

LYNCHBURG GROWS, INC

FINANCIAL STATEMENTS

Year Ended December 31, 2016

Independent Auditor's Report

The Board of Directors of
Lynchburg Grows, Inc.
Lynchburg, Virginia

We have audited the accompanying financial statements of Lynchburg Grows, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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.

Auditor's 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 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 Lynchburg Grows, Inc. as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Boechman, Dinkard & Remington

July 27, 2017

LYNCHBURG GROWS, INC
Statement of Financial Position
December 31, 2016

ASSETS

Current Assets:

Cash

Property and Equipment

Buildings & improvements \$ 303,673

Land 193,297

Furniture and equipment 67,978

\$ 564,948

Less accumulated depreciation 130,197

Total Assets

LIABILITIES AND NET ASSETS

Current Liabilities:

Long-term note payable, current maturity \$ 12,399

Unsecured note payable 15,000

Long-term liabilities:

Note payable, less current maturity

Total Liabilities

Net Assets:

Unrestricted \$ 315,518

Temporarily restricted 14,195

Total Liabilities and Net Assets

See accompanying notes to financial statements

\$ 24,824

434,751

\$ 459,575

\$ 27,399

102,463

\$ 129,862

329,713

\$ 459,575

See accompanying notes to financial statements

LYNCHBURG GROWS, INC.
Statement of Activities
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
CHANGES IN NET ASSETS		
REVENUES AND GAINS		
Contributions	\$ 58,315	\$ -
Grants	27,772	42,004
Sales (community supported & other)	75,886	-
Supported employment funds	32,189	-
Rental income	10,140	-
Warehouse income		
(net of expenses of \$14,740)	3,310	-
Fundraising (net of expenses of \$3,373)	4,698	-
Other	151	-
	<u>\$ 212,461</u>	<u>\$ 42,004</u>
NET ASSETS RELEASED FROM		
RESTRICTIONS		
	<u>\$ 27,809</u>	<u>\$ (27,809)</u>
Total Revenues and Gains	<u>\$ 240,270</u>	<u>\$ 14,195</u>
Program services	\$ 197,552	\$ -
Supporting services		
Administration	22,284	-
Fund raising	7,777	-
	<u>\$ 227,613</u>	<u>\$ -</u>
<u>Increase in Net Assets</u>	\$ 12,657	\$ 14,195
UNRESTRICTED NET ASSETS, BEGINNING	<u>302,861</u>	<u>-</u>
UNRESTRICTED NET ASSETS, ENDING	<u>\$ 315,518</u>	<u>\$ 14,195</u>

See accompanying notes to financial statements

<u>Total</u>	
\$	58,315
	69,776
	75,886
	32,189
	10,140
	3,310
	4,698
	<u>151</u>
\$	<u>254,465</u>
\$	<u>-</u>
\$	<u>254,465</u>
\$	197,552
	22,284
	<u>7,777</u>
\$	<u>227,613</u>
\$	26,852
	<u>302,861</u>
\$	<u>329,713</u>

See accompanying notes to financial statements

LYNCHBURG GROWS, INC
Statement of Functional Expenses
For the Year Ended December 31, 2016

	<u>SUPPORTING SERVICES</u>			
	<u>Program Services</u>	<u>Administration</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>
Salaries	\$ 81,887	\$ 9,634	\$ 4,817	\$ 14,451
Payroll taxes	<u>9,800</u>	<u>1,153</u>	<u>576</u>	<u>1,729</u>
 <u>Total Salaries and Related Expenses</u>	 \$ 91,687	 \$ 10,787	 \$ 5,393	 \$ 16,180
 Office supplies	 1,079	 127	 64	 191
Repairs and maintenance	1,139	134	67	201
Merchant service & bank fees	1,622	-	-	-
Advertising	2,622	-	-	-
Professional fees	-	2,653	-	2,653
Printing and publications	2,521	-	133	133
Housing allowance	-	3,500	-	3,500
Subcontractors	4,945	-	-	-
Miscellaneous	5,788	-	-	-
Taxes & licenses	5,434	639	320	959
Mortgage interest	6,467	-	-	-
Insurance	7,599	844	-	844
Supplies	8,663	-	-	-
Utilities	17,374	2,044	1,022	3,066
Purchased produce	<u>27,383</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <u>Total Expenses before Depreciation</u>	 \$ 184,323	 \$ 20,728	 \$ 6,999	 \$ 27,727
 Depreciation	 <u>13,229</u>	 <u>1,556</u>	 <u>778</u>	 <u>2,334</u>
 <u>Total Functional Expenses</u>	 <u>\$ 197,552</u>	 <u>\$ 22,284</u>	 <u>\$ 7,777</u>	 <u>\$ 30,061</u>

See accompanying notes to financial statements

Total
Expenses

\$ 96,338
11,529

\$ 107,867

1,270
1,340
1,622
2,622
2,653
2,654
3,500
4,945
5,788
6,393
6,467
8,443
8,663
20,440
27,383

\$ 212,050

15,563

\$ 227,613

See accompanying notes to financial statements

LYNCHBURG GROWS, INC
Statement of Cash Flows
For the Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 26,852
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	<u>15,563</u>
<u>Net Cash from Operating Activities</u>	<u>\$ 42,415</u>
CASH FLOWS (USED IN) INVESTING ACTIVITIES:	
Capital improvements and purchases	<u>\$ (100,786)</u>
CASH FLOWS (USED IN) FINANCING ACTIVITIES	
Net decrease in long term debt	<u>\$ (11,654)</u>
NET DECREASE IN CASH	\$ (70,025)
CASH AT BEGINNING OF YEAR	<u>94,849</u>
CASH AT END OF YEAR	<u>\$ 24,824</u>
CASH PAID FOR INTEREST	<u>\$ 6,467</u>

See accompanying notes to financial statements

See accompanying notes to financial statements

LYNCHBURG GROWS, INC
Notes to Financial Statements
December 31, 2016

1. Nature of Activities and Significant Accounting Policies -

Nature of Activities -

Lynchburg Grows, Inc. (the organization) is a private, nonprofit organization located in Lynchburg, Virginia. The organization's mission is to work with the community to provide access to and to provide long-term, stable employment to individuals with mental and physical disabilities. The community supported agricultural program supports more than 100 families for an extended season each year.

Summary of Significant Accounting Policies -

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization operating as a private foundation. As such, only unrelated business income, as defined by Section 513 of the Code, is subject to federal income tax. The organization currently has no unrelated business income.

Donated Services

The Organization receives a substantial amount of services donated by its members and volunteers in the course of its activities. No amounts have been reflected in the financial statements for donated services since they do not meet the criteria for recognition under current accounting standards.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets when the restriction expires in the reporting period in which the support is recognized. All other donor support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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LYNCHBURG GROWS, INC
Notes to Financial Statements
December 31, 2016

1. Nature of Activities and Significant Accounting Policies, continued -

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value unrestricted support unless the donor has restricted the donated asset to a specific purpose. Contributions of cash that must be used to acquire property and equipment are recorded as restricted support. Absent donor stipulations regarding how long those donated assets remain restricted, the Organization reclassifies temporarily restricted net assets to unrestricted net assets when the donor restrictions expire. Property and equipment is depreciated using the straight-line method. Tangible and equipment purchases over \$500.

Financial Statement Presentation

Financial statement presentation follows current accounting standards under which, the information regarding its financial position and activities according to three classes of net assets: temporarily restricted net assets, and permanently restricted net assets. Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, changes therein are classified and reported as follows:

Unrestricted net assets -

Net assets that are not subject to donor-imposed stipulations.

Net Cash (used in) Operating Activities

Net assets subject to donor-imposed stipulations that may or will be met, either by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets -

Net assets subject to donor-imposed stipulations that may be maintained permanently. If donors of these assets permit the Museum to use all or part of the income earned on these assets for specific purposes.

value. Such donations are reported as
purpose. Assets donated with explicit
property and equipment are reported as
must be maintained, the Organization
service as instructed by the donor.
at that time. Purchased assets are
the Organization capitalizes property

the Organization is required to report
net assets; unrestricted net assets,
revenues, expenses, gains, and losses
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by actions of the Museum and/or the
classified to unrestricted net assets and

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any related net assets for general or

LYNCHBURG GROWS, INC.
Notes to Financial Statements
December 31, 2016

1. Nature of Activities and Significant Accounting Policies, continued -

Functional Allocation of Expenses

The costs of providing the Organization's program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash Equivalents

For purposes of the statement of cash flows, the organization considers all cash accounts and investments are not subject to withdrawal restrictions or penalties, and other highly liquid debt instruments payable with a maturity of three months or less to be cash or cash equivalents.

2 Investment Securities

While the organization does not own any investment assets, it has a beneficial interest in perpetuity (The Henriette Jones Gill Fund) managed by the Greater Lynchburg Community Trust. The income of the fund is shared equally with several other agencies in the Greater Lynchburg area. If an agency mentioned in the will ceases to exist the income is to be spread equally among the remaining agencies. \$11,223 was received by the organization from the fund in 2016.

3. Property and Equipment -

Basis and accumulated depreciation by class of property are summarized below:

	Basis	Accumulated Depreciation	Book Value
Buildings & improvements	\$ 303,673	\$ 76,989	\$ 226,684
Land	193,297	-	193,297
Furniture & equipment	67,978	53,208	14,770
	<u>\$ 564,948</u>	<u>\$ 130,197</u>	<u>\$ 434,751</u>

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LYNCHBURG GROWS, INC.
Notes to Financial Statements
December 31, 2016

4. Long-Term Note Payable

As of December 31, 2016, Long-term note payable consisted of the following:

Note payable in the original principal of \$140,267 payable to the Bank of the James with an interest rate of 5.250%. Monthly principal and interest payments of \$1,510 are due with a final maturity of September 24, 2024.	\$ 114,862
Less current maturities	<u>(12,399)</u>
	<u>\$ 102,463</u>
Future maturities for the years ending December 31:	
2018	\$ 13,066
2019	13,769
2020	14,509
2021	15,290
2022 and beyond	<u>45,829</u>
	<u>\$ 102,463</u>

5. Tax Information -

The Organization is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code, as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax.

The Organization follows professional standards in accounting for income taxes. Under these standards, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of these standards had no impact on the Organization's financial statements. The Organization's income tax filings are subject to audit by various taxing authorities. Open audit periods include its years ending December 31, 2013 through 2016. In evaluating the Organization's revenue sources, Organization management does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended December 31, 2016, there were no interest or penalties recorded in the Organization's financial statements.

LYNCHBURG GROWS, INC.
Notes to Financial Statements
December 31, 2016

6. Concentrations of Credit Risk - Cash Balances in Excess of Insured Limits -

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

7. Related party transactions -

The Organization has an outstanding loan, payable to one of its board members. The loan is unsecured and non-interest bearing with no specific terms of repayment. As of December 31, 2016 the loan balance was \$15,000. The Organization re-paid this loan in April 2017.

8. Subsequent Events -

Management has considered the impact of transactions that have occurred from December 31, 2016 through July 27, 2017. No transactions requiring disclosure have occurred.