clarifying ASUs and ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of January 1, 2019. Our opinion is not modified with respect to this matter.



Wegner CPAs, LLP
Madison, Wisconsin
June 8, 2020

THE CORNUCOPIA INSTITUTE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash	\$ 1,437,215	\$ 1,670,112
Promises to give, net	15,000	45,930
Accounts receivable	30,733	55,923
Prepaid expenses	3,005	3,610
Investments	5,542	7,472
Equipment, net	167	680
Total assets	\$ 1,491,662	\$ 1,783,727
LIABILITIES		
Accounts payable	\$ 25,674	\$ 24,826
Accrued payroll and taxes	31,091	47,280
Total liabilities	56,765	72,106
NET ASSETS		
Without donor restrictions	1,419,897	1,692,691
With donor restrictions	15,000	18,930
Total net assets	1,434,897	1,711,621
Total liabilities and net assets	\$ 1,491,662	\$ 1,783,727

See accompanying notes.

THE CORNUCOPIA INSTITUTE, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Foundation and corporate contributions	\$ 159,722	\$ 367,522
Member and private contributions	405,188	540,967
In-kind contributions	4,085	16,986
Investment return, net	29,289	17,815
Other revenue	<u>1,399</u>	<u>6,508</u>
Total revenues	599,683	949,798
EXPENSES		
Program services		
Education	256,412	252,361
Research and analysis	256,412	252,361
Monitoring and reporting	<u>69,425</u>	<u>56,596</u>
Total program services	582,249	561,318
Management and general	211,853	214,504
Fundraising	<u>82,305</u>	<u>59,082</u>
Total expenses	876,407	834,904
Net assets released from restrictions	<u>3,930</u>	<u>55,000</u>
Change in net assets without donor restrictions	(272,794)	169,894
NET ASSETS WITH DONOR RESTRICTIONS		
Net assets released from restrictions	<u>(3,930)</u>	<u>(55,000)</u>
Change in net assets	(276,724)	114,894
Net assets at beginning of year	<u>1,711,621</u>	<u>1,596,727</u>
Net assets at end of year	<u><u>\$ 1,434,897</u></u>	<u><u>\$ 1,711,621</u></u>

See accompanying notes.

THE CORNUCOPIA INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Program Services				Supporting Activities		Total Expenses
	Education	Research and Analysis	Monitoring and Reporting	Total Program Services	Management and General	Fundraising	
Personnel	\$ 165,558	\$ 165,558	\$ 36,791	\$ 367,907	\$ 119,368	\$ 64,833	\$ 552,108
Printing and mailing house	25,859	25,859	5,746	57,464	1,597	4,789	63,850
Professional fees	-	-	12,446	12,446	46,003	-	58,449
Contract and labor management	21,454	21,454	4,767	47,675	-	-	47,675
Postage and delivery	12,626	12,626	2,806	28,058	2,161	2,061	32,280
Travel and entertainment	8,215	8,215	1,826	18,256	5,133	3,224	26,613
Telephone and internet	9,708	9,708	2,157	21,573	350	350	22,273
Licenses, permits, and fees	-	-	-	-	13,120	5,096	18,216
Information technology	6,890	6,890	1,531	15,311	1,528	1,093	17,932
Meetings and conferences	838	838	186	1,862	11,163	-	13,025
Miscellaneous expense	323	323	71	717	5,131	-	5,848
Database management	1,529	1,529	340	3,398	778	778	4,954
Rent	1,800	1,800	400	4,000	-	-	4,000
Insurance	-	-	-	-	3,754	-	3,754
Graphics and video	1,454	1,454	323	3,231	-	-	3,231
Supplies	-	-	-	-	1,686	-	1,686
Depreciation	158	158	35	351	81	81	513
Total expenses	\$ 256,412	\$ 256,412	\$ 69,425	\$ 582,249	\$ 211,853	\$ 82,305	\$ 876,407

See accompanying notes.

THE CORNUCOPIA INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Program Services				Supporting Activities		Total Expenses
	Education	Research and Analysis	Monitoring and Reporting	Total Program Services	Management and General	Fundraising	
Personnel	\$ 185,624	\$ 185,624	\$ 41,250	\$ 412,498	\$ 131,030	\$ 43,160	\$ 586,688
Printing and mailing house	13,138	13,138	2,920	29,196	811	2,433	32,440
Professional fees	-	-	518	518	40,997	-	41,515
Contract and labor management	13,185	13,185	2,930	29,300	-	-	29,300
Postage and delivery	7,657	7,657	1,702	17,016	1,321	1,545	19,882
Travel and entertainment	6,806	6,806	1,512	15,124	4,427	1,597	21,148
Telephone and internet	7,533	7,533	1,673	16,739	400	400	17,539
Licenses, permits, and fees	-	-	-	-	13,641	7,368	21,009
Information technology	7,978	7,978	1,773	17,729	3,060	417	21,206
Meetings and conferences	560	560	125	1,245	8,126	-	9,371
Miscellaneous expense	777	777	173	1,727	1,363	-	3,090
Database management	1,896	1,896	420	4,212	839	839	5,890
Rent	4,950	4,950	1,099	10,999	1,163	1,163	13,325
Insurance	-	-	-	-	3,804	-	3,804
Graphics and video	1,897	1,897	421	4,215	-	-	4,215
Supplies	-	-	-	-	3,362	-	3,362
Depreciation	360	360	80	800	160	160	1,120
Total expenses	\$ 252,361	\$ 252,361	\$ 56,596	\$ 561,318	\$ 214,504	\$ 59,082	\$ 834,904

See accompanying notes.

THE CORNUCOPIA INSTITUTE, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (276,724)	\$ 114,894
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	513	1,120
Net realized and unrealized loss (gain) on investments	-	2,450
Decrease (increase) in assets		
Promises to give	30,930	28,038
Accounts receivable	25,190	43,115
Prepaid expenses	605	(1,438)
Increase (decrease) in liabilities		
Accounts payable	848	(5,742)
Accrued payroll and taxes	(16,189)	(6,953)
Net cash flows from operating activities	<u>(234,827)</u>	<u>175,484</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	<u>1,930</u>	<u>(3,525)</u>
Net change in cash	(232,897)	171,959
Cash at beginning of year	<u>1,670,112</u>	<u>1,498,153</u>
Cash at end of year	<u><u>\$ 1,437,215</u></u>	<u><u>\$ 1,670,112</u></u>

See accompanying notes.

THE CORNUCOPIA INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

The Cornucopia Institute, Inc. (“Cornucopia”) is a non-profit organization that engages in educational activities supporting the ecological principles and economic wisdom underlying sustainable and organic agriculture. Through research and investigations on agricultural issues, Cornucopia provides needed information to consumers, family farmers, and the media. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Promises to Give

Unconditional promises to give are recognized as support or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Uncollectible promises are written off after management makes reasonable collection efforts and determines the promises will not be collected.

Accounts Receivable

Cornucopia considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If accounts become uncollectible, they will be charged to operations when that determination is made.

Investments

Cornucopia reports investments in marketable equity securities with readily determinable fair values are stated at their fair value in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Equipment

Purchases of equipment in excess of \$1,000 are capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the assets.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

THE CORNUCOPIA INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Cornucopia. Volunteers also provide various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria are not met.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, contract and labor management, information technology, printing and mailing house, rent, telephone and internet, and depreciation, which are allocated on the basis of estimates of time and effort.

Certain costs have been allocated among the major program services and supporting activities benefited. Cornucopia's major programs are as follows:

Education – Cornucopia educates members and the general public on issues affecting the integrity of organic agriculture and food, sustainable and local food, and direct marketing via newsletters, website, speaking engagements, journal articles, and research reports.

Research and Analysis – Cornucopia conducts in-depth and ongoing analysis of organic dairying, organic poultry, and organic beef, as well as research on organic eggs, yogurt, and other commodities.

Monitoring and Reporting – Cornucopia monitors and comments on the regulatory processes surrounding the organic standards and the actions of the NOSB and NOP; monitors accredited certifier compliance to the organic standards; tracks developments in genetically modified agriculture and impacts on organic food producers; and monitors and researches food safety issues.

Management and General – Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of Cornucopia's program strategy; secure proper administrative functioning of the board of directors; maintain competent legal services for the program administration of the Cornucopia; and manage the financial and budgetary responsibilities of Cornucopia.

Fundraising – Provides the structure necessary to encourage and secure private financial contributions from individuals, foundations, cooperatives, and corporations.

THE CORNUCOPIA INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Guidance

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs supersedes the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Cornucopia adopted the requirements of the new guidance as of January 1, 2019, using the modified retrospective method of transition. In applying the new guidance, Cornucopia elected to use the practical expedient that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019.

The majority of Cornucopia's revenue is recognized at a point in time based on the transfer of control. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. In addition, the majority of Cornucopia's contracts do not contain variable consideration and contract modifications are generally minimal.

The adoption of the new guidance did not have a significant impact on Cornucopia's financial statements. The majority of Cornucopia's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on Cornucopia's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new guidance.

Also, on June 21, 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions (that is, revenue from contracts with customers) or contributions. The ASU also assists entities in determining whether a contribution is conditional. Cornucopia adopted the requirements of the ASU as of January 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of January 1, 2019, or entered into after that date.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

THE CORNUCOPIA INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

Cornucopia is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Date of Management's Review

Management has evaluated subsequent events through June 8, 2020, the date which the financial statements were available to be issued.

NOTE 2 – CASH

Cash consisted of the following:

	<u>2019</u>	<u>2018</u>
Checking and money market	\$ 210,859	\$ 478,153
Certificates of deposit	<u>1,226,356</u>	<u>1,191,959</u>
Cash	<u>\$ 1,437,215</u>	<u>\$ 1,670,112</u>

NOTE 3 – PROMISES TO GIVE

All unconditional promises to give at December 31, 2019 and 2018 were receivable in less than one year. Unconditional promises to give receivable in more than one year are discounted at 2.5%.

NOTE 4 – EQUIPMENT

Equipment consisted of the following:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 2,327	\$ 5,977
Accumulated depreciation	<u>(2,160)</u>	<u>(5,297)</u>
Equipment, net	<u>\$ 167</u>	<u>\$ 680</u>

NOTE 5 – NET ASSETS

Net assets with donor restrictions at December 31, 2019 and 2018 were restricted for subsequent years' activities.

THE CORNUCOPIA INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 6 – INVESTMENTS

Investments consisted of the following and the fair values of these assets measured on a recurring basis are as follows:

	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Stocks	\$ 5,494	\$ 5,494	\$ -	\$ -
Investments - 2019	<u>\$ 5,542</u>	<u>\$ 5,542</u>	<u>\$ -</u>	<u>\$ -</u>
Stocks	\$ 7,472	\$ 7,472	\$ -	\$ -
Investments - 2018	<u>\$ 7,472</u>	<u>\$ 7,472</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for stocks are determined by reference to quoted market prices and in active markets.

NOTE 7 – LIQUIDITY AND AVAILABILITY

Cornucopia's board of directors has designated net assets without donor restrictions in the Legacy Fund, to support long-term operations of Cornucopia.

The following table reflects Cornucopia's financial assets as of the date of the statement of financial position reduced by amounts that are not available to meet cash needs for general expenditures within one year of the date of the statement of financial position because of donor-imposed restrictions.

Cash	\$ 1,437,215
Accounts receivable	30,733
Promises to give, net	15,000
Investments	<u>5,542</u>
Financial assets, at year-end	1,488,490
Less those unavailable for general expenditures within one year:	
Due to board-designated Legacy Fund	(1,048,000)
Due to donor restricted funds	<u>(15,000)</u>
Financial assets, at year-end, available to meet cash needs for general expenditures within one year	<u>\$ 425,490</u>

THE CORNUCOPIA INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 7 – LIQUIDITY AND AVAILABILITY (continued)

Financial assets not available for general expenditures include \$1,048,000 at December 31, 2019 set aside to support long-term operations of Cornucopia. However, these board-designated funds could be made available if necessary.

Cornucopia is substantially supported by contributions with and without restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Cornucopia must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of Cornucopia's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 8 – SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States which escalated in March 2020 has resulted in a decrease in Cornucopia's revenue due to a decrease in contributions received from its donors. The ultimate disruption and effect on Cornucopia is uncertain; however, it may result in a material adverse impact on the Organization's financial position, activities, and cash flows. Possible effects may include, but are not limited to, disruption to the Organization's donors and revenues. However, the related financial impact and duration cannot be reasonably estimated at this time.