
LOCAL FOOD HUB, INC.
CHARLOTTESVILLE, VIRGINIA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY CERTIFIED PUBLIC ACCOUNTANTS

CHARLOTTESVILLE □ RICHMOND □ FREDERICKSBURG □ STAUNTON □ BLACKSBURG □ LOUISA

LOCAL FOOD HUB, INC.
CHARLOTTESVILLE, VIRGINIA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS
LOCAL FOOD HUB, INC.
CHARLOTTESVILLE, VIRGINIA

We have audited the accompanying financial statements of Local Food Hub, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, 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.

Auditors' 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 Local Food Hub, 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.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 11, 2018

- Financial Statements -

LOCAL FOOD HUB, INC.

Statement of Financial Position

As of December 31, 2017

Assets:

Cash and cash equivalents	\$ 130,563
Accounts receivable	99,675
Prepaid expenses	10,116
Inventory	37,710
Fixed assets, net of accumulated depreciation of \$30,957	48,869
Intangible asset, net of accumulated amortization of \$8,316	<u>14,464</u>
Total assets	<u>\$ 341,397</u>

Liabilities:

Accounts payable	\$ 75,328
Payroll liabilities	6,944
Deferred revenue	1,134
Compensated absences	14,940
Line of credit	50,100
Note payable	<u>24,247</u>
Total liabilities	<u>\$ 172,693</u>

Net assets:

Unrestricted	\$ 145,704
Temporarily restricted	<u>23,000</u>
Total net assets	<u>\$ 168,704</u>
Total liabilities and net assets	<u>\$ 341,397</u>

The accompanying notes to financial statements are an integral part of this statement.

LOCAL FOOD HUB, INC.

Statement of Activities
Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 355,815	\$ 23,000	\$ 378,815
Government grants	8,645	-	8,645
Special events	72,224	-	72,224
Food sales - net of cost of goods sold of \$1,291,775	246,288	-	246,288
Contributed facilities	50,004	-	50,004
Contributed services	1,200	-	1,200
Miscellaneous	269	-	269
Interest	77	-	77
Gain on disposal of asset	9,527	-	9,527
Net assets released from restrictions	<u>67,448</u>	<u>(67,448)</u>	<u>-</u>
Total revenues and other support	<u>\$ 811,497</u>	<u>\$ (44,448)</u>	<u>\$ 767,049</u>
Expenses:			
Program services:			
Distribution	\$ 560,656	\$ -	\$ 560,656
Supporting services:			
Management and general	238,462	-	238,462
Fundraising	<u>56,933</u>	<u>-</u>	<u>56,933</u>
Total expenses	<u>\$ 856,051</u>	<u>\$ -</u>	<u>\$ 856,051</u>
Change in net assets	<u>\$ (44,554)</u>	<u>\$ (44,448)</u>	<u>\$ (89,002)</u>
Net assets at beginning of year	<u>\$ 190,258</u>	<u>\$ 67,448</u>	<u>\$ 257,706</u>
Net assets at end of year	<u><u>\$ 145,704</u></u>	<u><u>\$ 23,000</u></u>	<u><u>\$ 168,704</u></u>

The accompanying notes to financial statements are an integral part of this statement.

LOCAL FOOD HUB, INC.

Statement of Functional Expenses
Year Ended December 31, 2017

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Distribution</u>	<u>Management and General</u>	<u>Fundraising</u>		
Personnel and related expenses	\$ 394,385	\$ 169,543	\$ 33,591	\$	597,519
Dues, fees, and taxes	5,135	7,714	1,110		13,959
Equipment maintenance and small purchases	9,598	5,519	3,111		18,228
Insurance	1,445	2,011	-		3,456
Marketing	2,735	94	2,914		5,743
Meetings and events	7,582	-	11,299		18,881
Occupancy - rent and maintenance	6,952	4,302	-		11,254
Depreciation and amortization	13,671	-	-		13,671
Bad debt expense	5,318	-	-		5,318
Food donations	2,864	-	-		2,864
Miscellaneous	3,906	250	-		4,156
Postage	330	825	65		1,220
Printing and copying	2,363	1,618	1,688		5,669
Professional development	902	421	-		1,323
Professional services	1,138	36,139	174		37,451
Supplies	7,542	2,290	-		9,832
Telephone and internet	3,885	1,724	382		5,991
Travel	4,388	397	-		4,785
Conferences and meetings	-	252	50		302
Utilities	2,209	544	209		2,962
Interest	1,554	319	-		1,873
Vehicle expense	39,590	-	-		39,590
Contributed facilities	43,164	4,500	2,340		50,004
Total expenses	\$ <u>560,656</u>	\$ <u>238,462</u>	\$ <u>56,933</u>	\$	<u>856,051</u>

The accompanying notes to financial statements are an integral part of this statement.

LOCAL FOOD HUB, INC.

Statement of Cash Flows
Year Ended December 31, 2017

Cash flows from operating activities:	
Change in net assets	\$ (89,002)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization	13,671
(Increase) decrease in:	
Accounts receivable	(48,438)
Prepaid expenses	834
Inventory	14,687
Increase (decrease) in:	
Accounts payable	64,417
Deferred revenue	1,134
Payroll liabilities	(1,336)
Compensated absences	4,353
Net cash provided by (used for) operating activities	\$ <u>(39,680)</u>
Cash flows from investing activities:	
Purchase of fixed assets	\$ <u>(7,505)</u>
Net cash provided by (used for) investing activities	\$ <u>(7,505)</u>
Cash flows from financing activities:	
Repayments of line of credit	\$ 35,000
Repayments of note payable	<u>(9,163)</u>
Net cash provided by (used for) financing activities	\$ <u>25,837</u>
Net change in cash and cash equivalents	\$ (21,348)
Cash and cash equivalents at beginning of year	<u>151,911</u>
Cash and cash equivalents at end of year	\$ <u><u>130,563</u></u>
Supplemental Disclosure of Cash Flows Information	
Cash paid for interest expenses	\$ <u><u>1,873</u></u>

The accompanying notes to financial statements are an integral part of this statement.

LOCAL FOOD HUB, INC.

Notes to Financial Statements
As of December 31, 2017

NOTE 1 - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description and Nature of Organization:

Local Food Hub is a nonprofit organization working to improve small farm viability and increase community access to local food in Charlottesville, Virginia. The purpose of the Organization is to strengthen and secure the future of a healthy regional food supply by providing small farmers with concrete services that support their economic vitality and promote stewardship of the land.

B. Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other assets/liabilities.

C. Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When donor restrictions are met in the same reporting period, temporarily restricted contributions are reported as unrestricted contributions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

D. Financial Statement Presentation:

The Organization is required to report information regarding its financial position and activities according to three classes of net assets, based on the existence or absence of donor imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations. At December 31, 2017, the Organization had \$145,704 in unrestricted net assets.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. At December 31, 2017, the Organization had \$23,000 in temporarily restricted net assets.

Permanently restricted net assets: Net assets subject to donor-imposed or other legal restrictions requiring that all principal be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned for either general or donor-specific purposes. At December 31, 2017, the Organization had no permanently restricted net assets.

LOCAL FOOD HUB, INC.

Notes to Financial Statements
As of December 31, 2017 (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

E. Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

F. Cash and Cash Equivalents:

Cash and cash equivalents consist of all cash, certificates of deposit and highly liquid investments with initial maturities of three months or less.

G. Inventory:

Inventory is valued at the lower of cost or market, with cost determined on a weighted average basis. Inventories consist of food held for sale.

H. Accounts Receivable:

Accounts receivable consist of amounts due from food sales. The Organization considers account receivable to be past due if payments are not received within thirty days. Management evaluates the need to write off a receivable based on its review of accounts receivable and historical collection experience. Management writes off a receivable as a charge to bad debt expense, when in its estimation, it is probable the receivable is worthless. The Organization believes that all accounts receivable at December 31, 2017 are fully collectible. Accordingly, no allowance for doubtful accounts is recorded.

I. Fixed Assets:

Property and equipment with a value of \$1,000 or more are recorded at cost and, if donated, the estimated fair value at the date of donation. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of fixed assets are capitalized. Depreciation is computed on the straight-line basis over various useful lives. Depreciation expense totaled \$10,349 for 2017.

J. Intangible Assets:

Intangible assets are carried at cost. Amortization is computed using the straight-line method based on the asset's estimated useful life. When the asset is retired or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts, and any resulting gain or loss is recognized. Amortization expense totaled \$3,322 for 2017.

K. Contributed Facilities:

Donated facilities are measured at their fair values as determined by management. The value of the donated facilities, which included a warehouse with utilities and office space, in the amount of \$50,004 was recorded as contributed facilities revenue and expense for 2017.

LOCAL FOOD HUB, INC.

Notes to Financial Statements
As of December 31, 2017 (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

L. Contributed Services:

Contributed services are recorded in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet the following criteria: a) the service requires specialized skills, b) the service is provided by individuals who possess those skills, and c) the service would typically need to be purchased if not contributed. For the year ended December 31, 2017, the Organization recognized contributed services in the amount of \$1,200.

M. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. Income Taxes:

Local Food Hub, Inc. is a nonprofit organization exempt from income tax under section 501(c) (3) of the U. S. Internal Revenue Code and comparable State law. Contributions to the Organization are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509 (a) of the Code.

O. Functional Allocation of Expenses:

Certain expenses are allocated among functions based on direct expenses incurred; others are allocated based on the time spent in the activities. The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

P. Compensated Absences:

The Organization has policies which allow for the accumulation and vesting of annual and sick leave. Amounts of such absences are accrued when incurred on the statement of financial position. At December 31, 2017, this accrued liability totaled \$14,940.

Q. Subsequent Events:

Events and transactions were evaluated through October 11, 2018, which is the date the financial statements were available to be issued. There were no subsequent events to be disclosed.

LOCAL FOOD HUB, INC.

Notes to Financial Statements
As of December 31, 2017 (continued)

NOTE 2 - FIXED AND INTANGIBLE ASSETS:

Fixed and intangible assets consisted of the following at December 31, 2017:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Basis Remaining</u>
Equipment	\$ 12,962	\$ 4,063	\$ 8,899
Vehicles	66,950	23,475	43,475
Intangible	22,694	11,735	10,959
Total	<u>\$ 102,606</u>	<u>\$ 39,273</u>	<u>\$ 63,333</u>

NOTE 3 - RELATED PARTY TRANSACTIONS:

During 2017, the Organization received payments, from a business which is partly owned by a board member, for food sales in the amount of \$31,523. The amount of accounts receivable due from this vendor was \$1,296 at December 31, 2017. These transactions were consummated on terms no more favorable than would have been obtained from an unrelated party.

NOTE 4 - OPERATING LEASES:

During 2017 the Organization leased equipment and office space under various leases with terms ranging from one month to one year. Total rent expense under all operating leases was \$38,342 for the year ended December 31, 2017.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets were available for the following purposes, at December 31, 2017:

Fresh Farmacy	\$ <u>23,000</u>
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NOTE 6 - LINE OF CREDIT:

The Organization has a \$50,000 line of credit with two individuals. Interest is paid monthly at 4% and re-invested back into the Organization. The line of credit will expire on July 14, 2018. The Organization has a second \$50,000 line of credit with RSF Social Finance. Interest is paid monthly at 5.5%. Total advances on the lines of credit were \$50,100 at December 31, 2017.

LOCAL FOOD HUB, INC.

Notes to Financial Statements
As of December 31, 2017 (continued)

NOTE 7 - NOTE PAYABLE:

\$46,950 note payable to Virginia National Bank, secured by a 2015 Dodge Ram, dated July 8, 2015, 60 payments of \$893.12 due monthly, interest at 5.25% \$ 24,247

Maturities of principal balances are as follows:

2018	\$	9,675
2019		9,525
2020		<u>5,047</u>
Total	\$	<u><u>24,247</u></u>