

FARM AID, INC.

Financial Statements

December 31, 2017 and 2016

FARM AID, INC.

December 31, 2017 and 2016

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Independent Auditor's Report

The Board of Directors
Farm Aid, Inc.
Cambridge, Massachusetts

We have audited the accompanying financial statements of Farm Aid, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Farm Aid, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Edelstein & Company LLP

Boston, Massachusetts
June 6, 2018

FARM AID, INC.

Statements of Financial Position December 31,

2017

2016

Assets:

Cash	\$ 1,730,480	\$ 1,724,560
Accounts receivable	84,830	10,968
Contributions receivable	82,719	65,760
Merchandise inventory	20,098	23,847
Investments	433,193	423,220
Prepaid expenses	49,217	22,548
Deposit	7,500	7,500
Property and equipment, net	2,907	5,462
Website, net	17,929	35,104

Total assets

\$ 2,428,873	\$ 2,318,969
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Liabilities and net assets

Liabilities:

Accounts payable and accrued expenses	\$ 139,194	\$ 151,858
Grants payable	50,024	21,378
Deferred revenue	15,000	-

Total liabilities

204,218	173,236
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Net assets:

Unrestricted	1,636,257	1,631,477
Temporarily restricted	588,398	514,256

Total net assets

2,224,655	2,145,733
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Total liabilities and net assets

\$ 2,428,873	\$ 2,318,969
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FARM AID, INC.

Statements of Activities and Changes in Net Assets

For the Year Ended December 31,

2017

2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:						
Concert and special events:						
Concert and special events revenue	\$ 2,961,732	\$ -	\$ 2,961,732	\$ 2,962,536	\$ -	\$ 2,962,536
Direct expenses	(1,713,700)	-	(1,713,700)	(1,907,792)	-	(1,907,792)
Concert and special events revenue, net	<u>1,248,032</u>	<u>-</u>	<u>1,248,032</u>	<u>1,054,744</u>	<u>-</u>	<u>1,054,744</u>
Other revenue and support:						
Contributions	380,723	450,717	831,440	544,477	204,723	749,200
Investment income, net	-	36,706	36,706	-	20,264	20,264
Merchandise sales, net	37,421	-	37,421	52,437	-	52,437
Licensing fees and royalties	75,824	-	75,824	41,027	-	41,027
Program service fees	120,107	-	120,107	18,120	-	18,120
Other revenue and support	<u>614,075</u>	<u>487,423</u>	<u>1,101,498</u>	<u>656,061</u>	<u>224,987</u>	<u>881,048</u>
Net assets released from restrictions:						
Satisfaction of purpose restrictions	413,281	(413,281)	-	146,875	(146,875)	-
Total revenue and support	<u>2,275,388</u>	<u>74,142</u>	<u>2,349,530</u>	<u>1,857,680</u>	<u>78,112</u>	<u>1,935,792</u>
Expenses:						
Program services:						
Helping farmers thrive	973,730	-	973,730	612,702	-	612,702
Promoting food from family farms	198,217	-	198,217	242,117	-	242,117
Taking action to change the system	497,896	-	497,896	510,023	-	510,023
Growing the good food movement	208,560	-	208,560	211,391	-	211,391
Total program services	<u>1,878,403</u>	<u>-</u>	<u>1,878,403</u>	<u>1,576,233</u>	<u>-</u>	<u>1,576,233</u>
Supporting services:						
Management and general	207,112	-	207,112	282,427	-	282,427
Fundraising	185,093	-	185,093	175,899	-	175,899
Total supporting services	<u>392,205</u>	<u>-</u>	<u>392,205</u>	<u>458,326</u>	<u>-</u>	<u>458,326</u>
Total expenses	<u>2,270,608</u>	<u>-</u>	<u>2,270,608</u>	<u>2,034,559</u>	<u>-</u>	<u>2,034,559</u>
Change in net assets	4,780	74,142	78,922	(176,879)	78,112	(98,767)
Net assets, beginning of year	<u>1,631,477</u>	<u>514,256</u>	<u>2,145,733</u>	<u>1,808,356</u>	<u>436,144</u>	<u>2,244,500</u>
Net assets, end of year	<u>\$ 1,636,257</u>	<u>\$ 588,398</u>	<u>\$ 2,224,655</u>	<u>\$ 1,631,477</u>	<u>\$ 514,256</u>	<u>\$ 2,145,733</u>

The accompanying notes are an integral part of these financial statements.

FARM AID, INC.**Statements of Cash Flows****For the Year Ended December 31,****2017****2016****Cash flows from operating activities:**

Change in net assets	\$ 78,922	\$ (98,767)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	29,169	37,334
Net realized (gains) losses on investments	(6,649)	8,200
Net unrealized gains on investments	(16,490)	(7,361)
Changes in operating assets and liabilities:		
Accounts receivable	(73,862)	10,129
Contributions receivable	(16,959)	2,005
Merchandise inventory	3,749	(13,553)
Prepaid expenses	(26,669)	9,941
Accounts payable and accrued expenses	2,336	26,618
Grants payable	28,646	(1,587)

Net cash provided by (used in) operating activities2,193(27,041)**Cash flows from investing activities:**

Purchase of investments	(13,567)	(453,926)
Purchase of equipment	(1,366)	(2,288)
Purchase made on website development	(8,072)	(7,422)
Proceeds from sale of investments	26,732	461,351

Net cash provided by (used in) investing activities3,727(2,285)**Net increase (decrease) in cash and cash equivalents**

5,920

(29,326)

Cash and cash equivalents, beginning of year1,724,5601,753,886**Cash and cash equivalents, end of year**\$ 1,730,480\$ 1,724,560

FARM AID, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2017

	Helping Farmers Thrive	Promoting Food from Family Farms	Taking Action to Change the System	Growing the Good Food Movement	Management & General	Fundraising	Total
Salaries and wages	\$ 224,119	\$ 64,983	\$ 128,102	\$ 57,860	\$ 67,869	\$ 84,808	\$ 627,741
Payroll taxes	18,724	5,519	11,051	4,927	5,794	7,404	53,419
Employee benefits	27,506	8,334	16,084	7,207	8,456	10,632	78,219
Accounting services	-	-	-	-	65,086	8,280	73,366
Audit services	-	-	-	-	19,000	-	19,000
Legal fees	503	157	276	(55)	2,571	409	3,861
Other contractual services	127,208	42,989	39,781	27,685	7,605	12,642	257,910
Events, conferences and travel	24,387	26,520	10,657	4,053	1,937	9,397	76,951
Grants and direct assistance	428,949	-	243,502	87,000	-	-	759,451
Scholarship - Younkers	21,439	-	-	-	-	-	21,439
Occupancy	45,815	13,233	26,186	11,818	18,151	17,382	132,585
Subscriptions and dues	951	416	3,599	929	1,018	3,013	9,926
Printing and reproduction	2,217	3,509	215	109	88	6,883	13,021
Postage and shipping	399	11,228	279	107	216	1,959	14,188
Supplies and equipment	2,808	1,060	1,428	697	665	952	7,610
Information and communications technology	9,445	3,819	5,191	2,232	2,696	8,380	31,763
Fees and insurance	8,126	4,835	2,416	520	1,872	8,375	26,144
Depreciation	8,258	2,370	4,664	2,120	2,409	3,068	22,889
Other business expenses	22,876	9,245	4,465	1,351	1,679	1,509	41,125
	<u>\$ 973,730</u>	<u>\$ 198,217</u>	<u>\$ 497,896</u>	<u>\$ 208,560</u>	<u>\$ 207,112</u>	<u>\$ 185,093</u>	<u>\$ 2,270,608</u>

The accompanying notes are an integral part of these financial statements.

FARM AID, INC.**Statement of Functional Expenses****For the Year Ended December 31, 2016**

	Helping Farmers Thrive	Promoting Food from Family Farms	Taking Action to Change the System	Growing the Good Food Movement	Management & General	Fundraising	Total
Salaries and wages	\$ 136,717	\$ 92,663	\$ 132,770	\$ 60,864	\$ 107,933	\$ 61,031	\$ 591,978
Payroll taxes	11,971	8,112	11,462	5,296	9,362	5,147	51,350
Employee benefits	22,612	14,595	21,621	10,164	17,846	10,503	97,341
Accounting services	-	-	-	-	52,246	9,970	62,216
Audit services	-	-	-	-	20,570	-	20,570
Legal fees	-	-	-	-	22,423	-	22,423
Other contractual services	71,090	57,200	41,946	37,306	8,722	18,830	235,094
Events, conferences and travel	16,359	7,686	9,374	5,564	2,104	11,167	52,254
Grants and direct assistance	272,703	-	236,865	60,250	-	-	569,818
Scholarship - Younkers	20,694	-	-	-	-	-	20,694
Occupancy	28,052	18,737	26,787	12,448	22,403	12,267	120,694
Subscriptions and dues	1,812	282	3,800	1,657	247	465	8,263
Printing and reproduction	288	7,428	326	112	184	16,155	24,493
Postage and shipping	1,022	8,330	1,193	437	711	6,421	18,114
Supplies and equipment	2,259	8,546	2,186	1,053	1,737	2,327	18,108
Information and communications technology	7,041	5,191	9,520	3,147	5,010	7,700	37,609
Fees and insurance	9,620	4,539	2,958	1,427	3,187	9,532	31,263
Depreciation	6,522	4,269	6,203	2,909	5,140	2,920	27,963
Other business expenses	3,940	4,539	3,012	8,757	2,602	1,464	24,314
	<u>\$ 612,702</u>	<u>\$ 242,117</u>	<u>\$ 510,023</u>	<u>\$ 211,391</u>	<u>\$ 282,427</u>	<u>\$ 175,899</u>	<u>\$ 2,034,559</u>

The accompanying notes are an integral part of these financial statements.

FARM AID, INC.

Notes to Financial Statements

1. Organizational Purpose

Farm Aid, Inc. (the “Organization”) is a non-profit organization whose mission is to build a vibrant, family farm-centered system of agriculture in America. Willie Nelson, Neil Young and John Mellencamp organized the first Farm Aid concert in 1985 to raise awareness about the loss of family farms and to raise funds to keep farm families on the land. Dave Matthews joined the Farm Aid Board of Directors in 2001. Farm Aid’s annual concert celebrates farmers, eaters and artists coming together for change in America’s farm and food system. Since 1985, Farm Aid has raised over \$53 million. The Organization works year-round to promote a strong and resilient family farm system of agriculture through the following programs:

Helping Farmers Thrive

Through its toll free number, 1-800-FARM-AID, and online Farmer Resource Network directory, Farm Aid refers and connects farmers to an extensive network of organizations across the county that help farmers find the resources they need to access new markets, transition to more sustainable and profitable farming practices, and receive immediate support services in times of crisis. The Organization makes grants to farm and rural service organizations, and collaborates with service partners and their networks to help build their capacity for addressing farmer challenges and needs. Farm Aid grants also support the Farm Advocate Link, a national network of farm advocates who provide one-on-one services to family farmers. The Farm Advocate Link’s mission is to train, support and recruit a new generation of farm advocates. When natural disasters strike and affect farmers, Farm Aid’s Family Farm Disaster Fund raises funds to help farmers in the immediate aftermath and provide trainings to farmers for accessing disaster aid and building on-farm resilience to prepare for future disasters.

Promoting Food from Family Farms

Farm Aid stages America’s longest running annual music festival, which unites farmers, artists, music lovers and eaters to celebrate family farmers and mobilizes people to build a powerful movement for good food from family farms. The Organization’s annual festival features family farm food throughout the venue with Farm Aid’s HOMEGROWN Concessions®, fostering strong relationships among farmers, food companies, concessionaires and concertgoers. The HOMEGROWN Youthmarket sells local produce from family farmers and is staffed by local youth engaged in agriculture. In Farm Aid’s HOMEGROWN Village dozens of farm and food groups engage festivalgoers in hands-on experiences about farming, food, soil, water, and renewable energy. In addition to its annual festival, Farm Aid engages people in the culture of agriculture through smaller regional events and with its inspiring and informative social and media campaigns that connect eaters and farmers through cooking, eating, and growing. HOMEGROWN.org is Farm Aid’s online community dedicated to enhancing the relationship between family farmers and eaters through agrarian skill-building.

Growing the Good Food Movement

Farm Aid and its partners support and implement strategies that bolster the Good Food Movement — the growing number of Americans demanding family farm-identified, local, organic or humanely-raised food with economic justice for farmers. Farm Aid provides grants to grassroots organizations that foster connections between farmers and eaters by growing and strengthening local and regional markets and expanding the reach of family farm food into urban neighborhoods, grocery stores, restaurants, schools and other public institutions.

FARM AID, INC.

Notes to Financial Statements

1. Organizational Purpose (continued)

Taking Action to Change the System

Farm Aid seeks to advance the power and participation of farmers to change the American farm and food system. Farm Aid provides grants to local, regional and national organizations to promote fair farm policies and grassroots organizing campaigns designed to defend and bolster family farm-centered agriculture. Farm Aid's Action Center engages people to become advocates for change. The Organization has worked side-by-side with farmers to protest factory farms and inform farmers and eaters about issues like genetically modified food, global trade and industrial livestock production. Farm Aid serves as a leader and contributing member of collaborative efforts to bring attention to the varied challenges faced by family farmers and to encourage collaboration and collective problem solving.

Farm Aid's Farmer Leadership Fund defrays expenses for farmer leadership trainings, strategy meetings and other opportunities to elevate the voices of family farmers.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

In order to ensure the observance of limitations and restrictions placed on the use of resources available to the Organization, the Organization determines the classification of its net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions.

The net assets of the Organization are reported in categories as follows:

- (1) Unrestricted net assets represent resources available for support of the Organization's general operations whose use is not restricted by donors.
- (2) Temporarily restricted net assets represent resources restricted by donors for a specific purpose or the passage of time.
- (3) Permanently restricted net assets represent the principal portion of endowment funds which cannot be expended as stipulated by donors. Income from endowment funds is utilized in accordance with the donors' stipulations.

The Organization did not have any permanently restricted net assets at December 31, 2017 and 2016 or for the years then ended.

FARM AID, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

The Organization values its investments based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 – Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 – Observable inputs other than *Level 1* inputs such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with market data.

Level 3 – Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to *Level 3* inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The following is a description of the valuation methodologies used for investments measured at fair value:

Money market funds: Carrying amounts of money market funds approximate fair value because of the short-term nature of the holdings.

Mutual funds: Valued at the net asset value of shares held by the Organization at year end.

Revenue and Support

Contributions and grants are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor imposed restrictions. Contributions that are classified as temporarily restricted support are reclassified to unrestricted net assets upon satisfaction of the restriction or expiration of the time restriction.

Contributions of services are recognized as revenues at fair value only if the services received create or enhance non-financial assets or require specialized skills. These services are provided by individuals possessing those skills that would typically need to be purchased, if not provided by donation. In-kind contributions in the form of merchandise, catering and equipment rental are recorded at fair value as of the date of the donation.

Other unpaid volunteers have donated significant amounts of time to the Organization and its programs and activities. The value of this contributed time is not reflected in these financial statements since it does not meet all of the criteria described above.

FARM AID, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Revenue and Support (continued)

Concert ticket sales, event revenues and sponsorships are recognized when the related concert or special event is held, and are included in concert and special events revenue. Concert and special event revenue are presented net of direct expenses to these events. Revenue from all other sources is recognized when earned.

Changes in fair value of securities and realized gains and losses have been reflected in the statement of activities and changes in net assets. Interest, dividends, realized and unrealized gains and losses on investments are recorded as revenue and support and are restricted to use by the donor.

Cash

Cash consists of deposits held in checking, savings and money market accounts.

Accounts Receivable and Unconditional Promises to Give

Accounts receivable and contributions to give consist of customer balances and contributions made for the general support of the Organization. There was no allowance for doubtful accounts recorded at December 31, 2017 and 2016 as the entire balance in these accounts has been deemed by management to be fully collectible. If an amount becomes uncollectible, it is expensed when that determination is made.

Merchandise Inventory

Inventory, consisting primarily of merchandise, is stated at the lower of cost using the first in, first out (FIFO) method or their estimated net realizable values. Donated items are recorded at estimated fair value at the time of donation.

Property and Equipment

Expenditures for property and equipment are stated at cost. Depreciation is recorded to allocate the cost of these assets over their estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Office equipment	Three to five years
Furniture and fixtures	Three years

Expenditures for maintenance and repairs are charged to expense when incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated and the resulting gain or loss, if any, is included in the statement of activities and changes in net assets.

Website

Website development costs are capitalized if future benefits are deemed to exist beyond one year from the financial statement date. The Organization amortizes these costs over their estimated useful lives of three years.

FARM AID, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Expenses that can be identified with a specific program, supporting services, concert and special events are allocated directly according to their natural expenditure classification. In 2017 and 2016, payroll, depreciation and amortization and certain occupancy and office costs have also been allocated among the programs, supporting services, concert and special events benefited.

Use of Estimates and Subsequent Events

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Organization's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on June 6, 2018, the date these financial statements became available to be issued. No events have occurred subsequent to the statement of financial position date and through the date of evaluation that meet the criteria required for disclosure or accrual.

Income Taxes

The Organization operates as a tax exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code and its income is exempt from income taxes other than taxes on net unrelated business income. The Organization is also exempt from Massachusetts income tax under Massachusetts General Law 180. No provisions for income taxes are required for the year ended December 31, 2017 and 2016 as the Organization had no material unrelated business income.

3. Contribution Receivable

Contribution receivable are due as follow:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 32,719	\$ 65,760
Receivable in one to two years	\$ 50,000	\$ -

Net present value discounts were not recorded as of December 31, 2017 given that the amounts are immaterial.

FARM AID, INC.

Notes to Financial Statements

4. Investments

The following sets forth, by level within the fair value hierarchy, the financial assets reported at fair value on a recurring basis as of December 31, 2017 and 2016:

	<u>2017</u> <u>Level 1</u>	<u>2016</u> <u>Level 1</u>
Cash and cash equivalents	\$ 24,129	\$ 12,513
Mutual funds -		
Equity - domestic	85,466	93,160
Equity - international	20,784	16,521
Bond - intermediate term	302,814	279,755
Bond - large growth	-	21,271
	<u>\$ 433,193</u>	<u>\$ 423,220</u>

Investment income consists of the following for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 13,567	\$ 21,103
Realized (losses) gains	6,649	(8,200)
Unrealized gains (losses)	16,490	7,361
	<u>\$ 36,706</u>	<u>\$ 20,264</u>

5. Property and Equipment

As of December 31, 2017 and 2016, the Organization had the following property and equipment:

	<u>2017</u>	<u>2016</u>
Equipment	\$ 44,094	\$ 66,170
Furniture & fixtures	4,890	4,890
Property and equipment, gross	48,984	71,060
Less: accumulated depreciation	(46,077)	(65,598)
	<u>\$ 2,907</u>	<u>\$ 5,462</u>

FARM AID, INC.

Notes to Financial Statements

5. Property and Equipment (continued)

During the year ended December 31, 2017, \$23,314 of computer equipment were disposed of with an immaterial loss of \$128 which is included in depreciation expenses.

6. Website

As of December 31, 2017 and 2016, Website development costs were as follows:

	<u>2017</u>	<u>2016</u>
Website development costs	\$ 90,112	\$ 149,790
Less: accumulated amortization	<u>(72,183)</u>	<u>(114,686)</u>
	<u>\$ 17,929</u>	<u>\$ 35,104</u>

During the year ended December 31, 2017, \$67,750 of fully amortized web site development costs were written-off. Amortization expense during the years ended December 31, 2017 and 2016 was \$25,247 and \$25,308, respectively. Amortization expense for the following years ending December 31 are as follows:

2018	\$ 14,038
2019	2,691
2020	1,200

7. Line of Credit

The Organization maintains a \$100,000 line of credit to help finance short term working capital requirements. The line of credit is collateralized by all of the Organization's assets and interest is payable monthly on outstanding balances at an interest rate of 2% above the Wall Street Journal prime rate. There was no outstanding balance on the line of credit at December 31, 2017 and 2016. Interest rates of the line of credit as of December 31, 2017 and 2016 were 6.50% and 5.75%, respectively.

8. In-Kind Services and Donated Materials

The Organization received the following in-kind services and donated materials during the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Equipment rental	\$ 63,253	\$ 52,180
Catering services	9,015	17,260
Other various goods and services	6,857	9,309
Legal and professional services	1,095	10,397
Concert promotion	-	150,000
	<u>\$ 80,220</u>	<u>\$ 239,146</u>

These in-kind services and donated materials are included in concerts and special events revenue and contributions in the statement of activities and changes in net assets for the years ended December 31, 2017 and 2016.

FARM AID, INC.

Notes to Financial Statements

9. Lease Commitment

The Organization leases its office space under a non-cancellable lease agreement that is extended through May 31, 2020. The lease requires payments of minimum monthly rent which increases at an annual minimum rate of 3.25% and includes the Organization's proportionate share of certain operating costs. Operating costs include items such as real estate taxes, common area utilities and maintenance. The lease agreement required a security deposit payment of \$7,500. Rent expense for this office lease, including operating costs was \$147,451 and \$143,471 for the years ended December 31, 2017 and 2016, respectively, including the pro-rata share allocated to event costs of \$14,866 and \$22,777 respectively.

Future annual minimum lease payments due under the lease are as follows:

For the years ending December 31,

2018	\$	140,817
2019		145,027
2020		67,749

10. Retirement Plan

The Organization maintains a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) which covers substantially all of its eligible employees. The plan allows participating employees to defer compensation up to the statutory limits imposed by the Internal Revenue Code. Employer matching contributions to the plan are up to 3% of employee compensation. The Organization contributed \$21,081 and \$20,438 to the plan for the years ended December 31, 2017 and 2016, respectively.

11. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Younkers - Farm Aid scholarship	\$ 445,641	\$ 435,714
Concert record preservation and archive	123,295	19,042
"Home Place Under Fire" film production	11,655	-
Family farm disaster assistance	7,807	7,000
Corporate control in seed sector and strengthen non-GMO supply chain	-	50,000
Farm Aid hosted convenings	-	2,500
	<u>\$ 588,398</u>	<u>\$ 514,256</u>

FARM AID, INC.

Notes to Financial Statements

11. Temporarily Restricted Net Assets (continued):

Net assets released from restriction during the years ended December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Family farm disaster assistance	\$ 148,133	\$ 8,000
Farm Aid's programmatic mission	101,000	105,000
Corporate control in seed sector and strengthen non-GMO supply chain	50,000	-
Farm Aid hosted convenings	42,500	12,500
"Home Place Under Fire" film production	38,346	-
Younkers - Farm Aid scholarship	26,779	20,694
Concert record preservation and archive	6,497	-
Leadership grants	26	681
	<u>\$ 413,281</u>	<u>\$ 146,875</u>

The Organization's Younkers-Farm Aid Agricultural Scholarship Fund funds agricultural-related scholarships at schools and institutions in the region in which the original donor conducted business. A committee was created of representatives of the original donor and the Organization to oversee the scholarship program.

12. Concentration Risk

The Organization has a potential concentration of credit risk in that it maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation. The maximum deposit insurance amount is \$250,000 for interest-bearing accounts, which is applied per depositor, per insured depository institution for each account ownership category.