

# **Shalom Farms, Inc.**

Financial Statements  
for the year ended  
December 31, 2017

(with comparative information for the year ended December 31, 2016)

# Shalom Farms, Inc.

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**Frank Barcalow, CPA, P.L.L.C.**  
**108 Westchester**  
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## **Independent Accountant's Review Report**

The Board of Directors  
Shalom Farms, Inc.  
Richmond, Virginia

We have reviewed the accompanying financial statements of Shalom Farms, Inc. which comprise the statements of financial position as of December 31, 2017 and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

### ***Accountant's Responsibility***

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### ***Accountant's Conclusion***

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

***Frank Barcalow CPA, P.L.L.C.***

Frank Barcalow CPA, P.L.L.C.  
Richmond, Virginia  
March 1, 2018

## Statements of Financial Position

December 31, 2017

(with comparative totals for the year ended December 31, 2016)

<b>Assets</b>	<b>2017</b>	<b>2016</b>
<b>Current assets</b>		
Cash and Cash Equivalents	\$ 366,471	\$ 238,542
Certificate of deposit	111,429	110,212
Receivables	37,933	34,818
Prepaid expenses	13,278	10,539
<b>Total current assets</b>	<b>529,111</b>	<b>394,111</b>
<b>Property and equipment</b>		
Leasehold improvements	159,168	119,682
Vehicles	175,565	107,957
Equipment and furniture	178,441	151,451
Less: Accumulated depreciation	(128,855)	(67,851)
<b>Total property and equipment</b>	<b>384,319</b>	<b>311,239</b>
<b>Total assets</b>	<b>\$ 913,430</b>	<b>\$ 705,350</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts Payable	\$ 10,815	\$ 52,398
Payroll liabilities	6,193	6,696
<b>Total current liabilities</b>	<b>17,008</b>	<b>59,094</b>
<b>Commitments</b>		
<b>Net assets</b>		
Unrestricted	733,500	548,696
Temporarily restricted net assets	162,922	97,560
<b>Total net assets</b>	<b>896,422</b>	<b>646,256</b>
<b>Total liabilities and net assets</b>	<b>\$ 913,430</b>	<b>\$ 705,350</b>

See accompanying notes to the financial statements and independent accountants' review report.

# Statement of Activities

For the year ended December 31, 2017

(with summarized totals for the year ended December 31, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
<b>Support and revenue</b>				
Contributions & Grants	\$ 295,522	\$ 629,473	\$ 924,995	703,645
Program income	78,030	-	78,030	96,012
Miscellaneous income	1,041	-	1,041	-
	<u>374,593</u>	<u>629,473</u>	<u>1,004,066</u>	<u>799,657</u>
Net assets released from restrictions	<u>564,111</u>	<u>(564,111)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>938,704</u>	<u>65,362</u>	<u>1,004,066</u>	<u>799,657</u>
<b>Expenses</b>				
Program expenses	639,516	-	639,516	506,769
Supporting and administrative				
Administrative	53,291	-	53,291	52,145
Fundraising	61,093	-	61,093	13,979
	<u>114,384</u>	<u>-</u>	<u>114,384</u>	<u>66,124</u>
<b>Total supporting and administrative</b>	<u>114,384</u>	<u>-</u>	<u>114,384</u>	<u>66,124</u>
<b>Total expenses</b>	<u>753,900</u>	<u>-</u>	<u>753,900</u>	<u>572,893</u>
<b>Change in net assets</b>	184,804	65,362	250,166	226,764
<b>Net assets at beginning of year</b>	<u>603,946</u>	<u>42,310</u>	<u>646,256</u>	<u>419,492</u>
<b>Restatement</b>	<u>(55,250)</u>	<u>55,250</u>	<u>-</u>	<u>-</u>
<b>Net assets at beginning of year, restated</b>	<u>548,696</u>	<u>97,560</u>	<u>646,256</u>	
<b>Net assets at end of year</b>	<u>\$ 733,500</u>	<u>\$ 162,922</u>	<u>\$ 896,422</u>	<u>646,256</u>



## Statement of Functional Expenses

For the year ended December 31, 2017

(with comparative totals for the year ended December 31, 2016)

2017				
	Programs	Administrative	Fund Raising	Total
Salaries and benefits	\$ 291,334	\$ 30,569	\$ 53,248	\$ 375,151
Farm and urban programs	225,484	-	-	225,484
Payroll taxes	20,236	2,477	4,063	26,776
Professional fees	-	7,564	-	7,564
Occupancy	8,385	2,162	-	10,547
Insurance	20,463	1,070	-	21,533
Travel and vehicle maintenance	3,793	-	-	3,793
Office expense	8,075	6,157	3,782	18,014
Miscellaneous	1,287	2,692	-	3,979
Depreciation	60,459	600	-	61,059
<b>Total expenses</b>	<b>\$ 639,516</b>	<b>\$ 53,291</b>	<b>\$ 61,093</b>	<b>\$ 753,900</b>

  

2016				
	Programs	Administrative	Fund Raising	Total
Salaries and benefits	\$ 287,734	\$ 33,233	\$ 11,920	\$ 332,887
Farm and urban programs	124,493	-	-	124,493
Payroll taxes	20,664	2,542	912	24,118
Professional fees	-	9,534	-	9,534
Occupancy	12,838	-	-	12,838
Insurance	11,793	1,070	-	12,863
Travel and vehicle maintenance	5,267	-	-	5,267
Office expense	11,176	4,805	1,147	17,128
Miscellaneous	1,564	361	-	1,925
Depreciation	31,240	600	-	31,840
<b>Total expenses</b>	<b>\$ 506,769</b>	<b>\$ 52,145</b>	<b>\$ 13,979</b>	<b>\$ 572,893</b>

## Statement of Cash Flows

December 31, 2017

(with comparative totals for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 250,166	\$ 226,764
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used by) operating activities		
Depreciation	61,059	31,840
Donated in-kind income	(25,375)	(3,490)
Donated in-kind expenses	25,375	540
(Increase) in contributions and grants receivable	(3,115)	(17,124)
(Increase) in prepaid expenses	(2,739)	(4,745)
Increase (decrease) in accounts payable	(41,583)	43,284
Increase (decrease) in payroll liabilities	(503)	5,986
<b>Net cash provided by operations</b>	<u>263,285</u>	<u>283,055</u>
<b>Cash flows used in investing activities</b>		
Purchase of investments	(1,217)	(110,212)
Additions to property and equipment	<u>(134,139)</u>	<u>(290,379)</u>
<b>Net cash used in investing activities</b>	<u>(135,356)</u>	<u>(400,591)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	127,929	(117,536)
<b>Cash and cash equivalents, beginning of year</b>	<u>238,542</u>	<u>356,078</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 366,471</u>	<u>238,542</u>

**Notes to Financial Statements****December 31, 2017****(See Independent Accountants' Review Report)****Note 1 - Nature of activities and summary of significant accounting policies***Nature of activities*

Shalom Farms, Inc. is a non profit organization whose mission is to work with communities to ensure access to healthy food and the support to lead healthy lives. The Organization was formed in 2005. The Organization changed its name from Urban Methodist Urban Ministries of Richmond, Inc. to Shalom Farms, Inc. in March 2017. The majority of its revenue and support is provided by contributions and grants from corporations, foundations, businesses and individuals.

*Basis of accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under generally accepted accounting principles of the United States, the Organization is required to report 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. At the present time, the Organization does not have any permanently restricted net assets.

Permanently restricted net assets consist of assets whose use is limited by donor-imposed restrictions that do not expire with time. Temporarily restricted net assets consist of assets whose use is limited by donor-imposed stipulations, that can be fulfilled by the actions of the Organization pursuant to those stipulations or that expire by the passage of time. Unrestricted net assets are assets that are neither permanently nor temporarily restricted.

*Contribution Revenues*

Contribution revenues are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions.

Amounts restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a 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 statement of activities as net assets released from restrictions.

*Use of estimates*

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

*Equipment and depreciation*

Leasehold improvements, vehicles, furniture, and equipment are recorded at cost, or at fair market value, if donated. The Organization capitalizes all expenditures for capital assets in excess of \$1,000. Leasehold improvements, vehicles, furniture and equipment are depreciated over an estimated useful life of 3 to 10 years using the straight line method.



**Notes to Financial Statements**

**December 31, 2017**

**(See Independent Accountants' Review Report)**

**Note 1 - Summary of significant accounting policies (concluded)**

*Cash equivalents*

For purposes of the Statement of Cash Flows, the Organization considers highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

*Certificates of deposits*

Investments in certificates of deposits are reported at their fair value plus accrued interest.

*Grants and Pledges Receivable*

Pledges are recognized as revenue when the donor makes a pledge to give to the Organization that is, in substance, unconditional. Grants and pledges receivable that are expected to be collected within one year, are recorded at their net realizable value. Grants and pledges receivable that are expected to be collected in future years, are recorded at the present value of estimated future cash flows. Discounts on these amounts are computed using a risk-free interest rate applicable to the year in which the pledge is made. The Organization estimates that all grants and pledges receivable are fully collectible; therefore, no allowance for uncollectible amounts has been established.

*Donated services, equipment and materials*

The Organization recognizes assets, services, and supplies, and other items in accordance with FASB Accounting Standards Codification 958, *Not for Profit Entities*. All in-kind contributions are recorded when received at fair value as income and expenses or capitalized as property or equipment. The Organization does not imply time restrictions for gifts of long-lived assets. As a result, in the absence of donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenue. The Organization pays for most services requiring specific expertise. However, 5,480 individuals volunteered their time and perform a variety of tasks. Total contributed farming space was \$8,310 and other inkind donations was \$17,065 for a total of \$25,375 at December 31, 2017.

*Income Taxes*

The Internal Revenue Service has determined that the Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Organization are tax deductible as defined by Section 170 of the Internal Revenue Code. The Organization generally is no longer subject to examination by the Internal Revenue Service for the years before 2015.

*Allocation of expenses*

The costs of providing programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated between the program and supporting services benefitted.

*Comparative Financial Information*

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

**Notes to Financial Statements**

**December 31, 2017**

**(See Independent Accountants' Review Report)**

**Note 1 - Summary of significant accounting policies (concluded)**

*Advertising*

Advertising costs are expensed when incurred.

**Note 2 – Certificate of deposits**

The Organization currently has an outstanding certificate of deposit in the amount of \$111,429 as of December 31, 2017, due September 2021. Interest rate is 1.1%.

**Note 3 -Property and equipment**

Property, equipment and improvements at December 31 consists of the following:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 159,168	\$ 119,682
Furniture and equipment	178,441	151,451
Vehicles	<u>175,565</u>	<u>107,957</u>
	513,174	379,090
Less accumulated depreciation	<u>128,855</u>	<u>67,854</u>
Total	<u>\$ 384,319</u>	<u>\$ 311,239</u>

Depreciation expense totaled \$62,103 for the current year.

**Note 4 – Leases**

The Organization has a lease for office space. The terms are from March 1 to February 28, 2018, renewed annually. Currently the rent amounts to \$1,000, monthly. The Organization signed a lease for use of real property for farming purposes. The terms of the lease began May 1, 2016, and continues for ten years at a rent expense of \$1 annually. The Organization will agree to contribute to physical plant of the premises with improvements of approximately \$300,000. Total in-kind value of the rental of the farming property amounted to \$810.

The Organization also has leased land consisting of five acres for use as an urban farm; the lease is dated April 1, 2017, and will continue for nine years; the landlord shall have the right to terminate after March 2023, with no less than twelve months notice and payment of an early termination fee. There is no rent and total inkind value of the rental of farming property amounted to \$7,500. The Organization's total rent expense for the year ended December 31, 2017, was \$19,545 (including inkind) and is included within occupancy expense and farming costs on the statement of activities.



**Notes to Financial Statements**

**December 31, 2017**

**(See Independent Accountants' Review Report)**

**Note 5 - Retirement plan**

The Organization offers a SIMPLE IRA retirement plan for all full time employees, beginning January 1, 2016. Employees may make voluntary contributions to the plan. The Organization contributes 3% of applicable gross salaries. Contributions charged to expense totaled \$4,360 for the year ended December 31, 2017.

**Note 6 - Concentration of credit risk**

The Organization maintains its cash balances in financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to \$250,000 for balances carried in member banks. At times, bank balances may exceed federally insured limits.

**Note 7 - Subsequent events**

In preparing these statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 1, 2018, the date the financial statements were issued.

**Note 8 - Temporarily restricted net assets**

Temporarily restricted net assets as of December 31, 2017, consists of \$162,922 from individuals, foundations, and corporations for specific purposes and time period.

Temporarily restricted net assets as of December 31, 2016, consists of \$42,310 from corporations for specific purposes and time period.

Net assets released from restrictions of \$564,111 for the year ended December 31, 2017, are related to purpose and time restrictions being met.

**Note 9 – Concentration of funding**

The Organization received approximately 26% of its contributions and grant funding from two private foundations and one individual related to its capital campaign for a total of \$260,000 for the year ended December 31, 2017, temporarily restricted, related to expansion needs.

**Note 10 – Restatement**

The Organization has restated opening balances as of January 1, 2017 in the amount of \$55,250. Unrestricted net assets were reclassified to temporarily restricted net assets, due to additional information determined, as related to the capital campaign. Total beginning unrestricted net assets were restated and decreased to \$548,696, and total temporarily restricted net assets were increased to \$97,560.