THE LAND CONNECTION FOUNDATION, INC.

Champaign, Illinois

Financial Statements

For the Year Ended

December 31, 2017

C O N T E N T S

Martin | Hood

Martin Hood LLC
2507 South Neil Street
Champaign, Illinois 61820
Tel: 217.351.2000
Fax: 217.351.7726
www.martinhood.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
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, 2017, 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.

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, 2017, 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 LLC

Champaign, Illinois
June 13, 2018

THE LAND CONNECTION FOUNDATION, INC.
Statement of Financial Position
December 31, 2017

ASSETS

Current Assets		
Cash	$	316,994
Grants Receivable		25,990
Accounts Receivable		350
Prepaid Expenses		12,550
Total Current Assets		355,884
Property and Equipment, Net		-
Total Assets	$	355,884

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	$	1,170
Accrued Wages		7,259
Deferred Revenue		57,444
Total Current Liabilities		65,873
Net Assets		
Unrestricted		283,080
Temporarily Restricted		6,931
Total Net Assets		290,011
Total Liabilities and Net Assets	$	355,884

See Accompanying Notes

THE LAND CONNECTION FOUNDATION, INC.
Statement of Activities
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Grants	$ 191,767	$ -	$ 191,767
Contributions	55,222	28,599	83,821
Program Fees	21,588	-	21,588
Special Events			
(Net of Direct Costs of $6,931)	4,212	-	4,212
Miscellaneous Income	4,481	-	4,481
Net Assets Released from			
Restrictions	26,476	(26,476)	-
Total Support and Revenue	303,746	2,123	305,869
Expenses			
Program Services:			
Farmer Training	137,334	-	137,334
Farmer's Market	102,676	-	102,676
Education and Outreach	19,858	-	19,858
Farmland	2,005	-	2,005
Total Program Services	261,873	-	261,873
Supporting Services:			
Management and General	81,388	-	81,388
Fundraising	15,934	-	15,934
Total Support Services	97,322	-	97,322
Total Expenses	359,195	-	359,195
Change in Net Assets	(55,449)	2,123	(53,326)
Net Assets, Beginning of Year	338,529	4,808	343,337
Net Assets, End of Year	$ 283,080	$ 6,931	$ 290,011

See Accompanying Notes

THE LAND CONNECTION FOUNDATION, INC.
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows from Operating Activities	
Change in Net Assets	$ (53,326)
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by (Used in) Operating Activities:	
(Increase) Decrease in Assets:	
Grants Receivable	(5,880)
Accounts Receivable	2,175
Prepaid Expenses	3,650
Increase (Decrease) in Liabilities:	
Accounts Payable	733
Accrued Wages	(1,561)
Deferred Revenue	(30,214)
Net Adjustments	(31,097)
Net Cash Provided by (Used in) Operating Activities	(84,423)
Cash, Beginning of Year	401,417
Cash, End of Year	$ 316,994

See Accompanying Notes

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 and program fees.

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 (U.S. GAAP). 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, 2017.

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, 2017, 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. The most significant estimate at December 31, 2017 was the allowance for uncollectible receivables.

h. The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

i. The Foundation's management has reviewed subsequent events from December 31, 2017 to June 13, 2018, which is the date the financial statements were available to be issued.

3. Collateralization of Deposits

Cash is a financial instrument that potentially subjects the Foundation to a concentration of credit risk. As of December 31, 2017, the Foundation has bank deposits in a financial institution that totaled $315,905 reconciled to a book balance of $316,994. Of the bank deposit balance, $250,000 was insured by the Federal Deposit Insurance Corporation (FDIC) and $65,905 was uninsured and uncollateralized.

4. Property and Equipment, Net

As of December 31, 2017, property and equipment consisted of the following:

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

There was no depreciation expense for 2017.

5. Line of Credit

The Foundation has a line-of-credit agreement with a bank, on which it may borrow up to $30,000. The line of credit bears interest at two percentage points over the U.S. Prime rate. The interest rate was 6.5 percent as of December 31, 2017. The line of credit matures April 30, 2018 and is secured by the Foundation's assets. This line of credit had no outstanding balance as of December 31, 2017. As of the date of the independent auditor's report, the agreement is in the process of being renewed.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2017, are comprised of the following:

Farmer Training Sponsorships	$	4,000
Scholarships		2,639
Other		292
Total Temporarily Restricted Net Assets	$	6,931

7. Leases

During 2017, the Foundation was in a month-to-month office lease that required monthly rent of $1,000 that ended August 2017. The Foundation then entered into a new verbal month-to-month office lease agreement starting September 1, 2017 that requires monthly rent payments totaling $1,020. Total rent paid for 2017 was $12,080.

8. Concentrations

Included in grants revenue on the statement of activities is $86,929 from two grantors, which accounted for 28.4 percent of total support and revenue for 2017.

9. Related-Party Transaction

For 2017, the Foundation received contributions of $29,400 from members of the Board of Directors.

10. Upcoming Accounting Standards

Accounting Standards Update 2016-14

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)*. ASU 2016-14 is effective for the Foundation's 2018 financial statements. 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. The Foundation is currently evaluating the impact, if any, the updated standard will have on its future financial statements.

Accounting Standards Update 2014-09

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and subsequently issued clarifying ASUs 2015-14, 2016-08, 2016-10, and 2016-12, hereafter referred to as "the clarifying ASUs". The provisions of ASU 2014-09 and the clarifying ASUs require an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard will replace most existing revenue recognition guidance in U.S. GAAP related to contracts with customers when it becomes effective for the Foundation in 2019. Early adoption is permitted. The Foundation has yet to select a transition method and is currently evaluating the effect, if any, the updated standard will have on future financial statements.

11. 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 question 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.