

**Shalom Farms, Inc.**

Financial Statements  
for the year ended  
December 31, 2023

(with comparative information for the year ended December 31, 2022)

# Shalom Farms, Inc.

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

**Independent Auditor's Report**

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

**Opinion**

We have audited the accompanying financial statements of Shalom Farms, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shalom Farms, Inc. as of December 31, 2023 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial Statements section of our report. We are required to be independent of Shalom Farms, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Shalom Farms, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

1. Exercise professional judgment and maintain professional skepticism throughout the audit.
2. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
3. Obtain an understanding of internal control relevant to the audit 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 Shalom Farms, Inc.'s internal control. Accordingly, no such opinion is expressed.
4. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
5. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shalom Farms, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Report on Summarized Comparative Information***

We have previously audited Shalom Farms, Inc. 2022 financial statements, and our report dated February 8, 2023, expressed an unqualified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in material respects, with the audited financial statements from which it has been derived.

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

Frank Barcalow CPA, P.L.L.C.  
Richmond, Virginia  
May 24, 2024

## Statement of Financial Position

December 31, 2023

(with comparative totals for the year ended December 31, 2022)

Assets	<u>2023</u>	<u>2022</u>
<b>Current assets</b>		
Cash and Cash Equivalents	\$ 516,184	\$ 530,965
Receivables	66,967	123,420
Prepaid expenses	<u>24,654</u>	<u>24,342</u>
<b>Total current assets</b>	<u>607,805</u>	<u>678,727</u>
Leased asset - right to use, less accumulated amortization of \$5,411	<u>-</u>	<u>46,603</u>
<b>Property and equipment</b>		
Leasehold improvements	496,570	506,833
Vehicles	267,473	247,339
Equipment and furniture	<u>360,528</u>	<u>263,089</u>
Less: Accumulated depreciation	<u>(621,032)</u>	<u>(531,895)</u>
<b>Total property and equipment</b>	<u>503,539</u>	<u>485,366</u>
<b>Total assets</b>	<u>\$ 1,111,344</u>	<u>\$ 1,210,696</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts Payable	\$ 19,851	\$ 14,206
Payroll liabilities	20,504	32,859
Lease liability - right to use	<u>-</u>	<u>16,769</u>
<b>Total current liabilities</b>	<u>40,355</u>	<u>63,834</u>
<b>Lease liability - right to use</b>	<u>-</u>	<u>29,834</u>
<b>Net assets</b>		
Net assets without donor restrictions	987,889	1,082,028
Net assets with donor restrictions	<u>83,100</u>	<u>35,000</u>
<b>Total net assets</b>	<u>1,070,989</u>	<u>1,117,028</u>
<b>Total liabilities and net assets</b>	<u>\$ 1,111,344</u>	<u>\$ 1,210,696</u>

See notes to the financial statements.

**Statement of Activities**

**For the year ended December 31, 2023**

**(with comparative totals for the year ended December 31, 2022)**

	<b>2023</b>			<b>2022</b>
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
<b>Support and revenue</b>				
Contributions & Grants	\$ 560,468	\$ 745,780	\$ 1,306,248	\$ 1,060,390
Contributions - in-kind	55,235	-	55,235	32,720
Special events	83,649	-	83,649	11,067
Payroll protection program	-	-	-	130,609
Program income	113,220	-	113,220	74,988
Miscellaneous income	8,829	-	8,829	4,689
	<u>821,401</u>	<u>745,780</u>	<u>1,567,181</u>	<u>1,314,463</u>
Net assets released from restrictions	697,680	(697,680)	-	-
<b>Total support and revenue</b>	<u>1,519,081</u>	<u>48,100</u>	<u>1,567,181</u>	<u>1,314,463</u>
<b>Expenses</b>				
Program expenses	1,205,614	-	1,205,614	1,103,798
Supporting and administrative				
Administrative	286,933	-	286,933	140,189
Fundraising	120,672	-	120,672	185,519
	<u>407,605</u>	<u>-</u>	<u>407,605</u>	<u>325,708</u>
<b>Total supporting and administrative</b>	<u>407,605</u>	<u>-</u>	<u>407,605</u>	<u>325,708</u>
<b>Total expenses</b>	<u>1,613,219</u>	<u>-</u>	<u>1,613,219</u>	<u>1,429,506</u>
<b>Change in net assets</b>	(94,138)	48,100	(46,038)	(115,043)
Net assets at beginning of year	<u>1,082,028</u>	<u>35,000</u>	<u>1,117,028</u>	<u>1,232,071</u>
Net assets at end of year	\$ <u>987,889</u>	\$ <u>83,100</u>	\$ <u>1,070,989</u>	\$ <u>1,117,028</u>

**Statement of Functional Expenses**

**For the year ended December 31, 2023**

**(with comparative totals for the year ended December 31, 2022)**

	<b>2023</b>			
	<u>Programs</u>	<u>Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and benefits	\$ 823,049	\$ 160,334	\$ 85,512	\$ 1,068,895
Farm and urban programs	169,131	-	-	169,131
Payroll taxes	55,951	10,900	5,813	72,664
Bad debts	-	-	1,957	1,957
Professional fees	-	28,523	813	29,336
Special events	-	-	15,940	15,940
Interest	-	-	-	-
Rent	20,150	-	-	20,150
Insurance	16,170	2,531	-	18,701
Travel	5,633	7,612	447	13,692
Office expense, facilities and repairs	13,833	31,092	8,035	52,960
Miscellaneous	-	34,643	2,155	36,798
Depreciation and amortization	101,696	11,300	-	112,996
<b>Total expenses</b>	<b>\$ 1,205,614</b>	<b>\$ 286,934</b>	<b>\$ 120,672</b>	<b>\$ 1,613,220</b>

	<b>2022</b>			
	<u>Programs</u>	<u>Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and benefits	\$ 694,058	\$ 60,860	\$ 152,154	\$ 907,072
Farm and urban programs	160,325	-	-	160,325
Payroll taxes	47,131	5,267	10,278	62,676
Professional fees	27,779	30,586	-	58,365
Special events	-	-	12,222	12,222
Interest	5,464	-	-	5,464
Occupancy	10,810	-	-	10,810
Insurance	30,401	763	-	31,164
Travel and vehicle maintenance	13,635	-	-	13,635
Office expense	5,504	18,809	10,865	35,178
Miscellaneous	4,359	12,311	-	16,670
Depreciation and amortization	104,332	11,593	-	115,925
<b>Total expenses</b>	<b>\$ 1,103,798</b>	<b>\$ 140,189</b>	<b>\$ 185,519</b>	<b>\$ 1,429,506</b>

**Statement of Cash Flows**

**December 31, 2023**

**(with comparative totals for the year ended December 31, 2022)**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (46,038)	\$ (115,043)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used by) operating activities		
Depreciation and amortization	112,996	115,925
Bad debts	1,957	-
Donated in-kind income	(55,235)	(32,720)
Donated in-kind expenses	10,810	12,670
Debt extinguishment of payroll protection loan	-	(130,609)
(Increase) in contributions and grants receivable	56,452	(100,324)
(Increase) in prepaid expenses	(312)	(2,003)
Increase (decrease) in accounts payable	5,645	(27,906)
Increase (decrease) in payroll liabilities	(12,355)	10,099
	<u>73,920</u>	<u>(269,911)</u>
<b>Net cash (used in) provided by operations</b>		
<b>Cash flows used in investing activities</b>		
Additions to property and equipment	<u>(88,701)</u>	<u>(152,988)</u>
<b>Net cash used in investing activities</b>	<u>(88,701)</u>	<u>(152,988)</u>
<b>Cash flows from financing activities</b>		
Payments for lease liabilities	-	(5,411)
Proceeds from note payable	<u>-</u>	<u>-</u>
<b>Net cash (used in) provided by financing activities</b>	<u>-</u>	<u>(5,411)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(14,781)	(428,310)
<b>Cash and cash equivalents, beginning of year</b>	<u>530,965</u>	<u>959,275</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 516,184</u>	<u>\$ 530,965</u>



**Notes to Financial Statements  
December 31, 2023****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. Leased assets are capitalized and amortized over the life of the lease term, unless the lease is less than one year. 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, 2023**

**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.

*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 inkind donations was \$44,425 for a total of \$55,235 at December 31, 2023.

*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 2021.

*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.

**Notes to Financial Statements  
December 31, 2023****Note 1 - Summary of significant accounting policies (concluded)***Advertising*

Advertising costs are expensed when incurred.

**Note 2 -Property and equipment**

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

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 496 570	\$ 506 833
Furniture and equipment	267 473	247 339
Vehicles	<u>360 528</u>	<u>263 089</u>
	1 124 571	1 017 261
Less accumulated depreciation	<u>621 032</u>	<u>531 895</u>
Total	<u>\$ 503 539</u>	<u>\$ 485 366</u>

Depreciation expense totaled \$112,996 for the current year.

**Note 3 – Operating Leases**

The Organization has use of a house, owned by a Church, for office space. There lease term began August 2022 and ends August 2025; there current monthly amounts is \$1,550. Tota rent for the year ended 2023 amounted to \$20,150 which is included in rent expense in the statement of functional expenses. Subsequent to the year ended, the Organization was able to terminate this lease and agreed to a shared space with United Methodist Family Services. Shalom Farms will be able to have the use of the premises for office space, meetings, and other events. There is no rent cost to Shalom Farms. The agreement began January 2024 and will continue until either party provides a four months notice of termination.

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 to 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 \$10,000. The Organization’s total rent expense for the year ended December 31, 2023, was \$10,810 and is included within occupancy expense and farming costs on the statement of activities.

**Note 4 – Line of Credit 33**

The Organization has a line of credit in the amount of \$100,000; maturity date June 2024; with no stated interest rate. The Organization did not use any proceeds during 2023.

**Notes to Financial Statements  
December 31, 2023**

**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 \$25,157 for the year ended December 31, 2023.

**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 May 24, 2024, the date the financial statements were issued.

Subsequent to the year ended the Organization agreed to a shared share lease. (Note 3)

**Note 8 - Net assets with donor restrictions**

Net assets with donor restrictions as of December 31, 2023 consists of \$83,100 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 \$697,680 for the year ended December 31, 2023, are related to purpose and time restrictions being met.

Net assets with donor restrictions as of December 31, 2022 consists of \$35,000 from individuals, foundations, and corporations for specific purposes and time period. The balance is restricted for specific program and farming uses.

**Note 9 - 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>2023</u>	<u>2022</u>
Total financial assets	\$ 583 151	\$ 654 385
Less those available for general expenditures within one year due to:		
Board designated - Northside Farm	-	-
Board designated - operations	-	-
Purpose restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 583 151</u>	<u>\$ 654 385</u>