

SOLA GRATIA FARM

Urbana, Illinois

Financial Statements

For the Year Ended December 31, 2023

Feller & Kuester CPAs PLLC
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of
Sola Gratia Farm
Urbana, Illinois

Opinion

We have audited the accompanying financial statements of Sola Gratia Farm (a nonprofit organization) (the Organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Organization as of December 31, 2023, and its support, revenue, and expenses, and cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for 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 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 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:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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.
- 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Feller & Kuester CPAs PLLC

Feller & Kuester CPAs PLLC
Champaign, Illinois

October 22, 2024

SOLA GRATIA FARM
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2023

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 769,736
Utility Deposits	250
Total Current Assets	<u>769,986</u>
Property and Equipment, Net	<u>737,684</u>
TOTAL ASSETS	<u><u>\$ 1,507,670</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Payroll Liabilities	\$ 8,237
Total Liabilities	<u>8,237</u>
Net Assets	
Without Donor Restrictions	904,425
With Donor Restrictions	595,008
Total Net Assets	<u>1,499,433</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,507,670</u></u>

See Accompanying Notes.

SOLA GRATIA FARM
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 220,216	\$ 88,080	\$ 308,296
Grants and Contracts	253,780	51,316	305,096
Retail and Wholesale Sales	141,242	-	141,242
CSA Shares	122,289	-	122,289
Plant Sales	43,145	-	43,145
Special Event Revenue	2,936	-	2,936
Net Assets Released from Restrictions	443,684	(443,684)	-
Total Support and Revenue	<u>1,227,292</u>	<u>(304,288)</u>	<u>923,004</u>
Expenses			
Program Services:			
Community-Based Farm	512,886	-	512,886
Community Outreach & Education	68,795	-	68,795
Total Program Services	<u>581,681</u>	<u>-</u>	<u>581,681</u>
Supporting Services:			
Management and General	80,467	-	80,467
Total Expenses	<u>662,148</u>	<u>-</u>	<u>662,148</u>
Increase (Decrease) in Net Assets	<u>565,144</u>	<u>(304,288)</u>	<u>260,856</u>
Net Assets, Beginning of Year	<u>339,281</u>	<u>899,296</u>	<u>1,238,577</u>
Net Assets, End of Year	<u>\$ 904,425</u>	<u>\$ 595,008</u>	<u>\$ 1,499,433</u>

See Accompanying Notes.

SOLA GRATIA FARM
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services			Supporting Services	Total
	Community- Based Farm	Community Outreach & Education	Total Program Services	Management and General	
Salaries and Wages	\$ 260,194	\$ 52,328	\$ 312,522	\$ 49,857	\$ 362,379
Payroll Taxes	23,878	4,393	28,271	4,229	32,500
Employee Expenses	6,911	3,412	10,323	2,627	12,950
Special Funds	114,555	-	114,555	-	114,555
Farm Operations	52,280	-	52,280	-	52,280
Plant Sales	14,566	-	14,566	-	14,566
Insurance	9,783	2,022	11,805	1,907	13,712
Shares Expenses	12,625	-	12,625	-	12,625
Depreciation	8,487	1,754	10,241	1,654	11,895
Professional Fees	-	-	-	9,213	9,213
Market Fees and Supplies	4,409	911	5,320	859	6,179
Office Equipment and Supplies	-	-	-	5,999	5,999
Bank and Credit Card Fees	-	-	-	3,110	3,110
Outreach and Education	-	2,901	2,901	-	2,901
Event Expenses	2,045	423	2,468	399	2,867
Fundraising Expenses	1,187	245	1,432	231	1,663
Conference and Travel	792	164	956	154	1,110
Marketing and Advertising	407	84	491	79	570
Other Expenses	767	158	925	149	1,074
 Total Expenses	 <u>\$ 512,886</u>	 <u>\$ 68,795</u>	 <u>\$ 581,681</u>	 <u>\$ 80,467</u>	 <u>\$ 662,148</u>

See Accompanying Notes.

SOLA GRATIA FARM
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (Decrease) in Net Assets	\$ 260,856
Adjustments to Reconcile Change In Net Assets to Net Cash Provided by (Used in) Operating Activities:	
Depreciation Expense	11,895
(Increase) Decrease in Operating Assets	
Utility Deposits	(250)
Increase (Decrease) in Operating Liabilities	
Payroll Liabilities	<u>3,468</u>
 Net Cash Provided by (Used in) Operating Activities	 <u>275,969</u>

CASH FLOWS FROM INVESTMENT ACTIVITIES

Purchase of Property and Equipment	<u>(679,440)</u>
 Net Cash Provided by (Used in) Investment Activities	 <u>(679,440)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

None	<u>-</u>
 Net Cash Provided by (Used in) Financing Activities	 <u>-</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (403,471)
Beginning Cash and Cash Equivalents	<u>1,173,207</u>
Ending Cash and Cash Equivalents	<u><u>\$ 769,736</u></u>

See Accompanying Notes.

**SOLA GRATIA FARM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Sola Gratia Farm (the Organization) is a corporation located in Urbana, Illinois. Responding to the Gospel, the Organization is a community-based farm dedicated to producing locally-grown, high-quality, natural produce. The farm is committed to helping those who lack adequate food resources by donating ten percent of its produce to support regional hunger programs. The farm promotes healthy lifestyles and community building through education, service, and outreach programs. The Organization was founded by St. Matthew Lutheran Church and Faith in Place in 2012 and was incorporated in the State of Illinois in 2017.

The major programs of the Organization are described below:

- *Community-Based Farm* – The Organization employs sustainable farming production methods that focus on growing an abundance of nutritious, delicious fruits and vegetables, while enhancing soil structure and biology and helping to build a community that values high-quality, locally grown food.
- *Community Outreach & Education* – The Organization encourages community involvement in the farm through volunteer opportunities, special events and educational programming, camps, classroom visits, educational workshops, job training programs, farm to school programs, and partnerships with community organizations.

The main sources of income for the Organization are contributions and grants and contracts from the public.

Subsequent Events

Subsequent events have been evaluated through October 22, 2024, which is the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure in the financial statements.

Basis of Reporting

The Organization has chosen to report on the modified cash basis of accounting. Accordingly, revenue is recognized when received, not when earned. Expenses are recognized when paid, not when incurred. Donated services and materials are not recorded under the modified cash basis of accounting. Accordingly, the accompanying financial statements are not intended to and do not present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For the purpose of the statement of assets, liabilities, and net assets – modified cash basis, the Organization considers cash and highly liquid investments available for current use with original maturity of three months or less to be cash and cash equivalents.

SOLA GRATIA FARM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Property and Equipment

Property and equipment expenditures in excess of \$1,000 are capitalized at cost. Depreciation of the assets is computed using the straight-line method over their estimated useful lives. The range of estimated useful lives by type of asset is as follows:

Land Improvements	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 - 20 years

Net Assets

Net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net Assets with Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Donations and grants received with restrictions that are met in the same reporting period are reported as unrestricted support and increase net assets without donor restrictions. The Organization did not have any net assets with donor restrictions that were perpetual in nature as of December 31, 2023.

Grants and Contracts Revenue

Grants and contracts funds received with only general restrictions and public donations are considered to be available for unrestricted use unless specifically restricted by the donor. When such restrictions exist, the revenue is recorded with net assets with donor restrictions until the restrictions are met. Grants, contracts, and contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase net assets without donor restrictions.

Under the modified cash basis of accounting, grants and contracts revenue is recognized when the funds are received.

Income Tax Status

The Organization is a non-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Internal Revenue Service has determined that the Organization is not a private foundation as defined in Section 509(a)(1) and Section 170(b)(1)(A)(vi) of the Code.

SOLA GRATIA FARM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

The Organization has evaluated its exposure resulting from uncertain income tax position and determined the exposure is not material to the financial statements. In addition, the Organization is not aware of any tax position for which a significant change is reasonably possible within the next 12 months. Therefore, these financial statements do not include a liability for uncertain tax positions. Upon recognition of a liability for an uncertain tax position, the Organization would recognize interest expense and penalties in operating expenses.

The Organization files information tax returns in the U.S. federal jurisdiction and the state of Illinois. The Organization's federal and Illinois information tax returns prior to calendar year 2020 are closed. The Organization does not have any tax returns currently under examination by either the Internal Revenue Service (IRS) or any U.S. state jurisdiction.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts, disbursements, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of support, revenue, and expenses – modified cash basis and statement of functional expenses – modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses which are easily and directly associated with a particular program or supporting service are charged directly to that functional area. Indirect expenses have been allocated on the basis of estimates of time and effort.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to credit risk consist principally of checking accounts, savings accounts, and certificate of deposits at financial institutions. At December 31, 2023, the Organization had a total bank and book balance which includes cash and cash equivalents of \$764,345 and \$746,857, respectively. These funds were held at one financial institution located in Urbana, Illinois. The balance as of December 31, 2023 was insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. Thus, \$514,345 of the bank balance was not insured as of December 31, 2023. In addition, the Organization had undeposited funds of \$22,879 at December 31, 2023. Since these funds were not yet deposited with a financial institution it was not insured by FDIC.

NOTE 3 – COMMITMENTS

On October 19, 2023, a contract was signed with a contractor in Champaign, Illinois to install the building pad, foundations, and the building shell for the amount of \$924,944. The work also

SOLA GRATIA FARM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

includes a standing seam roof. The building will be completed during the year ended December 31, 2024.

NOTE 4 – PROPERTY AND EQUIPMENT

As of December 31, 2023, property and equipment consisted of:

Land	\$ 420,450
Land Improvements	81,205
Construction in Progress	153,145
Vehicles	22,500
Equipment	105,640
Total Property and Equipment	<u>782,940</u>
Less: Accumulated Depreciation	<u>(45,256)</u>
Property and Equipment, Net	<u><u>\$ 737,684</u></u>

During the year ended December 31, 2023, the Organization had depreciation expense of \$11,895.

NOTE 5 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31, 2023 consist of the following:

Board Designated Assets:	
Donor Memorials	\$ 10,627
Undesignated Assets	893,798
Total Net Assets without Donor Restrictions	<u><u>\$ 904,425</u></u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2023 are restricted for the following purposes or period:

Subject to expenditures for specified purpose:	
Farm Expansion	\$ 455,612
Wash Pack Items	68,205
Developing and Improving Farming Activities	51,316
Furniture for New Building	12,000
Expanding Greenhouse Capacity	7,500
Farm to School	375
Total Net Assets with Donor Restrictions	<u><u>\$ 595,008</u></u>

**SOLA GRATIA FARM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Net assets were released from donor restrictions by incurring expense satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2023:

Satisfaction of purpose restrictions:	
Farm Expansion	\$ <u>443,684</u>

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the date of the statement of assets, liabilities, and net assets – modified cash basis, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of those dates. Amounts available include donor restricted amounts that are available for general expenditure in the following year.

	December 31, <u>2023</u>
Fiscal Assets at Year-End	
Cash and Cash Equivalents	\$ 769,736
Utility Deposits	250
Less Board Designated:	
Board Designated for Donor Memorials	(10,627)
Less Contractual or Donor-Imposed Restrictions:	
Donor Restrictions for Specific Purposes	<u>(595,008)</u>
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	<u>\$ 164,351</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Excess cash is generally held in a checking account until it is required for operational use.