

Cul2vate

(A Nonprofit Corporation)

Consolidated Financial Statements

With Independent Auditors' Report Thereon

For the Year Ended December 31, 2022

H A Beasley & Company, PLLC

Certified Public Accountants

Murfreesboro, Tennessee

Cul2vate

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**H A Beasley
& Company, PLLC**

Certified Public Accountants
Independent Auditors' Report

To the Board of Directors and Management of
Cul2vate

Qualified Opinion

We have audited the financial statements of Cul2vate, which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Cul2vate as of December 31, 2022, 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.

Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence regarding inventories due to our inability to perform an inventory observation for Cul2vate as of December 31, 2022. We were not engaged to perform an audit of Cul2vate until after the date of their year-end, thus creating a timing issue that prevented us from performing the inventory observation. Consequently, we were unable to determine whether or not material misstatements exist in inventories and if any adjustments were necessary.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Cul2vate 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 qualified audit opinion.

Change in Accounting Principle

As discussed in Note B to the financial statements, during the year ended December 31, 2022, the Organization adopted the new accounting guidance in *Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-02, "Leases (Topic 842)"* which requires lessees to recognize a right-of-use asset and lease liability for all leases with terms greater than 12 months. This update also included new disclosure requirements for leases. The Organization also adopted *ASU 2018-10, "Codification Improvements to Topic 842, Leases," ASU 2018-11, "Leases (Topic 842): Targeted Improvements," ASU 2019-01, "Leases (Topic 842): Codification Improvements,"* and *ASU 2021-09, "Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities."* These updates all provided further transitional guidance and additional clarification in implementing *ASU No. 2016-02*.

As discussed in Note B to the financial statements, in the year ended December 31, 2022 the Organization also adopted the new accounting guidance in *FASB ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* which includes specific presentation and disclosure requirements for contributed nonfinancial assets, and *FASB ASU No. 2020-10, "Codification Improvements"* which was issued to clarify certain items in the Accounting Standards Codification (ASC).

Our opinion is not modified with respect to these matters.

A Positive Difference Through Professional Accounting Service

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Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cul2vate's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Cul2vate'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cul2vate'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.



H A Beasley & Company, PLLC
November 27, 2023

CUL2VATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 971,175
Accounts receivable, net	411
Contributions receivable, net	93,500
Grant receivable	1,959
Unconditional promise of donated facilities, current portion, net	105,750
Other receivables	1,160
Inventory, net	3,662
Prepaid expenses	<u>5,814</u>
Total current assets	1,183,431

PROPERTY AND EQUIPMENT, NET	230,801
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OTHER ASSETS

Unconditional promise of donated facilities, noncurrent portion, net	<u>240,153</u>
Total other assets	<u>240,153</u>

TOTAL ASSETS	<u>\$ 1,654,385</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 11,772
Accrued expenses	<u>3,494</u>
Total current liabilities	<u>15,266</u>

TOTAL LIABILITIES	15,266
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NET ASSETS

Without donor restrictions	1,287,732
With donor restrictions	<u>351,387</u>

TOTAL NET ASSETS	<u>1,639,119</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,654,385</u>
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See accompanying notes to consolidated financial statements and independent auditors' report.

CUL2VATE
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue and Support			
Produce and store sales, net	\$ 41,456	\$ -	\$ 41,456
Contributions	407,724	-	407,724
Grants	196,977	-	196,977
Contributed non-financial assets	124,559	4,500	129,059
Totals	770,716	4,500	775,216
Special event revenue	424,214	-	424,214
Less: Cost of direct benefit to donor	(38,332)	-	(38,332)
Net revenue from special event	385,882	-	385,882
Totals	1,156,598	4,500	1,161,098
Net assets released from donor restrictions:			
Satisfaction of time restrictions	106,735	(106,735)	-
Total revenue and support	1,263,333	(102,235)	1,161,098
Expenses			
Program services	571,940	-	571,940
Supporting services			
Management and general	219,490	-	219,490
Fundraising	65,020	-	65,020
Total expenses	856,450	-	856,450
Other income (expense)			
Interest income	122	-	122
Loss on disposal of equipment	(236)	-	(236)
Total other expense	(114)	-	(114)
CHANGE IN NET ASSETS	406,769	(102,235)	304,534
NET ASSETS AT BEGINNING OF YEAR	880,963	453,622	1,334,585
NET ASSETS AT END OF YEAR	\$ 1,287,732	\$ 351,387	\$ 1,639,119

See accompanying notes to consolidated financial statements and independent auditors' report.

CUL2VATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

		Supporting Services		
	Program Services	Management and General	Fund- raising	Totals
Compensation and related expenses:				
Wages	\$ 373,287	\$ 124,872	\$ 15,359	\$ 513,518
Payroll taxes	29,291	9,630	1,203	40,124
Employee benefits	2,556	3,178	-	5,734
Total compensation and related expenses	405,134	137,680	16,562	559,376
Advertising	49	1,680	1,680	3,409
Bank charges and merchant fees	-	5,045	4,924	9,969
Depreciation expense	15,817	8,517	-	24,334
Dues and subscriptions	43	43	43	129
Farm supplies	57,513	-	-	57,513
Fuel and mileage	7,084	-	-	7,084
Gifts	3,739	-	-	3,739
Insurance	3,845	9,206	-	13,051
Interest expense	-	438	-	438
Licenses and fees	-	2,070	-	2,070
Maintenance and repairs	14,585	-	-	14,585
Office supplies	-	4,777	3,342	8,119
Payroll processing fees	-	2,952	-	2,952
Postage and shipping	2,477	1,461	-	3,938
Printing and copying	687	708	1,775	3,170
Professional fees	2,897	3,246	-	6,143
Rent	44,862	31,685	31,688	108,235
Staff education and training	3,679	-	-	3,679
Software and website	198	4,016	1,240	5,454
Telephone and internet	968	969	968	2,905
Travel, meals and entertainment	5,565	2,198	-	7,763
Utilities	2,798	2,799	2,798	8,395
Total functional expenses	\$ 571,940	\$ 219,490	\$ 65,020	\$ 856,450

See accompanying notes to consolidated financial statements and independent auditors' report.

CUL2VATE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 304,534
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	24,334
Loss on disposal of equipment	236
Decrease (increase) in operating assets:	
Accounts receivable	5,839
Contributions receivable	(93,500)
Grant receivable	5,486
Unconditional promise of donated facilities	98,436
Other receivables	(1,160)
Inventory, net	(3,662)
Prepaid expenses and other	(2,528)
Increase in operating liabilities:	
Accounts payable	6,354
Accrued expenses	3,494
Net cash provided by operating activities	347,863

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(150,962)
Net cash used in investing activities	(150,962)
Net increase in cash and cash equivalents	196,901
Beginning cash and cash equivalents	774,274
Ending cash and cash equivalents	\$ 971,175

See accompanying notes to consolidated financial statements and independent auditors' report.

CUL2VATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Cul2vate is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is located in Nashville, Tennessee. Its purpose is to feed the hungry locally. The Organization grows nutritious food to donate to those who are food insecure, while also working to provide a fresh start at employment to those who are in need of a second chance.

Principles of Consolidation

On May 9, 2022, Cul2vate Farm Store, LLC was formed as a not-for-profit limited liability company and is wholly owned by Cul2vate. The accompanying consolidated financial statements include the accounts of Cul2vate and Cul2vate Farm Store, LLC (the consolidated group referred to as “the Organization”). Material intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis.

Basis of Presentation

The Organization presents its financial statements in accordance with *Financial Accounting Standards Board* (“FASB”) *Accounting Standards Codification* (“ASC”) 958, *Financial Statements for Not-for-Profit Entities*. Accordingly, the Organization reports information regarding its financial position and activities according to the two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are restricted for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. Net assets without donor restrictions may be designated for specific purposes by the Organization’s board of directors.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as revenue with restrictions, when received, and such unexpended amounts are reported as net assets with restrictions at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as “net assets released from donor restrictions.” Donor restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 amount of revenue and support and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term investments with an initial maturity date of three months or less.

CUL2VATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment are recorded at cost or, for donated items, at the estimated fair value as of the date received. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense when incurred. When assets are retired or otherwise disposed of, the related cost and accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected on the consolidated statement of activities.

For financial statement purposes, depreciation is computed using the straight-line method over the estimated useful lives of assets. Equipment and machinery, vehicles, and software are depreciated over a range of 3-7 years. Leasehold improvements are depreciated over the lease term.

Contributions of long-lived assets or contributions restricted for acquisition of long-lived assets are reported as increases in temporarily restricted net assets. When restrictions are considered met, an appropriate amount is reclassified to unrestricted net assets. The useful lives of the long-lived assets are calculated based on the Organization's depreciation policy.

Leases

The Organization has elected not to recognize leases with an original term of one year or less on the statement of financial position, and accordingly lease expense for short-term leases is recognized on a straight-line basis over the lease term.

Contributions and Other Income

ASU No. 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made requires three classifications of contributions received in the current year: conditional, unconditional with donor restrictions, or unconditional without donor restrictions. Conditional contributions, including conditional promises to give, are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Unconditional contributions, including unconditional promises to give are recognized as revenue in the period incurred. Contributions of assets and specialized services are recorded at their estimated fair value.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Inventory, Net

Inventory primarily consists of produce and brand merchandise, such as clothing and hats. Inventory is stated at the lower of cost (first in, first out basis) or net realizable value. Management has estimated the allowance for slow-moving items to be \$-0- as of December 31, 2022.

Revenue Recognition

The Organization sells produce and other merchandise at the Cul2vate Farm Store, which totaled \$41,456 during the year ended December 31, 2022. This amount is included in Produce and store sales, net on the consolidated statement of activities as of December 31, 2022. This revenue stream is considered an exchange transaction under *Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers ("ASU 2014-09")* as those making the payments are receiving items with commensurate value to the payment they are making.

CUL2VATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

For this revenue stream, the Organization recognizes revenue when the recipient takes possession of the purchased goods, which is the point in time that the Organization is considered to meet its performance obligations under the contracts with its customers. The payment from the customer is generally simultaneous with the transfer of the goods, thus the sale of these goods is not creating a contract asset or liability. The transaction price for the products is set at the time of purchase and does not contain a significant financing component. The Organization has no contracts with customers for which revenue is recognized over time.

Accounts receivable, net, generated from contracts with customers as of December 31, 2022 and 2021 totaled \$411 and \$-0-, respectively. There were no other uncompleted contracts with customers as of both December 31, 2022 and 2021 resulting in a contract asset or liability. An allowance for sales returns is recorded as a component of sales in the period the allowances are recognized. As of December 31, 2022, management estimated that sales allowance to be \$-0-.

Advertising Costs

The Organization expenses the cost of non-direct responsive advertising as incurred. For the year ended December 31, 2022, advertising costs totaled \$3,409.

Functional Expenses

The cost of providing the program activities and other activities have been summarized on a functional basis in the statement of activities. Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Accordingly, certain costs have been allocated among the program services, management and general, and fundraising based on estimates by management.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) as an Organization that is not a private foundation under Section 509(a)(2). Only unrelated business income, as defined in Section 512(a)(1) of the Code, is subject to federal income tax. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2019, and to state tax authorities for years before 2017.

The Organization has evaluated its tax positions for all open tax years. Based on the evaluation of the Organization's tax positions, management believes all tax positions taken would be upheld under an examination; therefore, no provision for the effects of uncertain positions has been recorded for the year ended December 31, 2022.

Accounts Receivable, Net

Accounts receivable consist of amounts due from customers for the purchase of produce. The accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. The Organization does not charge interest or a finance charge on past due receivable accounts. The Organization has estimated an allowance for doubtful accounts which is based on management's judgement of factors such as prior collection history. As of December 31, 2022, management has estimated the allowance for uncollectible accounts receivable to be \$-0-.

CUL2VATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE B –NEW AUTHORITATIVE ACCOUNTING GUIDANCE

Codification Improvements

As a result of updates to the Accounting Standards Codification, during the year ended December 31, 2022 the Organization adopted *FASB ASU No. 2020-10, "Codification Improvements."* This update was issued to clarify certain items in the Accounting Standards Codification. The Organization applied this new standard retrospectively. There was no cumulative effect of applying this change to all prior periods presented, therefore there was no material impact on the Organization's change in net assets, financial position, or cash flows upon adoption of the new standard.

Leases: Topic 842

As a result of updates to the Accounting Standards Codification, during the year ended December 31, 2022 the Organization adopted *FASB ASU No. 2016-02, "Leases (Topic 842)."* This update requires a dual approach for lessee accounting under which a lessee will account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability on its balance sheet, with differing methodology for income statement recognition. In July 2018, the FASB issued *ASU 2018-10, "Codification Improvements to Topic 842, Leases"* to provide more detailed guidance and additional clarification for implementing *ASU 2016-02*, and *ASU 2018-11, "Leases (Topic 842): Targeted Improvements,"* which provides an optional transition method in addition to the existing modified retrospective transition method by allowing a cumulative effect adjustment to the opening balance of net assets in the period of adoption. In March of 2019, the FASB issued *ASU 2019-01, "Leases (Topic 842): Codification Improvements"* which was issued to provide more detailed guidance and clarification for implementing *ASU 2016-02*. In November of 2021, the FASB issued *ASU 2021-09, "Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities"* which allows private companies to use a risk-free rate as the discount rate for all leases.

The Organization adopted this guidance in the year ended December 31, 2022, and as a part of that process, made the following elections:

- The Organization elected the optional transition method which allows for the lessee to not recast comparative financial information but instead recognize a cumulative-effect adjustment to net assets as of the effective date in the period of adoption. No such adjustment to net assets was made as a result of the adoption of this guidance.
- The Organization elected the package of practical expedients permitted under the transition guidance within the new standard which, among other things, allowed the Organization to carry forward their prior lease classification under *Accounting Standards Codification ("ASC") Topic 840*.
- The Organization elected to make the accounting policy election for short term leases resulting in lease payments being recorded as an expense on the straight-line basis over the lease term.
- The Organization elected to not separate lease components from non-lease components for all classes of underlying assets.

Adoption of the new standard did not have a material impact to the Organization's consolidated statement of financial position and related disclosures, consolidated statement of activities or consolidated statement of cash flows during the period of adoption.

ASU 2020-07

During the year ended December 31, 2022, the Organization implemented *FASB Accounting Standards Update (ASU) No. 2020-07, Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which includes specific presentation and disclosure requirements for contributed nonfinancial assets. The Organization adopted *ASU 2020-07* retrospectively. There was no material impact on the Organization's changes in net assets, financial position or cash flows upon adoption of this new standard.

CUL2VATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE C – CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consist of sponsorships, auction proceeds and other amounts to be received for the 2022 fall fundraiser. As of December 31, 2022, contributions receivable, net totaled \$93,500. The allowance for uncollectible contributions was \$-0- as of December 31, 2022.

NOTE D – GRANT RECEIVABLE

The Organization has a grant receivable totaling \$1,959 as of December 31, 2022, which is the amount of a reimbursable grant to be received after year end for expenses incurred during the year ended December 31, 2022.

NOTE E – ACCRUED EXPENSES

A summary of accrued expenses as of December 31, 2022 is as follows:

Accrued payroll	\$ 2,933
Sales tax payable	79
Other accrued expenses	<u>482</u>
Total accrued expenses	<u><u>\$ 3,494</u></u>

NOTE F – PROPERTY AND EQUIPMENT, NET

Property and equipment, net is composed of the following as of December 31, 2022 and 2021:

Equipment and machinery	\$ 160,000
Software	11,599
Vehicles	48,481
Leasehold improvements	<u>88,760</u>
Totals	308,840
Less: Accumulated depreciation	<u>(78,039)</u>
Total property and equipment, net	<u><u>\$ 230,801</u></u>

For the year ended December 31, 2022, depreciation expense totaled \$24,334.

During the year ended December 31, 2022, the Organization purchased \$44,106 of equipment for a new kitchen that the Organization plans to build. This equipment is being held in storage until completion of the kitchen. These assets are included in equipment and machinery but will not be depreciated until they are placed into service.

NOTE G – RESTRICTED NET ASSETS

The Organization had net assets with donor restrictions totaling \$351,387 as of December 31, 2022. This relates to an unconditional promise of contributed rent expense for future years and has an implied time restriction which will expire as the monthly rent expense is incurred.

CUL2VATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE H - CONCENTRATION OF RISK

At times throughout the year, the Organization may maintain cash balances in certain accounts in excess of the Federal Deposit Insurance Corporation ("FDIC") limit which is \$250,000 for substantially all depository accounts. As of December 31, 2022, the Organization had funds in excess of the FDIC limits of \$712,786.

During the year ended December 31, 2022, the Organization received support from the Tennessee Department of Agriculture totaling \$131,627, which represents approximately 11% of total support received.

NOTE I – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization is supported in part by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. As such, some financial assets may not be available for general expenditure within one year.

The following reflects the Organization's assets as of December 31, 2022, reduced by amounts not available for general use within one year of the date of the statement of financial position because of a contractual or donor imposed restriction.

Financial assets as of year-end:	
Cash and equivalents	\$ 971,175
Accounts receivable, net	411
Contributions receivable, net	93,500
Grant receivable	1,959
Unconditional promise of donated facilities, net	345,903
Other receivables	<u>1,160</u>
Total financial assets as of year-end	1,414,108
Less amounts unavailable for general expenditures within one year:	
Contractual or donor-imposed restrictions	<u>351,387</u>
Total unavailable for general expenditures within one year	<u>351,387</u>
Total financial assets available for general expenditures within one year	<u><u>\$ 1,062,721</u></u>

NOTE J – UNCONDITIONAL PROMISE OF DONATED FACILITIES, NET

The Organization has entered into two contracts that gives the Organization the right to use certain farm land and office space at no cost. The first contract expires in March 2026 and gives the Organization the right to extend the contract for an additional 10 years. The second contract expires in September 2027, but can be terminated by the lessor or lessee after each 12 month period. This contract qualifies as a short-term lease. Donated rent expense incurred on these two contracts in the year ended December 31, 2022 totaled \$108,235.

As of December 31, 2022, the amounts due to the Organization on these contracts totaled \$345,903 and is included in unconditional promise of donated facilities, net on the consolidated statement of financial position.

CUL2VATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE J – UNCONDITIONAL PROMISE OF DONATED FACILITIES, NET (CONTINUED)

A schedule of the future amounts due to the Organization is as follows as of:

	<u>December 31,</u>	
	2023	\$ 111,234
	2024	106,735
	2025	106,735
	2026	<u>26,683</u>
		351,387
Less: unamortized discount		<u>(5,484)</u>
Total unconditional promise of donated facilities, net		<u>\$ 345,903</u>

NOTE K – CASH FLOW INFORMATION

During the year ended December 31, 2022, payments of interest totaled \$438. There were no payments of income taxes and no non-cash financing or investing activities.

NOTE L – CONTRIBUTED NON-FINANCIAL ASSETS

The contributed non-financial assets received during the year ended December 31, 2022 totaled \$129,059 and consisted of the following:

	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Fundraising items	\$ 84,941	Bourbon and auction items used in the fall fundraiser event	No associated donor restrictions	The value of the donated fundraising items was provided directly by the donor, or in some cases, the Organization researched similar items to determine a fair market value.
Farm equipment	\$ 32,389	Trucks, trailers and bee-keeping equipment used in the daily activities of the farm.	No associated donor restrictions	The value of the donated farm equipment was provided directly by the donor, or in some cases, the Organization researched similar items to determine a fair market value.

CUL2VATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE L – CONTRIBUTED NON-FINANCIAL ASSETS (CONTINUED)

	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Meals	\$ 430	Meals provided for board meetings	No associated donor restrictions	The fair value of the meals was provided directly by the donor.
Farm acreage and office space	\$ 11,299	Acreage to grow crops and office space to support the administrative activities of the Organization	There is an implied time restriction for \$6,000 to be received in 2023. No other associated donor restrictions	The fair value of the acreage was provided directly by the donor.

NOTE M – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 27, 2023, which is the date the consolidated financial statements were available to be issued.

There have been no adjustments to the consolidated financial statements to include any subsequent transactions or events.