

LYNCHBURG GROWS, INC

FINANCIAL STATEMENTS

Year Ended December 31, 2018

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, 2018, 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, 2018, 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.

Brockman, Drinkard & Pennington

October 11, 2019

LYNCHBURG GROWS, INC
Statement of Financial Position
December 31, 2018

ASSETS

Current Assets:		
Cash	\$ 226,562	
Other receivables	<u>87,566</u>	\$ 314,128
Property and Equipment		
Buildings & improvements	\$ 336,881	
Land	193,297	
Furniture and equipment	<u>32,756</u>	
	\$ 562,934	
Less accumulated depreciation	<u>126,962</u>	435,972
<u>Total Assets</u>		<u>\$ 750,100</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 950	
Long-term note payable, current maturity	<u>13,769</u>	\$ 14,719
Long-term liabilities:		
Note payable, less current maturity		<u>75,800</u>
<u>Total Liabilities</u>		<u>90,519</u>
Net Assets:		
Without donor restrictions	\$ 427,335	
With donor restrictions	<u>232,246</u>	
		659,581
<u>Total Liabilities and Net Assets</u>		<u>\$ 750,100</u>

See accompanying notes to financial statements

LYNCHBURG GROWS, INC.
Statement of Activities
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
CHANGES IN NET ASSETS			
REVENUES AND GAINS			
Contributions	\$ 72,641	\$ -	\$ 72,641
Grants	31,242	138,830	170,072
Sales (community supported & other net of expenses of \$24,712)	59,666		59,666
Supported employment funds	25,000	-	25,000
Rental income	15,000	-	15,000
Fundraising (net of expenses of \$7,195)	16,212	-	16,212
Gain/(loss) on investments	(110)		
Other	1,466	-	1,466
	<u>\$ 221,117</u>	<u>\$ 138,830</u>	<u>\$ 360,057</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 56,432</u>	<u>\$ (56,432)</u>	<u>\$ -</u>
Total Revenues and Gains	<u>\$ 277,549</u>	<u>\$ 82,398</u>	<u>\$ 360,057</u>
Program services	<u>\$ 180,686</u>	<u>\$ -</u>	<u>\$ 180,686</u>
Supporting services			
Administration	23,244	-	23,244
Fund raising	7,728	-	7,728
Total Expenses	<u>\$ 211,658</u>	<u>\$ -</u>	<u>\$ 211,658</u>
Increase in Net Assets	<u>\$ 65,891</u>	<u>\$ 82,398</u>	<u>\$ 148,289</u>
UNRESTRICTED NET ASSETS, BEGINNING	<u>361,444</u>	<u>149,848</u>	<u>511,292</u>
UNRESTRICTED NET ASSETS, ENDING	<u>\$ 427,335</u>	<u>\$ 232,246</u>	<u>\$ 659,581</u>

See accompanying notes to financial statements

LYNCHBURG GROWS, INC
Statement of Functional Expenses
For the Year Ended December 31, 2018

	<u>SUPPORTING SERVICES</u>				<u>Total Expenses</u>
	<u>Program Services</u>	<u>Administration</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	
Salaries	\$ 79,734	\$ 9,381	\$ 4,690	\$ 14,071	\$ 93,805
Payroll taxes	<u>6,660</u>	<u>784</u>	<u>392</u>	<u>1,176</u>	<u>7,836</u>
<u>Total Salaries and Related Expenses</u>	\$ 86,394	\$ 10,165	\$ 5,082	\$ 15,247	\$ 101,641
Office supplies	2,604	306	153	459	3,063
Repairs and maintenance	13,043	1,534	767	2,301	15,344
Merchant service & bank fees	144	-	-	-	144
Advertising	1,330	-	-	-	1,330
Professional fees	-	7,118	-	7,118	7,118
Printing and publications	1,639	-	86	86	1,725
Assistance - individuals	2,744	-	-	-	2,744
Subcontractors	3,250	-	-	-	3,250
Miscellaneous	2,702	-	-	-	2,702
Taxes & licenses	5,554	653	327	980	6,534
Mortgage interest	5,140	-	-	-	5,140
Insurance	7,571	841	-	841	8,412
Supplies	9,057	-	-	-	9,057
Utilities	<u>22,328</u>	<u>2,627</u>	<u>1,313</u>	<u>3,940</u>	<u>26,268</u>
<u>Total Expenses before Depreciation</u>	\$ 163,500	\$ 23,244	\$ 7,728	\$ 30,972	\$ 194,472
Depreciation	<u>17,186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,186</u>
<u>Total Functional Expenses</u>	<u>\$ 180,686</u>	<u>\$ 23,244</u>	<u>\$ 7,728</u>	<u>\$ 30,972</u>	<u>\$ 211,658</u>

See accompanying notes to financial statements

LYNCHBURG GROWS, INC
Statement of Cash Flows
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 148,289
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	17,186
Changes in assets and liabilities:	
Net change in receivables	(86,164)
Net change in payables	<u>950</u>
<u>Net Cash from Operating Activities</u>	<u>\$ 80,261</u>
CASH FLOWS (USED IN) INVESTING ACTIVITIES:	
Capital improvements and purchases	<u>\$ (36,267)</u>
CASH FLOWS (USED IN) FINANCING ACTIVITIES	
Net decrease in long term debt	<u>\$ (12,982)</u>
NET DECREASE IN CASH	<u>\$ 31,012</u>
CASH AT BEGINNING OF YEAR	<u>195,550</u>
CASH AT END OF YEAR	<u>\$ 226,562</u>
CASH PAID FOR INTEREST	<u>\$ 5,140</u>

See accompanying notes to financial statements

LYNCHBURG GROWS, INC
Notes to Financial Statements
December 31, 2018

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 healthy food 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 growing 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 and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. As such, only unrelated business income, as defined by Section 509(a)(1) 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 in carrying out 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 not restricted by the donor is reported as an increase in net assets without restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions.

LYNCHBURG GROWS, INC
Notes to Financial Statements
December 31, 2018

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. Such donations are reported as unrestricted support 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 restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies donor restricted net assets to without donor restrictions net assets at that time. Purchased assets are recorded at cost. Property and equipment is depreciated using the straight-line method. The Organization capitalizes property and equipment purchases over \$500.

Financial Statement Presentation

Financial statement presentation follows established professional standards and accounting requirements, that require the Organization to report information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows.

Net Assets Without Donor Restrictions

Net assets without donor restrictions included resources which represent the portion of funds that are available for the operating objectives of the Organization.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of donor-related contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as donor restricted net assets at year end. When the donor restriction expires, that is, when a stipulated time or purpose restriction 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."

LYNCHBURG GROWS, INC.
Notes to Financial Statements
December 31, 2018

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 which are not subject to withdrawal restrictions or penalties, and other highly liquid debt instruments purchased 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 perpetual trust (The Henriette Jones Gill Fund) managed by the Greater Lynchburg Community Trust. The income from the fund is shared equally with several other agencies in the Greater Lynchburg area. If an agency that is mentioned in the will ceases to exist the income is to be spread equally among the remaining agencies. \$11,003 was received by the organization from the fund in 2018.

3. Property and Equipment -

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

	<u>Basis</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Buildings & improvements	\$ 336,881	\$ 105,107	\$ 231,774
Land	193,297	-	193,297
Furniture & equipment	32,756	21,855	10,901
	<u>\$ 562,934</u>	<u>\$ 126,962</u>	<u>\$ 435,972</u>

LYNCHBURG GROWS, INC.
Notes to Financial Statements
December 31, 2018

4. Long-Term Note Payable

As of December 31, 2018, 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.

	\$	89,569
Less current maturities		(13,769)
	\$	75,800

Future maturities for the years ending December 31:

2020	\$	14,509
2021		15,290
2022		16,112
2023		16,978
2024 and beyond		12,911
	\$	75,800

5. 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.

6. 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, 2016 through 2018. 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, 2018, there were no interest or penalties recorded in the Organization's financial statements.

LYNCHBURG GROWS, INC.
Notes to Financial Statements
December 31, 2018

7. Liquidity

The Organization's financial assets are available for general expenditure, that is, without restrictions limiting their use, within one year of the statement of financial position, are as follows.

Cash	\$	226,562
Other receivables		<u>87,566</u>
Financial assets, at year end		314,128
Less those unavailable for expenditure within one year, due to:		
Restrictions by donor with time or purpose restrictions		<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>314,128</u>

As part of the Organization'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.

8. Net Assets With Donor Restrictions -

Substantially all of the donor-restrictions on net assets at December 31, 2018 are related to donor restricted gifts for specific projects.

Subject to expenditure for specified purpose

Packing shed renovations	\$	217,394
Fresh Rx		<u>14,852</u>
Total donor restrictions - temporary	\$	<u>232,246</u>

7. Subsequent Events -

Management has considered the impact of transactions that have occurred from December 31, 2018 through October 11, 2019. No transactions requiring disclosure have occurred.