

**FOODSHED CAPITAL**

**Charlottesville, Virginia**

**FINANCIAL REPORT**

**December 31, 2024**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Foodshed Capital  
Charlottesville, Virginia

### **Opinion**

We have audited the financial statements of Foodshed Capital (the Organization), which comprise the statements of financial position as of December 31, 2024 and 2023, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2024 and 2023, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

## **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 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 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 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.

*Yount, Hyde & Barbours, P.C.*

Winchester, Virginia  
February 26, 2025

## FOODSHED CAPITAL

### Statements of Financial Position

December 31, 2024 and 2023

Assets	<u>2024</u>	<u>2023</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,706,836	\$ 2,514,818
Cash reserved for loan credit losses	600,000	400,000
Grants receivable	738,639	118,000
Prepaid expenses and deposit	29,147	33,443
Accrued interest receivable	2,347	1,747
Loans receivable, net of allowance for loan credit losses (\$38,303) and (\$35,615), respectively	<u>600,075</u>	<u>557,978</u>
	<u>\$ 3,677,044</u>	<u>\$ 3,625,986</u>
<b>Noncurrent Assets</b> , loans receivable, net of allowance for loan credit losses (\$81,342) and (\$41,390), respectively	<u>\$ 1,274,359</u>	<u>\$ 648,437</u>
 Total assets	 <u>\$ 4,951,403</u>	 <u>\$ 4,274,423</u>
 <b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 96,966	\$ 70,456
Deferred revenue	10,000	--
Short-term debt, including program - related investments	<u>500,000</u>	<u>--</u>
	<u>\$ 606,966</u>	<u>\$ 70,456</u>
 <b>Long-Term Debt</b> , including program - related investments	 <u>\$ 1,885,000</u>	 <u>\$ 2,335,000</u>
 Total liabilities	 <u>\$ 2,491,966</u>	 <u>\$ 2,405,456</u>
 <b>Net Assets</b>		
Without donor restrictions	\$ 1,724,905	\$ 1,434,408
With donor restrictions	<u>734,532</u>	<u>434,559</u>
Total net assets	<u>\$ 2,459,437</u>	<u>\$ 1,868,967</u>
 Total liabilities and net assets	 <u>\$ 4,951,403</u>	 <u>\$ 4,274,423</u>

See Notes to Financial Statements.

## FOODSHED CAPITAL

### Statement of Activities

Year Ended December 31, 2024

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue and Support</b>			
Grants and contributions	\$ 414,542	\$ 1,047,713	\$ 1,462,255
Interest income	81,951	--	81,951
Net assets released from restriction	<u>747,740</u>	<u>(747,740)</u>	<u>--</u>
Total revenue and support	<u>\$ 1,244,233</u>	<u>\$ 299,973</u>	<u>\$ 1,544,206</u>
<b>Expenses</b>			
Program services	\$ 647,687	\$ --	\$ 647,687
Management and general	219,993	--	219,993
Fundraising	<u>86,056</u>	<u>--</u>	<u>86,056</u>
Total expenses	<u>\$ 953,736</u>	<u>\$ --</u>	<u>\$ 953,736</u>
Change in net assets	\$ 290,497	\$ 299,973	\$ 590,470
Net assets, beginning of year	<u>1,434,408</u>	<u>434,559</u>	<u>1,868,967</u>
Net assets, end of year	<u>\$ 1,724,905</u>	<u>\$ 734,532</u>	<u>\$ 2,459,437</u>

See Notes to Financial Statements.

## FOODSHED CAPITAL

### Statement of Activities Year Ended December 31, 2023

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue and Support</b>			
Grants and contributions	\$ 877,731	\$ 675,896	\$ 1,553,627
Interest income	25,041	--	25,041
Discount on sales of loans receivable	--	(15,488)	(15,488)
Net assets released from restriction	<u>481,662</u>	<u>(481,662)</u>	<u>--</u>
Total revenue and support	<u>\$ 1,384,434</u>	<u>\$ 178,746</u>	<u>\$ 1,563,180</u>
<b>Expenses</b>			
Program services	\$ 690,534	\$ --	\$ 690,534
Management and general	177,152	--	177,152
Fundraising	<u>35,044</u>	<u>--</u>	<u>35,044</u>
Total expenses	<u>\$ 902,730</u>	<u>\$ --</u>	<u>\$ 902,730</u>
Change in net assets	\$ 481,704	\$ 178,746	\$ 660,450
Net assets, beginning of year	<u>952,704</u>	<u>255,813</u>	<u>1,208,517</u>
Net assets, end of year	<u>\$ 1,434,408</u>	<u>\$ 434,559</u>	<u>\$ 1,868,967</u>

See Notes to Financial Statements.

**FOODSHED CAPITAL**

**Statements of Cash Flows**

Years Ended December 31, 2024 and 2023

	<b>2024</b>	<b>2023</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 590,470	\$ 660,450
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Provision for loan credit losses	49,471	21,109
Discount on sale of loans	--	15,488
Changes in assets and liabilities:		
(Increase) decrease in grants receivable	(620,639)	259,456
Decrease (increase) in prepaid expenses and deposit	4,296	(26,134)
(Increase) decrease in accrued interest receivable	(600)	103
Increase in account payable and accrued expenses	26,510	40,902
Increase in deferred revenue	10,000	--
Net cash provided by operating activities	\$ 59,508	\$ 971,374
<b>Cash Flows from Investing Activities</b>		
New loans issued	\$ (1,440,456)	\$ (1,033,650)
Payments received on loans receivable	722,966	577,358
Proceeds from sale of loans receivable	--	182,825
Net cash (used in) investing activities	\$ (717,490)	\$ (273,467)
<b>Cash Flows from Financing Activities, proceeds from long-term debt, including program - related investments</b>	\$ 50,000	\$ 625,000
Net change in cash and cash equivalents	\$ (607,982)	\$ 1,322,907
<b>Cash and Cash Equivalents, including Cash Reserved for Loan Credit Losses</b>		
Beginning of year	2,914,818	1,591,911
End of year	\$ 2,306,836	\$ 2,914,818
<b>Supplemental Disclosures of Noncash Financing Activities,</b>		
cash paid for interest	\$ 11,070	\$ 5,211

See Notes to Financial Statements.



# FOODSHED CAPITAL

## Notes to Financial Statements

### Note 1. Nature of Business

Foodshed Capital is a not-for-profit organization formed to provide financial stewardship to farms and businesses promoting an equitable and regenerative local food economy. The Organization provides financial stewardship through its loan fund and business support services.

#### *Loan Fund*

The Organization's loan fund is designed to make capital more available and accessible for family farmers and food entrepreneurs. The Organization works with borrowers who are disenfranchised from the traditional financial system including low-income/low-asset individuals and families, black and brown families, women and non-binary people, immigrants and indigenous communities, as well as others who have been oppressed by an extractive economy and systemic discrimination. The focus of the Organization is on farms and food businesses dedicated to using resilient, regenerative, eco-friendly practices that foster soil health and biodiversity and produce healthy, culturally appropriate food for our local communities.

The Organization has designed an innovative approach to lending that seeks to eliminate barriers for borrowers in the local foodsheds. It strives to be equitable, patient, flexible, non-extractive and non-exploitative.

More specifically, the Organization aims to:

- Develop strong and lasting relationships with borrowers, viewing them as Partners and Co-creators of an equitable and regenerative food economy.
- Understand the individual needs of each farm business, learning as much as possible before customizing a loan for them.
- Keep interest rates as low as possible and offer 0% where possible.
- Eliminate unnecessary fees.
- Offer flexible terms that meet the needs of the borrower instead of imposing the requirements of the lender.
- Not use the borrower's credit score as part of the underwriting process.
- Reduce and streamline paperwork in the application, underwriting and closing processes.
- Not require collateral except for land-purchases or major equipment purchases.
- Not expect loans to be repaid from personal assets.
- Establish customized business support services for borrowers before and after the loan to help each business grow, achieve or increase profitability, create employment opportunities, and make positive impacts on the local environment and community.
- Remain flexible with borrowers throughout the term of the loan, adjusting repayment terms if and when they face adversity from weather, pandemics, health problems, etc.

## Notes to Financial Statements

### *Business Support Services*

- Supporting borrowing partners with financial training and assistance is essential to building a strong local food economy.
- It starts by developing a face-to-face relationship. Once a loan application is made, a representative from the Organization visits the applicant's farm or business and begins the consultation process. The Organization talks to applicants about the best way to potentially use funds from a loan, or even if borrowing money is the right thing for them in the first place.
- The Organization makes itself available for the farm/business owner(s) to help run a cash flow analysis, clean up financial statements, review marketing strategies, improve the farm's website and/or social media presence, put together a business plan for a new market or product, or address other business or financial concerns or needs.
- If a loan is made, the Organization stays in continual contact with the borrower, assisting them in any way possible to ensure the success of their business and the repayment of the loan.
- The Organization provides these services with internal staff but also collaborates with outside organizations to provide partner farms with the best business training possible.
- The Organization wants its partners to thrive. Sometimes this means working with them on the repayment schedule if they are having trouble meeting the timetable. This often involves strategic or financial planning to position the farm or business to better achieve its desired outcome.
- The Organization's consultation services are also offered to all small/mid-scale farms and food enterprises in the region, even if they are not borrowing funds. The Organization does this one-on-one and through group presentations, seminars, and workshops. For the workshops, the Organization often partners with experts who have a particular expertise. Since farmers like to learn from other farmers, the Organization strives to find experts who are either farmers themselves or understand the business of farming.
- The Organization offers its training and educational services as stand alone workshops or in collaboration with other organizations working in the field of food and agriculture.

In the spring of 2020, the Organization was certified by the U.S. Treasury as a Community Development Financial Institution (CDFI) and specifically, a loan fund. A certified CDFI is a specialized financial institution that works in market niches that are underserved by traditional financial institutions. These financial institutions are focused on community development activities that rebuild distressed and neglected communities through a variety of lending, social support, and educational activities. CDFI's provide a unique range of financial products and services in economically distressed target markets, such as mortgage financing for low-income and first-time home buyers and not-for-profit assistance, commercial loans and investment to small start-up or expanding businesses in low-income areas. CDFI's include regulated institutions such as community development banks and credit unions, and non-regulated institutions such as loan and venture capital funds. According to the Riegle Community Development and Regulatory Improvement Act of 1994, CDFI's are specialized financial institutions that:

- Have a primary mission of promoting community development;
- Serve an investment area or targeted population;
- Provide development services and equity investments or loans;
- Maintain accountability to residents of its investment area or targeted population; and
- Are not a public agency or institution.

## Notes to Financial Statements

### Note 2. Summary of Significant Accounting Policies

The financial statements of the Organization have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

#### Revenue Recognition

##### *Revenue Recognition Methodology for Exchange Transactions*

For exchange transactions, the Organization recognizes revenue in accordance with Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers, as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

For any amounts received in advance and for which performance obligations have not been satisfied, a contract liability (deferred revenue) is recorded.

##### *Revenue Recognition Methodology for Contributions*

Contributions are recognized as revenue when they are received or unconditionally promised.

The Organization reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends 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 restrictions.

Gifts of property and equipment are presented as net assets without donor restrictions 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 net assets with donor restrictions. Absent explicit donor stipulations about how long those 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.

Donor-restricted contributions whose restrictions are met in the same year as received are classified as contributions without donor restrictions in the accompanying financial statements.

Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized, or are treated as a refundable advance, until the conditions on which they depend have been met. There were no conditional promises to give as of December 31, 2024 and 2023.

## Notes to Financial Statements

### *Revenue Streams*

The Organization's primary revenue stream are grants and contributions. Contributions and grants are recognized as received or unconditionally promised.

### **Net Asset Groups**

The Organization reports its information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources that are not subject to donor-imposed stipulations.

Net assets with donor restrictions represent resources restricted by donors that will either be met by actions of the Organization, the passage of time or maintained in perpetuity.

### **Cash and Cash Equivalents**

For purposes of reporting cash flows, the Organization considers all highly-liquid instruments purchased with a maturity three months or less to be cash equivalents. The Organization places cash with high credit quality financial institutions. The Organization's cash amounts are maintained in three financial institutions, which at times, may exceed federally insured limits. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

### **Grants Receivable**

Grants receivable are stated at full value. No discount is applicable as all receivables are considered current. Management estimates no allowance for doubtful accounts is required.

### **Loans Receivable**

Loans are stated at the principal amount outstanding, net of the discount and allowance for loan credit losses. Interest income on loans is accrued at the loan's stated interest rate on the principal balance outstanding. There are no loan origination fees. The loans are unsecured and are payable to the Organization over payment terms as determined between each loan recipient and the Organization. These loans carry a term of three to ten years with stated interest rates ranging from 0% to 7%.

Generally accepted accounting principles (GAAP) require not-for-profit organizations to record interest expense (income) and contribution revenue (expense) in connection with loans that are interest free or that have below market interest rates. For 2024 and 2023, the Organization believes there is no material difference between market rates for these types of loans and the stated rates of loans in their portfolios. Consequently, no adjustments have been made to the financial statements to reflect rate differentials.

## Notes to Financial Statements

Loans are considered past due if the required principal and interest payments have not been received 30 days from the date such payments were due. If it otherwise appears doubtful that the loan will be repaid or if the cash flow of the business can only support a principal payment, management may place the loan on non-accrual status. Generally, loans on non-accrual status are 90 days or more past due and are moving towards being written off. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

*Allowance for loan credit losses:* The allowance for loan credit losses is established through a provision for loan credit losses charged to expense included on the schedule of functional expenses. Loans are charged off against the allowance when management determines that the loan is uncollectible. Subsequent recoveries of amounts previously charged-off are credited to the allowance. The allowance is based upon management's periodic review of the collectability of loans and is maintained at a level believed to be adequate by management to absorb estimated potential losses after considering changes in internal and external factors, past loss experience, the nature and volume of the portfolio and current and forecasted economic conditions. However, the allowance is an estimate that could change if there are significant changes in the portfolio and/or economic conditions.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exists. The Organization has identified the following portfolio segments: Pass 1, Pass 2, Pass 3, Substandard and Doubtful/Loss further detailed in Note 4.

*Individually evaluated loans:* In accordance with Current Expected Credit Losses (CECL), the Organization identifies individually evaluated loans when their risk characteristics become different from their pool.

### **Modifications**

Similar to its policy under previous GAAP, the Organization continues to identify modifications to loans and to determine whether the borrower is experiencing financial difficulty. If the Organization determines that the borrower is experiencing financial difficulty, the loan's risk rating is evaluated to determine whether it falls within the regulatory definition of "criticized" and requires individual evaluation. Under CECL, if a previously modified loan with financial difficulty is subsequently upgraded to a pass rating, it will *no* longer be individually evaluated.

*Charge-offs:* If a payment is more than 120 days late and the borrower has made no attempt to bring the loan current, the Organization will deem the loan uncollectible, and the amount will be charged-off.

### **Debt, Including Program Related Investments**

The Organization uses debt primarily for financing. Most debt is in the form of amounts payable to individuals.

### **Contributed Services**

Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, performed by people with those skills, and would otherwise be purchased.

## Notes to Financial Statements

### Use of Estimates

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 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan credit losses.

### Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

### Advertising

Advertising costs are expensed as incurred. Advertising expense was \$8,081 and \$7,864 for the years ended December 31, 2024 and 2023, respectively.

### Fair Value of Financial Instruments

The carrying amounts of the Organization's financial instruments approximate their fair value.

### Allocation Methodology for the Schedules of Functional Expenses

The costs of providing the various program services and other activities have been summarized on a functional basis in the schedules of functional expenses. Certain costs have been allocated among program services, management and general and fundraising. Such allocations have been made by management on an equitable basis. Allocations are as follows:

<u>Expenses</u>	<u>Method of Allocation</u>
Wages and taxes	Time and Effort
Benefits	Time and Effort
Administrative and other	Direct Allocation
Grants and contributions	Direct Allocation
Consulting fees	Direct Allocation
Professional fees	Direct Allocation
Dues and subscriptions	Direct Allocation
Information technology	Direct Allocation
Marketing	Direct Allocation
Training	Direct Allocation
Interest	Direct Allocation
Rent	Direct Allocation
Travel	Direct Allocation
Provision for loan losses	Direct Allocation

## Notes to Financial Statements

### Note 3. Liquidity and Availability of Resources

The Organization has the following financial assets within one year of the statement of financial position date to meet cash needs for general expenditure.

	<b>2024</b>	<b>2023</b>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 1,706,836	\$ 2,514,818
Cash reserved for loan credit losses	600,000	400,000
Grants receivable	738,639	118,000
Accrued interest receivable	2,347	1,747
Loans receivable, net of allowance for loan credit losses (\$38,303) and (\$35,615), respectively	600,075	557,978
	<b>\$ 3,647,897</b>	<b>\$ 3,592,543</b>
Less those unavailable for general expenditure within one year, due to:		
Donor-imposed restrictions	\$ 734,532	\$ 434,559
Cash reserved for loan credit losses	600,000	400,000
	<b>\$ 1,334,532</b>	<b>\$ 834,559</b>
Financial assets available to meet cash needs for general expenditure within one year	<b>\$ 2,313,365</b>	<b>\$ 2,757,984</b>

In the case of unexpected cash needs, the Organization could draw on its line of credit referred to in Note 7 or use its cash reserved for loan losses. During 2021, the Organization implemented a policy to set aside 15% of its gross loans receivable balance as cash reserves for loan losses. The amount set aside as of December 31, 2024 and 2023 was \$600,000 and \$400,000, respectively.

### Note 4. Loans Receivable, Net

As of December 31, 2024 and 2023, the Organization had 65 and 64 loans outstanding, respectively. Loans receivable, net consisted of the following as of December 31, 2024 and 2023:

	<b>2024</b>		
	<b>Current Portion</b>	<b>Noncurrent Portion</b>	<b>Total</b>
Loans receivable, gross	\$ 638,378	\$ 1,355,701	\$ 1,994,079
Allowance for loan credit losses	(38,303)	(81,342)	(119,645)
Loans receivable, net	<b>\$ 600,075</b>	<b>\$ 1,274,359</b>	<b>\$ 1,874,434</b>

## Notes to Financial Statements

	2023		
	Current Portion	Noncurrent Portion	Total
Loans receivable, gross	\$ 593,593	\$ 689,827	\$ 1,283,420
Allowance for loan credit losses	<u>(35,615)</u>	<u>(41,390)</u>	<u>(77,005)</u>
Loans receivable, net	<u>\$ 557,978</u>	<u>\$ 648,437</u>	<u>\$ 1,206,415</u>

Aggregate maturities for net loans receivable are as follows for the next five years: 2025, \$600,075; 2026, \$359,486; 2027, \$307,581; 2028, \$254,550; 2029, \$183,681; thereafter, \$169,061.

Accrued interest receivable amounted to \$2,347 and \$1,747 as of December 31, 2024 and 2023, respectively. In the event that collection of principal becomes uncertain, the Organization has policies in place to reverse accrued interest in a timely manner. Therefore, the Organization has made a policy election to exclude accrued interest from the measurement of the allowance for credit losses on loans.

There were no non-accrual loans as of December 31, 2024 and 2023.

*Aging:* The following table represents an aging of loans as of December 31, 2024 and 2023. The table presents the principal amount outstanding on the loans that may be past due for principal payments contractually due:

	2024					
	31-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due	Total Past Due	Current	Total Loans
Unsecured loans	\$ --	\$ --	\$ 7,950	\$ 7,950	\$ 1,986,129	\$ 1,994,079
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 7,950</u>	<u>\$ 7,950</u>	<u>\$ 1,986,129</u>	<u>\$ 1,994,079</u>
	2023					
	31-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due	Total Past Due	Current	Total Loans
Unsecured loans	\$ --	\$ --	\$ --	\$ --	\$ 1,283,420	\$ 1,283,420
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,283,420</u>	<u>\$ 1,283,420</u>

*Credit quality:* Management uses internally assigned risk ratings as indicators of credit quality. Each loan's risk rating is assigned at origination and updated at least annually and more frequently if circumstances warrant a change in risk rating. The Organization uses a loan grading system that follows its loan policy. In evaluating credit risk of the Organization's loan portfolio, management has developed an internal credit risk rating system based on a variety of risk factors that they believe represent leading indicators of credit quality. The risk ratings are as identified below:

*Pass 1:* All loans are graded as Pass 1 when they are initially disbursed. Loans that have been offered an extended grace period or a deferral of 1 or 2 payments shall remain as Pass 1. All loan payments shall be considered on time if they are made within 30 days of the due date or are otherwise held up by issues outside the borrower's control.



## Notes to Financial Statements

*Pass 2:* A loan should be downgraded to Pass 2 if any of these events occur or conditions exist: 1) any payment, either in full or in part, is 30 days overdue and the borrower is in communication with the Organization, 2) any payment, either in full or in part, is 60 days over due and the borrower is in communication with the Organization, or 3) the loan has been restructured and repayments have not yet begun.

*Pass 3:* A loan should be downgraded to Pass 3 if any of these events occur or conditions exist: 1) loans are approved for a second or more deferral or 2) loans are approved for a second or more restructure.

*Substandard:* A loan should be downgraded to Substandard if any of these events occur or conditions exist: 1) any payment, either in full or in part, is 60 days overdue, and the borrower has failed to respond to communication from the Organization, 2) any payment, either in full or in part, is 90 days overdue and the borrower is in communication with the Organization or 3) a loan has been restructured and the borrower is struggling to make payments on time, but is in communication with Organization staff.

*Doubtful/Loss:* A loan should be downgraded to Doubtful/Loss if any of these events occur or conditions exist: 1) any payment, either in full or in part, is 90 days overdue and the borrower fails to respond to communication from the Organization or 2) the Organization has reason to believe the business is struggling and may cease to continue operating.

Management continuously monitors the accuracy of their credit quality indicators through review of various asset quality reports, including past due loan reports.

The following summarizes the loan portfolio by internal credit risk rating as of December 31, 2024 and 2023:

		2024					
		Pass 1	Pass 2	Pass 3	Substandard	Doubtful/ Loss	Total Loans
Unsecured loans	\$	1,821,111	\$ 115,766	\$ 46,479	\$ 10,723	\$ --	\$ 1,994,079
	\$	<u>1,821,111</u>	<u>\$ 115,766</u>	<u>\$ 46,479</u>	<u>\$ 10,723</u>	<u>\$ --</u>	<u>\$ 1,994,079</u>
		2023					
		Pass 1	Pass 2	Substandard	Doubtful/Loss	Total Loans	
Unsecured loans	\$	1,234,235	\$ 45,603	\$ 3,582	\$ --	\$ 1,283,420	
	\$	<u>1,234,235</u>	<u>\$ 45,603</u>	<u>\$ 3,582</u>	<u>\$ --</u>	<u>\$ 1,283,420</u>	

The Organization implemented policies and procedures surrounding its allowance for loan credit losses, impaired loans and troubled debt restructurings. An analysis is presented below.

## Notes to Financial Statements

*Allowance for loan credit losses:* The following is an analysis of the allowance for loan credit losses for the years ended December 31, 2024 and 2023:

	<b>2024</b>	<b>2023</b>
	<b>Unsecured Loans</b>	<b>Unsecured Loans</b>
Beginning balance	\$ 77,005	\$ 61,896
Provision charged to operations	49,471	21,109
Less charge-offs	(6,831)	(6,000)
Ending balance	\$ 119,645	\$ 77,005
	<b>2024</b>	<b>2023</b>
	<b>Unsecured Loans</b>	<b>Unsecured Loans</b>
Allowance for loan credit losses allocation		
Individually evaluated	\$ --	\$ --
Collectively evaluated	119,645	77,005
Ending balance	\$ 119,645	\$ 77,005
	<b>2024</b>	<b>2023</b>
	<b>Unsecured Loans</b>	<b>Unsecured Loans</b>
Loans receivable, gross:		
Individually evaluated	\$ --	\$ --
Collectively evaluated	1,994,079	1,283,420
Ending balance	\$ 1,994,079	\$ 1,283,420

There were no individually evaluated loans and no material modifications made for borrowers experiencing financial difficulties in 2024 and 2023.

## Notes to Financial Statements

### Note 5. Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2024 and 2023, were available for the following purposes:

	2024	2023
Loans in specific geographic area	\$ 9,650	\$ 9,650
Lending capital	5,000	--
Banium Foundation		
TA for borrowers	--	54,850
Leading equity	--	250,000
American Farmland Trust	19,882	40,000
USDA grant	--	5,059
Grubbs Foundation pledge (time restriction)	50,000	75,000
CDFA FA Grant	650,000	--
Total	\$ 734,532	\$ 434,559

### Note 6. Net Assets Released from Restriction

Net assets during the years ended December 31, 2024 and 2023 were released from donor restrictions by incurring expenses satisfying the restrictions or by the occurrence of other events specified by donors:

	2024	2023
Virginia Small Business Resiliency Fund		
Lending capital	\$ --	\$ 76,356
Loan loss cash reserve	--	--
Capacity building	--	68,931
Administration and marketing	--	1,222
Banium Foundation		
TA for borrowers	54,850	151
Leading Equity	250,000	--
Additional Funds	100,000	--
Liberation Farms	--	25,000
USDA grant	292,072	161,549
ANCA	--	41,800
Black Farmer Fund	--	4,000
American Farmland Trust	25,818	--
CDFI Technical Assistance Grant	--	99,653
Grubbs Foundation	25,000	--
Other	--	3,000
Total	\$ 747,740	\$ 481,662

## Notes to Financial Statements

### Note 7. Debt, Including Program Related Investments

Debt, including program – related investments, consisted of the following notes as of December 31, 2024 and 2023:

	2024	2023
Program - related investment: note payable to Wendy Brown in the amount of \$25,000. Note is due in full in December 2027. Interest is 2%.	\$ 25,000	\$ 25,000
Program - related investment: note payable to LL Charitable Foundation in the amount of \$150,000. Note is due in full July 2026. Interest is 1%.	75,000	75,000
Program - related investment: note payable to Susan Miller and Kenneth Kendler in the amount of \$25,000. Note is due in full November 2027. Interest is 2%.	25,000	25,000
Program - related investment: note payable to Susan Miller & Kenner Kendler in the amount of \$75,000. Note is due in full February 2029. Interest is 2%.	75,000	75,000
Program - related investment: note payable to Harrison Roday in the amount of \$25,000. Note is due in full October 2027. Interest is 2%.	25,000	25,000
Program - related investment: note payable to Christie and Evan Silverstein in the amount of \$10,000. Note is due in full October 2027. Interest is 2%.	10,000	10,000
Program - related investment: note payable to Jay Wells in the amount of \$25,000. Note is due in full October 2027. Interest is 2%.	25,000	25,000
Program - related investment: note payable to Merck Family Fund in the amount of \$100,000. Note is due in full November 2031. Interest is 1.5%.	100,000	100,000
Program - related investment: note payable to Anne Covert in the amount of \$25,000. Note is due in full November 2028. Interest is 2%.	25,000	25,000
Program - related investment: note payable to Emily Harding-Morick in the amount of \$25,000. Note is due in full November 2028. Interest is 2%.	25,000	25,000
Program - related investment: note payable to Dorothy B McCagg in the amount of \$25,000. Note is due in full November 2028. Interest is 2%.	25,000	25,000
Program - related investment: note payable to Alexandra McCagg in the amount of \$25,000. Note is due in full November 2028. Interest is 2%.	25,000	25,000

## Notes to Financial Statements

	<u>2024</u>	<u>2022</u>
Program - related investment: note payable to Amy Naughton in the amount of \$25,000. Note is due in full October 2028. Interest is 2%.	25,000	25,000
Program - related investment: note payable to Dune Road LLC in the amount of \$25,000. Note is due in full September 2028. Interest is 2%.	25,000	25,000
Program - related investment: note payable to DF Impact Capital LLC in the amount of \$50,000. Note is due in full March 2028. Interest is 2%.	50,000	50,000
Program - related investment: note payable to DF Impact Capital in the amount of \$50,000. Note is due in full March 2029. Interest is 2%.	50,000	50,000
Program - related investment: note payable to Elaine Reily and Marilyn Stern in the amount of \$25,000. Note is due in full November 2028. Interest is 2%.	25,000	25,000
Program - related investment: note payable to Margarita Shannon Rev Trust in the amount of \$50,000. Note is due in full October 2028. Interest is 2%.	50,000	50,000
Program - related investment: note payable to the Seed Fund in the amount of \$25,000. Note is due in full November 2028. Interest is 0%.	25,000	25,000
Program - related investment: note payable to Nelson Revely in the amount of \$25,000. Note is due in full February 2029. Interest is 2%.	25,000	25,000
Program - related investment: note payable to Woka Foundation in the amount of \$175,000. Note is due in full February 2029. Interest is 2%.	175,000	175,000
Program - related investment: note payable to Alexander Hershey Beatriz Meza-Valencia in the amount of \$25,000. Note is due in full March 2029. Interest is 2%.	25,000	25,000
Program - related investment: note payable to Mary M. Siff in the amount of \$25,000. Note is due in full March 2029. Interest is 2%.	25,000	25,000
Program - related investment: note payable to Mary M. Siff 2 in the amount of \$50,000. Note is due in full September 2029. Interest is 2%.	50,000	50,000

## Notes to Financial Statements

	2024	2023
Program - related investment: note payable to Anne Johnston Revocable Trust in the amount of \$25,000. Note is due in full May 2029. Interest is 2%.	25,000	25,000
Program - related investment: note payable to Tides Foundation in the amount of \$500,000. Note is due in full July 2025. Interest is 1.5%.	500,000	500,000
Program - related investment: note payable to Rebecca Silver and David Lichenstein in the amount of \$25,000. Note is due in full September 2029. Interest is 2%.	25,000	25,000
Program - related investment: note payable to Appalachian Community Capital in the amount of \$150,000. Note is due in full January 2027. Interest is 2.55%.	150,000	150,000
Program - related investment: note payable to Opportunity Finance Network in the amount of \$150,000. Note is due in full July 2028. Interest is 2%.	150,000	150,000
Program - related investment: note payable to Willow Springs Charitable Trust in the amount of \$250,000. Note is due in full March 2030. Interest is 2%.	250,000	250,000
Program - related investment: note payable to Unitarian Universalist Congregation at Shelter Rock in the amount of \$50,000. Note is due in full May 2028. Interest is 2%.	50,000	50,000
Program - related investment: note payable to Mary M. Siff · 3 in the amount of \$75,000. Note is due in full October 2030. Interest is 2%.	75,000	75,000
Program - related investment: note payable to Tides Foundation in the amount of \$100,000. Note is due in full December 2030. Interest is 2%.	100,000	100,000
Program - related investment: note payable to Unitarian Universalist Congregation at Shelter Rock in the amount of \$50,000. Note is due in full October 2029. Interest is 2%.	50,000	--
Total Debt	\$ 2,385,000	\$ 2,335,000
Short-Term Debt	(500,000)	--
Long-Term Debt	\$ 1,885,000	\$ 2,335,000

Aggregate maturities are as follows: \$500,000 due in 2025, \$75,000 due in 2026, \$260,000 due in 2027, \$500,000 due in 2028, \$525,000 due in 2029, and \$525,000 due thereafter.

The Organization is required to comply with certain covenants on the notes payable to Opportunity Finance Network, including maintenance of certain financial ratios. The Organization was in compliance with those covenants as of December 31, 2024 and 2023.

The Organization had available credit through Blue Ridge Bank. The amount of credit available through December 31, 2024 was \$100,000 with a variable interest rate. There were no borrowings through this line during 2024. The line was renewed on March 6, 2024 with a maturity date of March 6, 2027.

## Notes to Financial Statements

### Note 8. Schedules of Functional Expenses

The schedules of functional expenses were as follows for the years ended December 31, 2024 and 2023:

	2024			
	Program Services	Management and General	Fundraising	Total
Wages and taxes	\$ 386,188	\$ 120,041	\$ 64,545	\$ 570,774
Benefits	20,205	9,574	3,582	33,361
Administrative and other	7,693	3,433	--	11,126
Grants and contributions	16,984	--	--	16,984
Consulting fees	26,424	46,194	7,500	80,118
Professional fees	--	27,574	--	27,574
Dues and subscriptions	16,582	--	--	16,582
Information technology	32,481	10,096	5,429	48,006
Marketing	--	3,081	5,000	8,081
Training	3,173	--	--	3,173
Interest	43,610	--	--	43,610
Rent	10,800	--	--	10,800
Travel	34,076	--	--	34,076
Provision for credit losses	49,471	--	--	49,471
	\$ 647,687	\$ 219,993	\$ 86,056	\$ 953,736

  

	2023			
	Program Services	Management and General	Fundraising	Total
Wages and taxes	\$ 347,987	\$ 77,550	\$ 30,430	\$ 455,967
Benefits	18,141	6,683	2,454	27,278
Administrative and other	351	4,733	--	5,084
Grants and contributions	87,642	--	--	87,642
Consulting fees	87,194	49,175	--	136,369
Professional fees	--	25,676	--	25,676
Dues and subscriptions	13,247	--	--	13,247
Information technology	24,044	5,471	2,160	31,675
Marketing	--	7,864	--	7,864
Training	21,960	--	--	21,960
Interest	37,264	--	--	37,264
Rent	15,200	--	--	15,200
Travel	16,395	--	--	16,395
Provision for credit losses	21,109	--	--	21,109
	\$ 690,534	\$ 177,152	\$ 35,044	\$ 902,730

## Notes to Financial Statements

### **Note 9. Operating Lease**

In December 2023, the Organization entered into a 12-month operating lease for office expense. Rental expense for the lease for the years ended December 31, 2024 and 2023 was \$10,800 and \$15,200, respectively. Future minimum rental payments are \$15,235 for the year ending December 31, 2025.

### **Note 10. Subsequent Events**

The Organization has evaluated all subsequent events through February 26, 2025, which was the date the financial statements were available to be issued. The Organization has determined there are no subsequent events that require recognition or disclosure.