

THE LAND CONNECTION FOUNDATION, INC.

Champaign, Illinois

Financial Statements

For the Year Ended

December 31, 2018

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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 assets, liabilities, and net assets – modified cash basis as of December 31, 2018, and the related statements of support, revenue, and expenses – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis 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 the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Basis of Accounting

As discussed in Note 11 to the financial statements, The Land Connection Foundation has adjusted its financial statements as of and for the year ended December 31, 2017 to conform with the requirements of the modified cash basis of accounting adopted in 2018. As part of our audit of the December 31, 2018 financial statements, we also audited adjustments described in Note 11 that were applied to restate the net assets as of December 31, 2017. In our opinion, such adjustments are appropriate and have been properly applied.



Champaign, Illinois
June 24, 2019

THE LAND CONNECTION FOUNDATION, INC.
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis
December 31, 2018

ASSETS

Current Assets	
Cash	\$ 188,857
Property and Equipment, Net	<u>-</u>
Total Assets	<u><u>\$ 188,857</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Credit Card Payable	<u>\$ 3,038</u>
Net Assets	
Without Donor Restrictions	160,428
With Donor Restrictions	<u>25,391</u>
Total Net Assets	<u><u>185,819</u></u>
Total Liabilities and Net Assets	<u><u>\$ 188,857</u></u>

See Accompanying Notes

THE LAND CONNECTION FOUNDATION, INC.
Statement of Support, Revenue, and Expenses - Modified Cash Basis
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Grants	\$ 155,565	\$ 16,000	\$ 171,565
Contributions	34,254	37,434	71,688
Program Fees	21,088	-	21,088
Special Events			
(Net of Direct Costs of \$11,174)	6,928	-	6,928
Miscellaneous Income	2,794	-	2,794
Net Assets Released from			
Restrictions	64,550	(64,550)	-
Total Support and Revenue	285,179	(11,116)	274,063
Expenses			
Program Services:			
Farmer Training	138,068	-	138,068
Farmer's Market	89,981	-	89,981
Education and Outreach	56,430	-	56,430
Total Program Services	284,479	-	284,479
Supporting Services:			
Management and General	99,363	-	99,363
Fundraising	21,396	-	21,396
Total Support Services	120,759	-	120,759
Total Expenses	405,238	-	405,238
Change in Net Assets	(120,059)	(11,116)	(131,175)
Net Assets, Beginning of Year, As Previously Reported	283,080	6,931	290,011
Conversion to Modified Cash Basis	(2,593)	29,576	26,983
Net Assets, Beginning of Year, As Revised	280,487	36,507	316,994
Net Assets, End of Year	\$ 160,428	\$ 25,391	\$ 185,819

See Accompanying Notes

THE LAND CONNECTION FOUNDATION, INC.
 Statement of Functional Expenses - Modified Cash Basis
 For the Year Ended December 31, 2018

	Program Services				Supporting Services			Total Program and Supporting Services
	Farmer Training	Farmer's Market	Education and Outreach	Total	Management and General	Fundraising	Total	
Salaries and Wages	\$ 84,223	\$ 45,493	\$ 38,208	\$ 167,924	\$ 55,052	\$ 16,488	\$ 71,540	\$ 239,464
Farmer Training Program Expenses	31,818	695	49	32,562	300	-	300	32,862
Farmers Market Expenses	469	27,033	385	27,887	(339)	-	(339)	27,548
Fringe Benefits	3,137	4,188	3,915	11,240	13,275	-	13,275	24,515
Payroll Taxes	6,584	3,552	3,006	13,142	4,387	1,273	5,660	18,802
Professional Services	3,612	2,614	41	6,267	11,175	-	11,175	17,442
Rent Expense	3,738	3,596	2,873	10,207	2,033	-	2,033	12,240
Communications and Outreach	45	561	4,126	4,732	413	44	457	5,189
Software Expense	855	179	907	1,941	1,262	-	1,262	3,203
Travel and Conferences	(65)	352	2,007	2,294	732	-	732	3,026
Utilities	539	466	230	1,235	1,662	-	1,662	2,897
Office Expenses	336	73	129	538	1,706	118	1,824	2,362
In-Kind Expenses	150	-	-	150	-	1,735	1,735	1,885
Payroll Processing Expense	681	368	309	1,358	388	133	521	1,879
Bank and Credit Card Fees	27	85	-	112	1,735	12	1,747	1,859
Small Equipment	941	-	-	941	862	-	862	1,803
Website Expense	35	-	-	35	1,755	-	1,755	1,790
Dues and Memberships	500	40	-	540	910	-	910	1,450
Insurance	305	516	-	821	624	-	624	1,445
Fundraising Expenses	-	-	-	-	40	1,057	1,097	1,097
Other	138	170	245	553	1,391	536	1,927	2,480
Total Expenses	\$ 138,068	\$ 89,981	\$ 56,430	\$ 284,479	\$ 99,363	\$ 21,396	\$ 120,759	\$ 405,238

See Accompanying Notes

THE LAND CONNECTION FOUNDATION, INC.
Statement of Cash Flows - Modified Cash Basis
For the Year Ended December 31, 2018

Cash Flows from Operating Activities	
Change in Net Assets	\$ (131,175)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:	
Increase (Decrease) in Liabilities	
Credit Card Payable	3,038
Net Cash Provided by (Used in) Operating Activities	<u>(128,137)</u>
Cash, Beginning of Year	<u>316,994</u>
Cash, End of Year	<u><u>\$ 188,857</u></u>

See Accompanying Notes

THE LAND CONNECTION FOUNDATION, INC.
Notes to Financial Statements
December 31, 2018

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 the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets, revenue, and expenses when they result from cash transactions with a provision for property and equipment and credit card liabilities. This basis measures and reports cash and changes in cash resulting from cash receipts and disbursements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- b. Net assets of the Foundation and changes therein are classified and reported as follows:
 - *Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations.
 - *Net Assets With Donor Restrictions* – 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, or that must be maintained permanently by the Foundation. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of support, revenue, and expenses – modified cash basis as net assets released from restrictions. Net assets with donor restrictions that are received and released in the same period are reported in the statement of support, revenue, and expenses – modified cash basis as support and revenue in the net assets without donor restrictions column.
- c. Property and equipment expenditures in excess of \$5,000 are capitalized and recorded at cost. Donated property and equipment are capitalized at fair value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

- d. Contributed goods and services are reported as contribution revenue and as assets or expenses only if the benefit received (a) creates or enhances non-financial assets or (b) requires specialized skills provided by individuals possessing those skills and (c) would typically need to be purchased if not provided by donation. For 2018, the Foundation recorded contributions revenue of \$15,788 and equivalent expense, which appears on Exhibit B in the direct costs of special events (\$3,833) and on Exhibit C in the in-kind expenses line (\$1,885), the farmers market expenses line (\$6,588), and the remaining (\$3,482) spread through various lines on Exhibit C.
- 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 financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The following are the Organization's allocation methodologies for expenses requiring allocation.

Expense Classification	Method of Allocation
Salaries and Related Expenses	Time and Effort
Rent, Utilities, Office Expenses, Insurance, Other	Grant Budgeting

- g. The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, 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.
- i. The Foundation's management has reviewed subsequent events through June 24, 2019, the date the financial statements were available to be issued.
- j. The Foundation adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, during 2018. ASU 2016-14 has been retrospectively applied to the classifications of net assets as of December 31, 2017, but had no impact on the total net assets as of that date.
- k. During 2018, the Foundation changed its method of accounting to the modified cash basis of accounting. The Foundation believes that the new method more accurately reflects results of operations and simplifies reporting. See Note 11 for further detail.

3. Collateralization of Deposits

Cash is a financial instrument that potentially subjects the Foundation to a concentration of credit risk. As of December 31, 2018, the Foundation has bank deposits in a financial institution that totaled \$187,364 reconciled to a book balance of \$188,857. Of the bank deposit balance, \$182,282 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$5,082 was uninsured and uncollateralized.

4. Liquidity and Availability of Financial Assets

Cash is the Foundation's only financial asset. All financial assets are available for general expenditures within one year of December 31, 2018. As of April 30, 2019, the Foundation does not maintain an operating line of credit.

5. Property and Equipment, Net

As of December 31, 2018, property and equipment consisted of the following:

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

There was no depreciation expense for 2018.

6. Line of Credit

The Foundation had a \$50,000 line-of-credit agreement with a bank. The line of credit bore interest at two percentage points over the U.S. Prime rate. The interest rate was 7.5 percent as of December 31, 2018. The line of credit matured on April 30, 2019 and was secured by the Foundation's assets. This line of credit had no outstanding balance as of December 31, 2018 and no interest was incurred or paid in 2018. As of the date of the independent auditor's report, the line of credit was not renewed.

7. Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2018, are comprised of the following:

Purpose or Time Restricted For:	
Organic Agronomy Training Series	\$ 15,555
Organic Grain Conference Sponsorships	4,026
Scholarships	3,124
Farmer Training Sponsorships	1,720
Other	966
Total Net Assets With Donor Restrictions	<u>\$ 25,391</u>

8. Leases

The Foundation has a verbal month-to-month office lease agreement that requires monthly rent payments totaling \$1,020. Total rent paid for 2018 was \$12,240.

9. Concentrations

Included in grants revenue on the statement of support, revenue, and expenses – modified cash basis is \$38,661 from one grantor, which accounted for 14.1 percent of total support and revenue for 2018.

10. Contingencies

The Foundation 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 Foundation’s management believes examination would not result in any material disallowed costs recorded in these financial statements or from prior years.

11. Change in Basis of Accounting

The accompanying financial statements include a prior period adjustment to conform with the requirements of the modified cash basis of accounting as discussed in Note 2 to the financial statements. The adjustment removed assets and liabilities recorded under accounting principles generally accepted in the United States totaling \$38,890 and \$65,873, respectively, as of December 31, 2017, resulting in an increase in net assets of \$26,983.

12. Upcoming Accounting Standards

In June 2018, the Financial Accounting Standard Board (FASB) issued ASU 2018-08, Not-for-Profit Entities (Topic 958) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The provisions of the ASU update existing guidance related to the recognition of revenue from contributions and grants. The standard will be effective for the Foundation’s Fiscal Year 2019.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), and subsequently issued clarifying ASUs 2018-01, 2018-10, 2018-11, and 2018-20, hereafter referred to as “the clarifying ASUs.” The provisions of ASU 2016-02 and the clarifying ASUs require that lessees recognize a lease liability and a right-of-use asset for all leases greater than 12 months. The standard will be effective for the Foundation’s Fiscal Year 2020. Early adoption is allowed.

The Foundation has yet to select a transition method and is currently evaluating the effect, if any, that these updated standards will have on its financial statements.