SALT AND LIGHT NFP

Champaign, Illinois

Financial Statements

For the Year Ended

December 31, 2017

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Salt and Light NFP
Champaign, Illinois

We have audited the accompanying financial statements of Salt and Light NFP (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

We did not audit the December 31, 2017 inventory balance because a successful inventory count was not completed. We were unable to obtain sufficient appropriate audit evidence about existence, completeness, and accuracy by other auditing procedures.

Opinion

In our opinion, except for the possible effects of the matter in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Salt and Light NFP as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that Salt and Light NFP will continue as a going concern. As discussed in Note 12, Salt and Light NFP's negative working capital, and debt and lease servicing requirements, and the fact that the Organization had its tax-exempt status revoked by the Internal Revenue Service effective May 15, 2020, raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters also are described in Note 12. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Martin Hood LLC

Champaign, Illinois
September 18, 2020

SALT AND LIGHT NFP
Statement of Financial Position
December 31, 2017

ASSETS

Current Assets		
Cash	$	90,240
Investments		8,146
Accounts Receivable		4,947
Promises to Give		235,000
Inventory		159,844
Prepaid Expenses		3,545
Total Current Assets		501,722
Property and Equipment, Net		2,649,918
Total Assets	$	3,151,640

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	$	333,226
Accrued Payroll and Related Liabilities		59,249
Lines of Credit		500,000
Capital Lease Obligation		68,763
Other Accrued Expenses		9,070
Total Current Liabilities		970,308
Long-Term Liabilities		
Capital Lease Obligation - Net of Current Portion		1,999,183
Total Liabilities		2,969,491
Net Assets		
Unrestricted		172,990
Temporarily Restricted		9,159
Total Net Assets		182,149
Total Liabilities and Net Assets	$	3,151,640

See Accompanying Notes

SALT AND LIGHT NFP
Statement of Activities
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Contributions	$ 316,271	$ 319,374	$ 635,645
Thrift Store Income	623,412	-	623,412
In-Kind Donations	258,248	-	258,248
Interest Income	17	-	17
Miscellaneous	1,839	-	1,839
Total Revenue	1,199,787	319,374	1,519,161
Net Assets Released from Restrictions	317,770	(317,770)	-
Total Support and Revenue	1,517,557	1,604	1,519,161
Expenses			
Program Services			
Food Pantry	402,926	-	402,926
Two Trees Thrift Store	758,371	-	758,371
Education	125,692	-	125,692
Total Program Services	1,286,989	-	1,286,989
Supporting Services			
Management and General:			
General Administration	50,725	-	50,725
Fundraising	171,458	-	171,458
Total Supporting Services	222,183	-	222,183
Total Expenses	1,509,172	-	1,509,172
Change in Net Assets	8,385	1,604	9,989
Net Assets, Beginning of Year	164,605	7,555	172,160
Net Assets, End of Year	$ 172,990	$ 9,159	$ 182,149

See Accompanying Notes

Exhibit C

SALT AND LIGHT NFP
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services				Supporting Services			
	Food Pantry	Two Trees Thrift Store	Education	Total	General Administration	Fundraising	Total	Total Program and Supporting Services
Salaries and Wages	$ 108,189	$ 457,479	$ 38,583	$ 604,251	$ 21,732	$ 51,181	$ 72,913	$ 677,164
Food Cooperative and Thrift Store	157,460	111,198	-	268,658	-	-	-	268,658
Office Expense	37,714	12,166	65,695	115,575	6,083	-	6,083	121,658
Fundraising Expense	-	-	-	-	-	105,304	105,304	105,304
Utilities	22,542	35,803	2,652	60,997	5,304	-	5,304	66,301
Payroll Taxes	9,239	39,066	3,295	51,600	1,856	4,371	6,227	57,827
Depreciation and Amortization	18,069	28,697	2,126	48,892	4,251	-	4,251	53,143
Rent Expense	14,688	23,328	1,728	39,744	3,456	-	3,456	43,200
Maintenance	14,307	22,722	1,683	38,712	3,366	-	3,366	42,078
Interest Expense	10,985	17,446	1,292	29,723	2,585	-	2,585	32,308
Professional Services	2,585	2,688	4,031	9,304	1,034	-	1,034	10,338
Travel	927	-	-	927	-	8,338	8,338	9,265
Insurance	1,969	3,128	232	5,329	463	-	463	5,792
Advertising	1,590	1,136	1,136	3,862	-	682	682	4,544
Newsletter	678	1,131	1,131	2,940	-	1,582	1,582	4,522
Bank Charges	1,304	1,304	1,304	3,912	435	-	435	4,347
Classroom Materials	-	-	659	659	-	-	-	659
Advocacy and Jobs for Life Expenses	-	-	65	65	-	-	-	65
Miscellaneous Expense	680	1,079	80	1,839	160	-	160	1,999
Total Expenses	$ 402,926	$ 758,371	$ 125,692	$ 1,286,989	$ 50,725	$ 171,458	$ 222,183	$ 1,509,172

See Accompanying Notes

SALT AND LIGHT NFP
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows from Operating Activities	
Change in Net Assets	$ 9,989
Adjustments to Reconcile Change in Net Assets	
to Net Cash Provided by (Used in) Operating Activities:	
Depreciation and Amortization	53,143
Noncash Contributions of Investments	(5,478)
Interest and Dividends Reinvested	(1,668)
(Increase) Decrease in Assets:	
Accounts Receivable	(4,947)
Promises to Give	(235,000)
Inventory	(152,417)
Prepaid Expenses	(1,067)
Increase (Decrease) in Liabilities:	
Accounts Payable	318,856
Accrued Payroll and Related Liabilities	37,208
Other Accrued Expenses	6,334
Total Adjustments	14,964
Net Cash Provided by (Used in) Operating Activities	24,953
Cash Flows from Investing Activities	
Purchases of Property and Equipment	(558,637)
Cash Flows from Financing Activities	
Principal Advances on Lines of Credit	550,000
Principal Payments on Lines of Credit	(50,000)
Payments on Capital Lease Obligations	(14,492)
Net Cash Provided by (Used in) Financing Activities	485,508
Net Increase (Decrease) in Cash	(48,176)
Cash, Beginning of Year	138,416
Cash, End of Year	$ 90,240
Supplementary Disclosure of Cash Flow Information	
Cash Paid for Interest	$ 23,238
Summary of Non-Cash Investing and Financing Activities	
Property and Equipment Acquired via Capital Leases	$ 2,079,834

See Accompanying Notes

SALT AND LIGHT NFP
Notes to the Financial Statements
December 31, 2017

1. Description of Operations

Salt and Light NFP (a nonprofit organization) is a non-denominational ministry established to serve the community of Champaign County in Illinois who are in need of assistance. Their mission is to share the love of God by providing opportunities for those living in poverty to equip themselves with the tools they need to create lasting change in their lives.

Salt and Light NFP (the Organization) provides the following services:

- *Grocery and Thrift Store* - A membership-based program that provides individuals the opportunity to use their skills, talents, gifts, and abilities to provide food and household items for themselves and their families. The store serves families and individuals struggling with chronic food security issues as well as other household needs.

  All areas of the store are open to the community. The volunteer aspect of the program also creates meaningful employment and training opportunities.

- *Financial Counseling* – Through the nine-week Financial Peace University (FPU), and the twelve-week Faith and Finance program, the Organization provides individuals the opportunity to learn tools that will help them to think beyond their short-term needs and put their financial house in order. These two comprehensive programs teach how to get out of debt, budget for expenses, plan for emergencies, and establish a financial future that includes giving to others in need. The two programs are on two different levels of education to accommodate any need.

- *Advocacy* – Program designed to pair trained volunteers with participants in peer supportive relationships that both empower and equip participants with the tools they need to create lasting change in their lives.

- *Jobs for Life* – Program designed to provide training courses for adults and it incorporates biblical truths and stories to help men and women understand their dignity and God-given identity and gifts, develop character, and foster a supportive community that will equip them for work and life.

- *Computer Lab* – Program designed to teach basic computer skills and provide basic computer access for children and adults in the communities.

2. Summary of Significant Accounting Policies

Following is a summary of the significant accounting policies of the Organization:

a. The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

b. Accounts receivable, if any, consists of amounts receivable from outside sources for the value of recycled items unsellable in the Organization's thrift store. It is the Organization's policy to write-off uncollectible accounts receivable when management determines the receivable will not be collected. The Organization has determined that no allowance for doubtful accounts is necessary at December 31, 2017.

c. Promises to give consist of unconditional promises to give to the Organization. Long-term promises to give are discounted to present value based on expected payment schedules and effective interest rates, if applicable. The carrying amount of promises to give may be reduced by a valuation allowance based on management's continual assessment of the collectability of specific contribution balances. There was no allowance for doubtful accounts at December 31, 2017.

d. Inventories consist of food items sold in the Organization's Grocery Store and are valued at the low of cost or net realizable value.

e. The Organization capitalizes all property and equipment purchases in excess of $1,000. Property and equipment are recorded at cost or, if donated, at fair market value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets. Maintenance, repairs, and minor additions are charged to expense when paid.

f. Contributed services are reported as contribution revenue and as assets or expense only if the benefit received (a) creates or enhances non-financial assets or (b) requires specialized skills provided by individuals possessing those skills and (c) would typically need to be purchased if not provided by donation.

   For 2017, the Organization recorded in-kind contributions of $258,248. This amount includes $235,000 for a donated house, $12,770 in gift cards for food purchases, $5,478 of stock contributions, $4,500 worth of small equipment, and $500 worth of rent forgiveness.

   The Organization does not report a value for the Thrift Store inventory because it is not practical to do so due to the nature of the items held in inventory. No Thrift Store inventory was purchased by the Organization as all items were received through donations. Some unusable clothing is sold through a recycling program.

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

   Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

   Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Board of Directors and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

   Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that are maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

h. The costs of providing the program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

i. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

j. Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Accordingly, actual results could differ from those estimates. The Organization’s most significant estimates include:

   - Management’s estimate of useful lives of fixed assets
   - Management’s estimate of the functional allocation of expenses

k. The Organization has evaluated subsequent events through September 18, 2020, the date which the financial statements were available to be issued.

3. Investments

Financial Accounting Standards Board Accounting Standard Codification (FASB ASC) 820 establishes a framework for measuring fair value under generally accepted accounting principles. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 Inputs are based on unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017.

Mutual Funds and Stocks – Valued at unadjusted quoted prices for identical assets in active markets that the Organization has the ability to access.

	Cost	Net Unrealized Gain (Loss)	Fair Value	Fair Value Level
Mutual Funds	$ 1,000	$ 1,299	$ 2,299	1
Stocks	$ 5,478	$ 369	$ 5,847	1

4. Promises to Give

At December 31, 2017, promises to give consisted of one donated house that was pledged, but received after year end. The Organization plans sold the house in 2018 at a selling price of $235,000 less selling expenses of approximately $20,000. As the sale took place in 2018, the receivable has not been discounted to present value.

5. Property and Equipment, Net

Property and Equipment consists of the following at December 31, 2017:

Office Equipment	$ 76,881
Leasehold Improvements	622,401
Building	1,686,793
Land	297,669
Furniture, Fixtures, and Equipment	96,461
Total Property and Equipment	2,780,205
Less: Accumulated Depreciation	(130,287)
Total Property and Equipment, Net	$ 2,649,918

Depreciation and amortization expense for 2017 was $53,143.

6. Lines of Credit

The Organization has two lines of credit with a financial institution as of December 31, 2017; one in the amount of $150,000 and the other in the amount of $350,000. The lines of credit are due July 24, 2018 and interest is payable monthly. The lines of credit bear interest at a variable rate, which is 1 percent above the U.S. prime interest rate resulting in a rate of 5.50 percent December 31, 2017. The lines of credit are collateralized by substantially all of the assets of the Organization.

Subsequent to year-end, the Organization established an additional $250,000 line of credit with the financial institution. The line of credit principal was due February 27, 2019 and interest was payable monthly. The line of credit bears interest at a variable rate, which is 1 percent above the U.S. prime interest rate.

On January 7, 2020, the Organization entered into a forbearance agreement with the financial institution, as a result of defaulting on the outstanding loan agreements. Pursuant to the forbearance agreement, the three outstanding line of credit agreements were consolidated into a new promissory note. The promissory note has a principal balance of $723,714 and bears interest at a fixed rate of 4.75 percent. Monthly payments of principal and interest of $5,500 are due beginning January 15, 2020, and on the fifteenth day of subsequent months until maturity on January 15, 2021. The promissory note is collateralized by substantially all of the assets of the Organization.

The promissory note includes various audited financial statement delivery requirements. As of September 18, 2020, the date which the financial statements were available to be issued, the Organization was not in compliance with specific financial statement delivery requirements.

7. Operating Lease

The Organization leases office space in Champaign County, Illinois. The lease expired in December 2017. The lease required a monthly rental payment of $3,100 plus an additional $500 for real estate taxes. Rent expense (including real estate taxes) related to this lease for the year ended December 31, 2017 was $43,200. No formal updated lease agreement has been signed, but the lease continues as month-to-month.

8. Capital Leases

The Organization leases equipment under various capital leases, generally with bargain purchase options, requiring monthly payments between $285 and $1,158, expiring between 2019 and 2022. Equipment leased under capital lease obligations and included in Property and Equipment consist of the following as of December 31, 2017:

Leased Equipment	$ 95,372
Less: Accumulated Amortization	(10,557)
Equipment Under Capital Lease, Net	$ 84,815

The Organization leases a building and land under a capital lease requiring monthly payments of $11,875 for the first twelve months and $14,242 for the next 48 months as well as monthly payments for the proportionate share of the real estate taxes paid by the Lessor. The lease expires in November 2022 and includes a commitment to purchase the building and land upon the expiration of the initial lease term for a purchase price of $2,500,000 less the amount of all base rent paid during the initial five-year lease term. The present value of the leased building is being depreciated over a useful life of 25 years. Building and land leased under the capital lease obligation and included in Property and Equipment consist of the following as of December 31, 2017:

Leased Building and Land	$ 1,984,462
Less: Accumulated Depreciation	(16,868)
Building and Land Under Capital Lease, Net	$ 1,967,594

Minimum future lease payments for the capital leases as of December 31, 2017 for the remaining terms of the leases are:

2018	$ 179,280
2019	199,745
2020	193,610
2021	177,959
2022	1,819,616
Net Minimum Capital Lease Payments	2,570,210
Less: Amount Representing Interest	(502,264)
Present Value of Net Minimum Lease Payments	$ 2,067,946

Future maturities of capital lease obligations as of December 31, 2017 are as follows:

2018	$ 68,763
2019	93,241
2020	91,656
2021	80,358
2022	1,733,929
	$ 2,067,946

On August 21, 2019, an amendment to the building and land capital lease agreement was signed as a result of past due rent obligations of the Organization. In exchange for the lessor foregoing immediate termination of the lease due to the past due rent, the Organization agreed to forfeit its rights to acquire the real estate under lease. As a result of this amendment, the lease no longer meets the definition of a capital lease, and thus became an operating lease upon the signing of that amendment. If this agreement would have been signed as of December 31, 2017, if would have resulted in a $1,967,594 decrease to "Property and Equipment, Net", a $39,267 decrease to "Capital Lease Obligation", a $1,939,624 decrease to "Capital Lease Obligation – Net of Current Portion" on Exhibit A. Additionally, it would have resulted in an $5,572 increase in General Administration "Rent Expense" on Exhibit C, and a corresponding decrease in "Change in Net Assets" on Exhibit B.

9. Related-Party Activities

During 2017, the Organization received $86,040 in contributions from members of the Board of Directors.

10. Temporarily Restricted Net Assets

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

United Way Financial Literacy Program	$ 7,291
Gift-Give-Away	460
Partnership with Copper Creek Church	1,408
Total Temporarily Restricted Net Assets	$ 9,159

11. New Nonprofit Accounting Standard

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958). The provisions of ASU 2016-14 require the presentation of two classes of net assets: net assets with donor restrictions and net assets without donor restrictions, rather than the currently required three classes. The provisions also require enhanced disclosures about how the entity manages its liquid resources, quantitative information about the availability of financial assets to meet cash needs for general expenditure within one year of the statement of financial position date, amounts of expenses by both their natural and functional classification, and the methods used to allocate costs among program and support functions. ASU 2016-14 is effective for periods beginning after December 15, 2017. Early adoption is permitted; however, the Organization has chosen not to do so. The Organization has yet to select a transition method and is currently evaluating the effect, if any, that the updated standard will have on the financial statements.

12. Continuing Operations

The Organization has seen an overall significant increase in its debt and lease service requirements, which has resulted in a negative working capital position. Additionally, as of September 18, 2020, the Organization has delinquent liabilities with federal and state agencies related to payroll taxes and sales tax. The exact amount owed had not been determined as of September 18, 2020, but is assumed to be material to the financial statements as a whole, and opens up the Organization to the possibility of liens.

Additionally, effective May 15, 2020, the Internal Revenue Service revoked the Organization’s tax-exempt status for failure to file three consecutive years of the tax form 990.

In order to meet the Organization’s debt and lease servicing requirements, and to pay its delinquent tax obligations, management has eliminated multiple personnel positions at the Organization. Additionally, the Organization has suspended all health insurance contributions indefinitely, as well as suspending enrollment of new credit-earning participants, and allowing normal attrition to bring levels of participation down to 225 households.

Management has identified the following courses of action to continue to improve the Organization’s financial position: a) continue to grow thrift revenues through continued process improvements, increasing throughput, which is the primary limiting factor at this point in overall thrift sales, b) continue to grow grocery revenues through ongoing promotion, increasing awareness within the community of the opportunity to shop in its store, c) continue process improvement in the management of loss within the grocery store, improving the overall base profit margin, d) continue to increase the donor base through normal development processes, and e) file the delinquent Form 990 returns for the years ended December 31, 2017, 2018, and 2019, as the Organization works to restore its tax-exempt status.

Due to significant uncertainties in the ability of management to achieve these objectives in the current economic climate, which, as of the date of this report, was facing significant uncertainty in response to the coronavirus disease (COVID-19) pandemic, and the fact that the Organization has lost it’s tax-exempt status, it is reasonably possible that management will change its plans, and/or be unable to achieve the objectives of its recovery plan

13. Uncertainty

As of September 18, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Organization as of September 18, 2020, management believes that a material impact on the Organization's financial position and results of future operations is reasonably possible.