

THE LAND CONNECTION FOUNDATION, INC.

Champaign, Illinois

**Financial Statements**

For the Year Ended

December 31, 2016

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2507 South Neil St.  
Champaign, Illinois 61820  
Phone 217.351.2000  
Fax 217.351.7726  
www.mhfa.net

## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management  
The Land Connection Foundation, Inc.  
Champaign, Illinois

We have audited the accompanying financial statements of The Land Connection Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities 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.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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 the The Land Connection Foundation, Inc. as of December 31, 2016, 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.

*Martin, Hood, Tresser & Associates, LLC*

Champaign, Illinois  
May 10, 2017

THE LAND CONNECTION FOUNDATION, INC.  
Statement of Financial Position  
December 31, 2016

## ASSETS

**Current Assets**

Cash	\$ 401,417
Grants Receivable	20,110
Accounts Receivable	2,525
Prepaid Expenses	16,200
Total Current Assets	<u>440,252</u>

**Property and Equipment, Net**

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	<u><u>\$ 440,252</u></u>
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## LIABILITIES AND NET ASSETS

**Current Liabilities**

Accounts Payable	\$ 437
Accrued Wages	8,820
Deferred Revenue	87,658
Total Current Liabilities	<u>96,915</u>

**Net Assets**

Unrestricted	338,529
Temporarily Restricted	4,808
Total Net Assets	<u>343,337</u>

	<u><u>\$ 440,252</u></u>
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See Accompanying Notes

THE LAND CONNECTION FOUNDATION, INC.  
Statement of Activities  
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>			
Grants	\$ 204,994	\$ -	\$ 204,994
Contributions	27,092	20,805	47,897
Program Fees	32,080	-	32,080
Special Events			
(Net of Direct Costs of \$13,271)	11,664	-	11,664
Rental Income	5,406	-	5,406
Gain on Sale of Land	105,901		105,901
Miscellaneous Income	1,887	-	1,887
Net Assets Released from			
Restrictions	23,369	(23,369)	-
Total Support and Revenue	412,393	(2,564)	409,829
<b>Expenses</b>			
Program Services:			
Farmer Training	161,587	-	161,587
Education and Outreach	46,660	-	46,660
Farmer's Market	94,775	-	94,775
Farmland	10,523	-	10,523
Total Program Services	313,545	-	313,545
Supporting Services:			
Management and General	81,735	-	81,735
Fundraising	8,473	-	8,473
Total Support Services	90,208	-	90,208
Total Expenses	403,753	-	403,753
<b>Change in Net Assets</b>	8,640	(2,564)	6,076
<b>Net Assets, Beginning of Year</b>	329,889	7,372	337,261
<b>Net Assets, End of Year</b>	\$ 338,529	\$ 4,808	\$ 343,337

See Accompanying Notes

THE LAND CONNECTION FOUNDATION, INC.  
Statement of Cash Flows  
For the Year Ended December 31, 2016

<b>Cash Flows from Operating Activities</b>	
Change in Net Assets	\$ 6,076
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by (Used in) Operating Activities:	
Depreciation	14,283
Gain on Sale of Land	(105,901)
(Increase) Decrease in Assets:	
Grants Receivable	(7,508)
Accounts Receivable	(1,137)
Prepaid Expenses	6,575
Increase (Decrease) in Liabilities:	
Accounts Payable	(1,644)
Accrued Wages	1,791
Deferred Revenue	(23,744)
Net Adjustments	(117,285)
Net Cash Provided by (Used in) Operating Activities	(111,209)
<b>Cash Flows from Investing Activities</b>	
Proceeds from Sale of Land	341,920
<b>Cash Flows from Financing Activities</b>	
Proceeds from Revolving Line of Credit	30,000
Repayment of Revolving Line of Credit	(30,000)
Net Cash Provided by (Used in) Financing Activities	-
<b>Net Increase (Decrease) in Cash</b>	230,711
<b>Cash, Beginning of Year</b>	170,706
<b>Cash, End of Year</b>	\$ 401,417

See Accompanying Notes

THE LAND CONNECTION FOUNDATION, INC.  
Notes to Financial Statements  
December 31, 2016

**1. Nature of Organization**

The Land Connection Foundation, Inc. (the Foundation) is a nonprofit corporation organized in July 2001 to train farmers in resilient, restorative farming techniques; inform the public about the sources of our food and why that matters; and to protect and enhance farmland so that generations to come will have clean air and water, fertile soil, and healthy, delicious food.

The Foundation's major sources of revenue are generated from grant funding, contributions, program fees, and rental income.

**2. Summary of Significant Accounting Policies**

Following is a summary of the significant accounting policies of the Foundation:

- a. The Foundation's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Net assets of the Foundation and changes therein are classified and reported as follows:
  - *Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations.
  - *Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Board of Directors and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets 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 must be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned for general or specific purposes. The Foundation has no permanently restricted net assets at December 31, 2016.
- b. Receivables are stated at the amount management expects to collect from outstanding balances. Balances that remain outstanding after management has used reasonable collection efforts are written off to bad debt expense. For the year ended December 31, 2016, no allowance was recorded and management considers all outstanding receivables to be fully collectible at year-end.
- c. Property and equipment expenditures in excess of \$5,000 are capitalized and recorded at cost. Donated property and equipment are capitalized at fair market value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

- d. The Foundation recognizes grant revenues to the extent allowable expenses are incurred. The excess or deficit of receipts over expenses is accounted for as deferred revenue or grants receivable, respectively. In addition, program service fees received for programs occurring after year-end are also included in deferred revenue.
- e. The Foundation holds special events throughout the year. A portion of the revenue raised at these events is considered reciprocal and is not tax deductible to the donor. This revenue, as well as the non-reciprocal contribution revenue from special events, is presented net of related expenses as special events revenue.
- f. The costs of providing the various programs and other activities 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.
- g. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, it is at least reasonably possible that actual results could differ from those estimates.
- h. The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

As of December 31, 2016, the federal and Illinois tax filings that fall within the applicable statutes of limitation remain open for review by tax authorities.

- i. The Foundation's management has reviewed subsequent events from December 31, 2016 to May 10, 2017, which is the date the financial statements were available to be issued.

### 3. Property and Equipment, Net

As of December 31, 2016, property and equipment consisted of the following:

Website	\$ 48,590
Less: Accumulated Depreciation	(48,590)
Property and Equipment, Net	\$ -

Depreciation expense for the year ended December 31, 2016, was \$14,283.

#### 4. Line of Credit

The Foundation has a line-of-credit agreement with a bank, on which it may borrow up to \$50,000. The line of credit bears interest at two percentage points over the U.S. Prime rate, which was 3.75 percent as of December 31, 2016. The line of credit matures April 30, 2017, and is secured by the Foundation's assets. This line of credit had no outstanding balance as of December 31, 2016. As of the date of the independent auditor's report, the agreement is in the process of being renewed.

#### 5. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2016, are comprised of the following:

Scholarships	\$	4,582
Other		226
Total Temporarily Restricted Net Assets	\$	<u>4,808</u>

#### 6. Leases

At December 31, 2016, the Foundation was in a month-to-month office lease that required monthly rent of \$1,310 that ended August 2016. The Foundation then entered into a new month-to-month office lease starting August 2016 that requires monthly rent payments totaling \$1,000. Total rent paid for the year ended December 31, 2016 was \$14,596, which included miscellaneous utilities payments.

#### 7. Concentrations

Included in grants revenue on the statement of activities is \$81,721 from one granting agency, which accounted for 20 percent of total support and revenue for the year ended December 31, 2016.

#### 8. Related-Party Transaction

For the year ended December 31, 2016, the Foundation received contributions of \$12,962 from members of the Board of Directors.

#### 9. New Nonprofit Accounting Standard

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958)*. The provisions of ASU 2016-14 require the presentation of two classes of net assets, *net assets with donor restrictions* and *net assets without donor restrictions*, rather than the currently required three classes. The provisions also require enhanced disclosures about how the entity manages its liquid resources, quantitative information about the availability of financial assets to meet cash needs for general expenditure within one year

of the statement of financial position date, amounts of expense by both their natural and functional classification, and the methods used to allocate costs among program and support functions. Early adoption is permitted. The Foundation is currently evaluating the impact, if any, the updated standard will have on its financial statements and has not determined whether to early adopt.

## **10. Contingencies**

The Organization participates in a number of federal and state government funded grant programs. Under the terms of these programs, periodic audits may be required, and certain costs may be questioned as not being appropriate expenditures under the terms of these programs. Such audits could lead to reimbursement to grantor agencies. Based on prior experience, the Organization's management believes examination would not result in any material disallowed costs for grant revenue recorded in these financial statements or from prior years.