

Shalom Farms, Inc.

Financial Statements
for the year ended
December 31, 2020

(with comparative information for the year ended December 31, 2019)

Shalom Farms, Inc.

Contents

	Page
Independent Accountant's Review Report	1
Statements of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10

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, 2020 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 entity 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 of internal controls 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 24, 2021

Statements of Financial Position

December 31, 2020

(with comparative totals for the year ended December 31, 2019)

Assets	2020	2019
Current assets		
Cash and Cash Equivalents	\$ 678,008	\$ 438,781
Certificate of deposit	115,166	113,905
Receivables	16,456	23,124
Other assets	-	60
Prepaid expenses	17,376	14,284
Total current assets	827,006	590,154
Property and equipment		
Leasehold improvements	245,942	215,492
Vehicles	194,865	222,728
Equipment and furniture	240,838	193,865
Less: Accumulated depreciation	(351,662)	(277,060)
Total property and equipment	329,983	355,025
Total assets	\$ 1,156,989	\$ 945,179
Liabilities and Net Assets		
Current liabilities		
Accounts Payable	\$ 21,019	\$ 16,669
Payroll liabilities	22,151	9,686
Note payable - payroll protection program	105,203	-
Total current liabilities	148,373	26,355
Net assets		
Net assets without donor restrictions	932,014	795,256
Net assets with donor restrictions	76,602	123,568
Total net assets	1,008,616	918,824
Total liabilities and net assets	\$ 1,156,989	\$ 945,179

See independent accountants' review report. The accompanying notes are an integral part of the financial statements

Statement of Activities

For the year ended December 31, 2020

(with summarized totals for the year ended December 31, 2019)

	2020			2019
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
Support and revenue				
Contributions & Grants	\$ 653,216	\$ 323,651	\$ 976,867	\$ 866,407
Program income	83,267	-	83,267	114,903
Miscellaneous income	142	-	142	832
	<u>736,625</u>	<u>323,651</u>	<u>1,060,276</u>	<u>982,142</u>
Net assets released from restrictions	<u>370,617</u>	<u>(370,617)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,107,242</u>	<u>(46,966)</u>	<u>1,060,276</u>	<u>982,142</u>
Expenses				
Program expenses	767,506	-	767,506	753,734
Supporting and administrative				
Administrative	89,753	-	89,753	76,221
Fundraising	113,225	-	113,225	99,182
	<u>202,978</u>	<u>-</u>	<u>202,978</u>	<u>175,403</u>
Total supporting and administrative	<u>202,978</u>	<u>-</u>	<u>202,978</u>	<u>175,403</u>
Total expenses	<u>970,484</u>	<u>-</u>	<u>970,484</u>	<u>929,137</u>
Change in net assets	136,758	(46,966)	89,792	53,005
Net assets at beginning of year	<u>795,256</u>	<u>123,568</u>	<u>918,824</u>	<u>865,819</u>
Net assets at end of year	<u>\$ 932,014</u>	<u>\$ 76,602</u>	<u>\$ 1,008,616</u>	<u>\$ 918,824</u>

Statement of Functional Expenses

For the year ended December 31, 2020

(with comparative totals for the year ended December 31, 2019)

2020				
	<u>Programs</u>	<u>Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and benefits	\$ 494,190	\$ 55,635	\$ 99,563	\$ 649,388
Farm and urban programs	114,724	-	-	114,724
Payroll taxes	33,067	3,328	7,406	43,801
Professional fees	-	6,346	-	6,346
Occupancy	9,450	2,853	-	12,303
Insurance	29,881	1,048	-	30,929
Travel and vehicle maintenance	144	-	-	144
Office expense	4,644	3,605	6,256	14,505
Miscellaneous	11,742	9,197	-	20,939
Depreciation	69,664	7,741	-	77,405
Total expenses	\$ <u>767,506</u>	\$ <u>89,753</u>	\$ <u>113,225</u>	\$ <u>970,484</u>

2019				
	<u>Programs</u>	<u>Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and benefits	\$ 429,209	\$ 40,415	\$ 89,713	\$ 559,337
Farm and urban programs	176,930	-	-	176,930
Payroll taxes	29,699	3,735	6,646	40,080
Professional fees	-	6,280	-	6,280
Occupancy	9,450	2,770	-	12,220
Insurance	23,451	1,070	-	24,521
Travel and vehicle maintenance	2,957	-	-	2,957
Office expense	5,431	4,001	2,823	12,255
Miscellaneous	3,148	9,788	-	12,936
Depreciation	73,459	8,162	-	81,621
Total expenses	\$ <u>753,734</u>	\$ <u>76,221</u>	\$ <u>99,182</u>	\$ <u>929,137</u>

Statement of Cash Flows

December 31, 2020

(with comparative totals for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 89,792	\$ 53,005
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used by) operating activities		
Depreciation	77,405	81,621
Loss on disposal of assets	1,123	434
Donated in-kind income	(11,810)	(13,455)
Donated in-kind expenses	10,810	13,455
(Increase) in contributions and grants receivable	6,668	(11,983)
(Increase) in other receivables	60	1,956
(Increase) in prepaid expenses	(3,092)	(2,912)
Increase (decrease) in accounts payable	4,350	(1,027)
Increase (decrease) in payroll liabilities	12,465	772
	<u>187,771</u>	<u>121,866</u>
Cash flows used in investing activities		
Proceeds from sale of equipment	-	600
Purchase of investments	(1,261)	(1,243)
Additions to property and equipment	(52,486)	(83,268)
	<u>(53,747)</u>	<u>(83,911)</u>
Cash flows from financing activities		
Proceeds from note payable	105,203	-
	<u>239,227</u>	<u>37,955</u>
Net increase (decrease) in cash and cash equivalents	<u>239,227</u>	<u>37,955</u>
Cash and cash equivalents, beginning of year	<u>438,781</u>	<u>400,826</u>
Cash and cash equivalents, end of year	<u>\$ 678,008</u>	<u>\$ 438,781</u>

Notes to Financial Statements

December 31, 2020

(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 together to build healthy communities by growing and sharing healthy food. The Organization was formed in 2005. The Organization changed its name from United 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions 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. Net assets without donor restrictions are assets that are not subject to or are no longer subject to donor-imposed stipulations.

Contribution Revenues

Contribution revenues are recorded as increases in net assets with or without restrictions depending on the existence and nature of any donor restrictions.

Amounts restricted by the donor are reported as increases in net assets with restrictions depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends 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.

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, 2020
(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, 2,688 individuals volunteered their time and perform a variety of tasks. Total contributed farming space was \$10,810 and other in-kind donations was \$1,000 for a total of \$11,810 at December 31, 2020.

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 2018.

Functional Expenses

The financial statements report certain categories of expenses in the statement of activities that are attributed to more than one program or supporting function. Therefore, expenses may require allocation on a reasonable basis that is consistently applied. The expenses that may be allocated include personnel costs and other expenses, which are allocated on time spent or usage basis. Any expenses that can be identified to a program or administrative function are directly charged to the appropriate class.

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, 2019, from which the summarized information was derived.

Notes to Financial Statements

December 31, 2020

(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 \$115,166 as of December 31, 2020, 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>2020</u>	<u>2019</u>
Leasehold improvements	\$ 245 942	\$ 215 492
Furniture and equipment	240 838	222 728
Vehicles	<u>194 865</u>	<u>193 865</u>
	681 645	632 085
Less accumulated depreciation	<u>351 662</u>	<u>277 060</u>
Total	<u>\$ 329 983</u>	<u>\$ 355 025</u>

Depreciation expense totaled \$77,405 for the current year.

Note 4 – Leases and Office Space Usage

The Organization has use of a house, owned by a Church, for office space. There is no stated lease. Currently the rent amounts to \$1,050, 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 in-kind value of the rental of farming property amounted to \$10,000. The Organization's total rent expense for the year ended December 31, 2020, was \$23,113 (including inkind) and is included within occupancy expense and farming costs on the statement of activities.

Note 5 – Contracts

The Organization agreed to a contract for the construction of a storage barn at one of their farm locations. The total contract is \$77,820 of which the Organization has incurred costs of \$25,382 as of December 31, 2020. The project will be in completed the year 2021.

Notes to Financial Statements

December 31, 2020

(See Independent Accountants' Review Report)

Note 6 - 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 \$9,471 for the year ended December 31, 2020.

Note 7 - 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 8 - Subsequent events

In preparing these statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 24, 2021, the date the financial statements were issued.

Note 9 - Net assets with donor restrictions

Net assets with donor restrictions as of December 31, 2020, consists of \$76,602 from individuals, foundations, and corporations for specific purposes and time period. The balance is restricted for specific program and farming uses.

Net assets with donor restrictions as of December 31, 2019, consists of \$123,568 from individuals, foundations, and corporations for specific purposes and time period. The balance is restricted for specific program and farming uses.

Net assets released from restrictions of \$370,617 for the year ended December 31, 2020, are related to purpose and time restrictions being met.

Note 10 - Liquidity and availability of financial assets

Shalom Farm, Inc.'s working capital and cash flows have season variations based upon the activity and produce of the farm. The Organization also receives its grants and contributions throughout the year. A special event is held in the third quarter of the calendar year. Cash outflows vary based upon the time of year as well as based upon the activity of the farm. The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of donor-imposed restrictions or internal designations.

	<u>2020</u>	<u>2019</u>
Total financial assets	\$ 809 630	\$ 461 905
Less those available for general expenditures within one year due to:		
Board designated - Northside Farm	18 000	15 000
Board designated - operations	20 000	-
Purpose restrictions	<u>69 601</u>	<u>123 568</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 702 029</u>	<u>\$ 323 337</u>

Notes to Financial Statements

December 31, 2020

(See Independent Accountants' Review Report)

Note 11 - Future Accounting Pronouncements

In February 2016, *Financial Accounting Standards Board* (FASB) issued new guidance over leases which requires that all leasing activity with terms greater than one year be recognized on the statement of financial position with a right of use asset and a lease liability. The asset and corresponding liability will be calculated based upon the present value of lease payments. The new standard will be effective for periods beginning after December 2021.

Note 12 - Contingencies

In December 2019, a novel strain of corona-virus was reported by the World Health Organization. The world wide spread this virus began to cause some business disruption in the United States in March 2020. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. While the Organization expects this matter could negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time. The Organization received from the federal government a payroll protection loan in the amount of \$105,203 due April 2022, interest rate at 1.0%. The loan may be forgiven if used for payroll and other expenses, based upon loan program restrictions. The Organization received forgiveness in April 2021.

Note 13 - Note Payable Payroll Protection Program

The Organization received as part of the federal government's assistance during the COVID-19 viral epidemic a payroll protection loan. Total loan proceeds received April 2020, amounted to \$105,203, due April 2022, interest rate 1.0%. As part of the payroll protection program, the loan may be forgiven if the proceeds are used for payroll and other approved expenses. The Organization plans to request forgiveness for the entire balance of the loan. Subsequent to the year ended December 31, 2020, the Organization received forgiveness.