

FARM AID, INC.

Financial Statements

December 31, 2018 and 2017

FARM AID, INC.

December 31, 2018 and 2017

CONTENTS

Independent Auditor’s Report	1
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statements of Functional Expenses.....	5
Notes to Financial Statements	7

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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the financial statements as of December 31, 2017, and for the year then ended have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Edelstein & Company LLP

Boston, Massachusetts
May 14, 2019

FARM AID, INC.**Statements of Financial Position
December 31,****(As Restated)
2017****2018****Assets:**

Cash	\$ 2,460,380	\$ 1,730,480
Accounts receivable	6,109	145,830
Contributions receivable	65,333	82,719
Merchandise inventory	19,583	20,098
Investments	398,272	433,193
Prepaid expenses	64,951	49,217
Deposit	7,500	7,500
Property and equipment, net	760	2,907
Website, net	15,967	17,929

Total assets**\$ 3,038,855** **\$ 2,489,873****Liabilities and net assets****Liabilities:**

Accounts payable	\$ 62,214	\$ 73,485
Accrued expenses	45,008	65,709
Grants payable	30,742	50,024
Deferred revenue	-	15,000

Total liabilities**137,964** **204,218****Net assets:**

Without donor restrictions	2,178,069	1,697,257
With donor restrictions	722,822	588,398

Total net assets**2,900,891** **2,285,655****Total liabilities and net assets****\$ 3,038,855** **\$ 2,489,873**

FARM AID, INC.

**Statements of Activities and Changes in Net Assets
For the Years Ended December 31,**

2018

**(As Restated)
2017**

	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Festival and special events:						
Income from festival and special events	\$ 2,885,127	\$ -	\$ 2,885,127	\$ 2,457,482	\$ -	\$ 2,457,482
Contributions from festival and special events	812,864	-	812,864	565,250	-	565,250
Direct expenses	(1,998,114)	-	(1,998,114)	(1,713,700)	-	(1,713,700)
Festival and special events revenue, net	<u>1,699,877</u>	<u>-</u>	<u>1,699,877</u>	<u>1,309,032</u>	<u>-</u>	<u>1,309,032</u>
Other revenue and support:						
Contributions	453,243	449,141	902,384	380,723	450,717	831,440
Investment (loss) income, net	-	(13,500)	(13,500)	-	32,316	32,316
Merchandise sales, net	40,339	-	40,339	37,421	-	37,421
Licensing fees and royalties	87,480	-	87,480	75,824	-	75,824
Program service fees	25,754	-	25,754	120,107	-	120,107
Other revenue and support	<u>606,816</u>	<u>435,641</u>	<u>1,042,457</u>	<u>614,075</u>	<u>483,033</u>	<u>1,097,108</u>
Net assets released from restrictions:						
Satisfaction of purpose restrictions	<u>301,217</u>	<u>(301,217)</u>	<u>-</u>	<u>408,891</u>	<u>(408,891)</u>	<u>-</u>
Total revenue and support	<u>2,607,910</u>	<u>134,424</u>	<u>2,742,334</u>	<u>2,331,998</u>	<u>74,142</u>	<u>2,406,140</u>
Expenses:						
Program services:						
Helping farmers thrive	865,648	-	865,648	969,340	-	969,340
Promoting food from family farms	225,632	-	225,632	198,217	-	198,217
Taking action to change the system	458,562	-	458,562	497,896	-	497,896
Growing the good food movement	238,884	-	238,884	208,560	-	208,560
Total program services	<u>1,788,726</u>	<u>-</u>	<u>1,788,726</u>	<u>1,874,013</u>	<u>-</u>	<u>1,874,013</u>
Supporting services:						
Management and general	198,702	-	198,702	207,112	-	207,112
Fundraising	139,670	-	139,670	185,093	-	185,093
Total supporting services	<u>338,372</u>	<u>-</u>	<u>338,372</u>	<u>392,205</u>	<u>-</u>	<u>392,205</u>
Total expenses	<u>2,127,098</u>	<u>-</u>	<u>2,127,098</u>	<u>2,266,218</u>	<u>-</u>	<u>2,266,218</u>
Change in net assets	480,812	134,424	615,236	65,780	74,142	139,922
Net assets, beginning of year	<u>1,697,257</u>	<u>588,398</u>	<u>2,285,655</u>	<u>1,631,477</u>	<u>514,256</u>	<u>2,145,733</u>
Net assets, end of year	<u>\$ 2,178,069</u>	<u>\$ 722,822</u>	<u>\$ 2,900,891</u>	<u>\$ 1,697,257</u>	<u>\$ 588,398</u>	<u>\$ 2,285,655</u>

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

FARM AID, INC.

Statements of Cash Flows	(As Restated)	
For the Year Ended December 31,	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 615,236	\$ 139,922
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated stock	(24,408)	(52,212)
Depreciation and amortization	17,868	29,169
Net realized gain on investments	(7,174)	(6,649)
Net unrealized loss (gain) on investments	31,201	(16,490)
Changes in operating assets and liabilities:		
Accounts receivable	139,721	(134,862)
Contributions receivable	17,386	(16,959)
Merchandise inventory	515	3,749
Prepaid expenses	(15,734)	(26,669)
Accounts payable	(11,271)	(27,457)
Accrued expenses	(20,701)	14,793
Grants payable	(19,282)	28,646
Deferred revenue	(15,000)	15,000
Net cash provided by operating activities	<u>708,357</u>	<u>(50,019)</u>
Cash flows from investing activities:		
Reinvestment of dividend income	(15,905)	(13,567)
Purchase of equipment	-	(1,366)
Purchase of website development costs	(13,759)	(8,072)
Proceeds from sale of investments and donated stock	51,207	78,944
Net cash provided by investing activities	<u>21,543</u>	<u>55,939</u>
Net increase in cash	729,900	5,920
Cash, beginning of year	<u>1,730,480</u>	<u>1,724,560</u>
Cash, end of year	<u><u>\$ 2,460,380</u></u>	<u><u>\$ 1,730,480</u></u>

FARM AID, INC.

**Statement of Functional Expenses
For the Year Ended December 31, 2018**

	Helping Farmers Thrive	Promoting Food from Family Farms	Taking Action to Change the System	Growing the Good Food Movement	Management and General	Fundraising	Festival and Special Events	Total
Salaries and wages	\$ 223,268	\$ 62,358	\$ 95,611	\$ 69,912	\$ 68,754	\$ 47,081	\$ 191,451	\$ 758,435
Payroll taxes	18,506	5,143	7,796	5,853	5,785	3,909	15,441	62,433
Employee benefits	35,227	10,185	15,463	11,196	11,539	7,704	31,865	123,179
Accounting services	-	-	-	-	57,418	7,001	-	64,419
Audit services	-	-	-	-	20,000	-	-	20,000
Marketing and communications	62,015	44,212	33,161	17,614	266	9,685	136,565	303,518
Other contractual services	34,808	7,651	1,796	898	1,405	338	42,185	89,081
Facility rentals and production costs	406	4,995	398	393	-	-	1,062,370	1,068,562
Catering, food and beverage	1,155	27,408	6,187	1,155	-	-	75,576	111,481
Travel, transportation and lodging	17,757	9,293	5,498	1,628	423	177	88,455	123,231
Grants and direct assistance	351,510	-	247,769	100,400	-	-	-	699,679
Scholarship - Younkers	30,739	-	-	-	-	-	-	30,739
Occupancy	49,604	14,045	21,166	15,625	20,795	10,508	41,584	173,327
Subscriptions and dues	2,449	26	2,451	932	18	2,383	132	8,391
Printing and reproduction	934	6,306	1,094	941	116	16,228	12,038	37,657
Postage and shipping	1,843	13,526	643	502	321	1,134	2,742	20,711
Supplies and equipment	2,513	1,885	1,181	1,052	694	5,993	23,976	37,294
Cost of merchandise sold	-	43,327	-	-	-	-	119,246	162,573
Information and communications technology	11,628	3,789	7,399	3,297	3,234	12,698	8,869	50,914
Fees and insurance	3,139	4,073	1,022	745	5,190	12,405	112,137	138,711
Depreciation and amortization	5,302	1,465	2,267	1,656	1,614	1,113	4,451	17,868
Other business expenses	12,845	9,272	7,660	5,085	1,130	1,313	29,031	66,336
	<u>865,648</u>	<u>268,959</u>	<u>458,562</u>	<u>238,884</u>	<u>198,702</u>	<u>139,670</u>	<u>1,998,114</u>	<u>4,168,539</u>
Less items included within revenue and support:								
Non-festival cost of merchandise sold	-	(43,327)	-	-	-	-	-	(43,327)
Direct expenses of festival and special events	-	-	-	-	-	-	(1,998,114)	(1,998,114)
Total expenses included in the functional categories on the statement of activities and changes in net assets	<u>\$ 865,648</u>	<u>\$ 225,632</u>	<u>\$ 458,562</u>	<u>\$ 238,884</u>	<u>\$ 198,702</u>	<u>\$ 139,670</u>	<u>\$ -</u>	<u>\$ 2,127,098</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, 2017**

	Helping Farmers Thrive	Promoting Food from Family Farms	Taking Action to Change the System	Growing the Good Food Movement	Management and General	Fundraising	Festival and Special Events	Total
Salaries and wages	\$ 224,119	\$ 64,983	\$ 128,102	\$ 57,860	\$ 67,869	\$ 84,808	\$ 171,080	\$ 798,821
Payroll taxes	18,724	5,519	11,051	4,927	5,794	7,404	13,975	67,394
Employee benefits	27,506	8,334	16,084	7,207	8,456	10,632	21,729	99,948
Accounting services	-	-	-	-	65,086	8,280	-	73,366
Audit services	-	-	-	-	19,000	-	-	19,000
Legal fees	503	157	276	(55)	2,571	409	5,497	9,358
Marketing and communications	61,984	27,786	34,079	26,590	953	11,599	107,116	270,107
Other contractual services	61,911	14,753	2,390	1,096	6,652	1,043	39,173	127,018
Facility rentals and production costs	2,245	13,181	359	-	-	-	877,227	893,012
Catering, food and beverage	3,313	7,750	3,610	1,300	-	125	61,977	78,075
Travel, transportation and lodging	22,142	6,039	10,000	2,752	1,937	9,172	86,398	138,440
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	34,862	167,447
Subscriptions and dues	951	416	3,599	929	1,018	3,013	15	9,941
Printing and reproduction	2,217	3,509	215	109	88	6,883	14,257	27,278
Postage and shipping	399	11,228	279	107	216	1,959	3,385	17,573
Supplies and equipment	2,808	1,060	1,428	697	665	952	7,354	14,964
Cost of merchandise sold	-	48,340	-	-	-	-	105,927	154,267
Information and communications technology	9,445	3,819	5,191	2,232	2,696	8,380	8,969	40,732
Fees and insurance	3,736	4,835	2,416	520	1,872	8,375	72,773	94,527
Depreciation and amortization	8,258	2,370	4,664	2,120	2,409	3,068	6,280	29,169
Other business expenses	22,876	9,245	4,465	1,351	1,679	1,609	75,706	116,931
	<u>969,340</u>	<u>246,557</u>	<u>497,896</u>	<u>208,560</u>	<u>207,112</u>	<u>185,093</u>	<u>1,713,700</u>	<u>4,028,258</u>
Less items included within revenue and support:								
Non-festival cost of merchandise sold	-	(48,340)	-	-	-	-	-	(48,340)
Direct expenses of festival and special events	-	-	-	-	-	-	(1,713,700)	(1,713,700)
Total expenses included in the functional categories on the statement of activities and changes in net assets	<u>\$ 969,340</u>	<u>\$ 198,217</u>	<u>\$ 497,896</u>	<u>\$ 208,560</u>	<u>\$ 207,112</u>	<u>\$ 185,093</u>	<u>\$ -</u>	<u>\$ 2,266,218</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 festival celebrates farmers, eaters and artists coming together for change in America’s farm and food system. Since 1985, Farm Aid has raised \$56 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 country 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 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 event with a mission, 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 festivalgoers. The HOMEGROWN Youthmarket sells local produce from family farmers and is staffed by local youth engaged in agriculture. In the 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.

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.

FARM AID, INC.

Notes to Financial Statements

1. Organizational Purpose (continued)

Growing the Good Food Movement

Farm Aid and its partners support and implement strategies that bolster the Good Food Movement — the growing number of people seeking 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.

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 classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature. Those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization did not have any net assets with donor restrictions that are perpetual in nature as of December 31, 2018 and 2017, or for the years then ended.

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.

FARM AID, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

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 fair values of shares held by the Organization based on shares' prices reported by the funds as of the last business day of the fiscal year.

Revenue and Support

Contributions and grants are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are classified as net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

Festival and special events' ticket sales and event related revenues such as broadcast licensing income and merchandise sales at the festival are recognized when the related festival or special event is held and are reported as income from festival and special events on the statements of activities and changes in net assets. Sponsorships and contributions received for the festival and special events are also recognized when the related festival or special event is held and are reported as contributions from festival and special events on the statements of activities and changes in net assets.

Festival and special event revenue is presented net of direct expenses to these events. Revenue from all other sources is recognized when earned. Sponsorship for special events is recognized as revenue when the events occur, and sponsorship received prior to the events is recorded as deferred revenue.

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 specifically for the Younkers-Farm Aid scholarship.

Cash

Cash consists of deposits held in checking and savings accounts in banks.

FARM AID, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Accounts and Contributions Receivable

Accounts and contributions receivable consist of customer balances and contributions made for the general support of the Organization. Management provides for probable uncollectible amounts through a provision for bad debt expense and a corresponding reserve based on its assessment of the current status of individual accounts. There was no allowance for doubtful accounts recorded at December 31, 2018 and 2017 as the entire balance in these accounts has been deemed by management to be fully collectible.

Merchandise Inventory

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

Property and Equipment

Acquisitions for property and equipment are stated at cost. Expenditures for major improvements are capitalized. 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 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.

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 reported directly according to their natural expenditure classification. However, personnel expense, depreciation and amortization, occupancy and certain office overhead costs are allocated periodically during the fiscal year among the programs, supporting services, festival and special events based on the time and effort by each of the employees who provided services to the Organization.

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.

FARM AID, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Use of Estimates and Subsequent Events (continued)

The Organization's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on May 14, 2019, 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. The Organization is also exempt from Massachusetts income tax under Massachusetts General Law 180.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation, with no effect to the amount of net assets reported.

New Accounting Pronouncement

On August 8, 2016, Financial Accounting Standards Board issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

3. Availability and Liquidity

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position dates at December 31, 2018 and 2017, are comprised of the following:

	2018	2017
Cash	\$ 2,460,380	\$ 1,730,480
Accounts receivable	6,109	145,830
Contributions receivable	65,333	82,719
Investments	398,272	433,193
Total financial assets	<u>2,930,094</u>	<u>2,392,222</u>
Less: amounts not available to be used within one year		
Contributions receivable	(25,000)	(50,000)
Investments restricted to use by the donor specifically for the Younkers-Farm Aid scholarship	<u>(398,272)</u>	<u>(433,193)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,506,822</u>	<u>\$ 1,909,029</u>

FARM AID, INC.

Notes to Financial Statements

3. Availability and Liquidity (continued)

For purposes of analyzing resources available to meet general expenditures within one year, the Organization considers all expenditures related to its ongoing programs, as well as the conduct of services undertaken to support those programs to be general expenditures. As such, accounts and contributions receivable to be collected within one year are included in the above analysis as available for general expenditure within one year.

The Organization has identified a financial goal of establishing and maintaining a minimum of nine months of operating funds as sufficient operating and capital reserve funds – an imperative for sustainability of program delivery and organizational fiscal health. The festival brings a substantial stream of funding to the Organization in the third quarter of the fiscal year. With varying financial performance of the festival from year to year, maintaining and accessing the reserve funds judiciously enables the Organization to balance fiscal health, maintain programmatic activities and respond to new opportunities and needs particularly considering the state of the farm economy and occurrence for natural disasters.

4. Contributions Receivable

Contributions receivable as of December 31, 2018 and 2017 are due as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 40,333	\$ 32,719
Receivable in one to two years	25,000	50,000
	<u>\$ 65,333</u>	<u>\$ 82,719</u>

Net present value discounts were not recorded as of December 31, 2018 or 2017 given that the amounts are immaterial.

5. 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
	<u>Level 1</u>	<u>Level 1</u>
Cash and cash equivalents	\$ 10,635	\$ 24,129
Mutual funds -		
Equity - domestic	88,040	85,466
Equity - international	18,679	20,784
Bond - intermediate term	280,918	302,814
	<u>\$ 398,272</u>	<u>\$ 433,193</u>

FARM AID, INC.

Notes to Financial Statements

6. Property and Equipment

As of December 31, 2018 and 2017, the Organization had the following property and equipment:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 44,094	\$ 44,094
Furniture & fixtures	4,890	4,890
Property and equipment, gross	48,984	48,984
Less: accumulated depreciation	<u>(48,224)</u>	<u>(46,077)</u>
	<u>\$ 760</u>	<u>\$ 2,907</u>

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 expense.

7. Website

As of December 31, 2018 and 2017, Website development costs were as follows:

	<u>2018</u>	<u>2017</u>
Website development costs	\$ 103,871	\$ 90,112
Less: accumulated amortization	<u>(87,904)</u>	<u>(72,183)</u>
	<u>\$ 15,967</u>	<u>\$ 17,929</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, 2018 and 2017 was \$15,721 and \$25,247, respectively. Amortization expense for the following years ending December 31 are as follows:

2019	\$ 7,277
2020	5,785
2021	2,905

8. 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, 2018 and 2017, and there was no borrowing from this line of credit during both fiscal years. Interest rates on the line of credit as of December 31, 2018 and 2017 were 7.50% and 6.50%, respectively.

FARM AID, INC.

Notes to Financial Statements

9. In-Kind Services and Donated Materials

The Organization received the following in-kind services and donated materials during the years ended December 31, 2018 and 2017:

	2018	2017
Equipment rental	\$ 80,961	\$ 63,253
Catering services	23,007	9,015
Merchandise	5,800	-
Other various goods and services	2,450	6,857
Legal and professional services	-	1,095
	<u>\$ 112,218</u>	<u>\$ 80,220</u>

These in-kind services and donated materials are included in festival and special events revenue and contributions in the statements of activities and changes in net assets for the years ended December 31, 2018 and 2017.

10. Lease Commitment

The Organization leases its office space under a non-cancellable lease agreement that expires on 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 \$151,107 and \$147,451 for the years ended December 31, 2018 and 2017, respectively.

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

For the years ending December 31,

2019	\$ 145,027
2020	67,749

11. 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 \$18,079 and \$21,081 to the plan for the years ended December 31, 2018 and 2017, respectively.

FARM AID, INC.

Notes to Financial Statements

12. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2018 and 2017:

	2018	2017
Younkers - Farm Aid scholarship	\$ 367,530	\$ 445,641
Keepseagle project for Native American farmers	219,285	-
Music festival record preservation and archive	124,352	123,295
"Home Place Under Fire" film production	11,655	11,655
Family farm disaster assistance	-	7,807
	<u>\$ 722,822</u>	<u>\$ 588,398</u>

Net assets released from restrictions during the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Farm Aid's programmatic mission	\$ 186,550	\$ 101,000
Younkers - Farm Aid scholarship	64,611	22,389
Family farm disaster assistance	39,555	148,133
Music festival record preservation and archive	7,303	6,497
Farmer emergency assistance grants	3,198	-
Corporate control in seed sector and strengthen non-GMO supply chain	-	50,000
Farm Aid hosted convenings	-	42,500
"Home Place Under Fire" film production	-	38,346
Leadership grants	-	26
	<u>\$ 301,217</u>	<u>\$ 408,891</u>

The Organization's Younkers-Farm Aid Agricultural Scholarship Fund was established by a donor in 1985 to provide agricultural-related scholarships at universities in the region in which the original donor conducted business.

In July 2018, Farm Aid was awarded \$219,285 in funding from the Keepseagle cy pres process, the Native American Agriculture Fast Track Fund (NAAFTF). NAAFTF funding will support Farm Aid's work through 2020 to analyze and bolster the resource offerings specific to Native American farmers.

Farm Aid has raised funds to ensure that the media collection of concert performances and related footage is preserved. A system for the long-term care and continuous collection of archival materials will be established.

13. 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, which is applied per depositor, per insured depository institution for each account ownership category.

FARM AID, INC.

Notes to Financial Statements

14. Prior Period Adjustment

The Organization had not accrued for the broadcasting contract revenue for the Farm Aid music festival with a media provider in 2017. Accordingly, a prior period adjustment has been made to restate income from festival and special events on the statement of activities and changes in net assets for the year ended December 31, 2017. A corresponding entry was also made to adjust the previously reported net assets at December 31, 2017 as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - December 31, 2017 - as previously reported	\$ 1,636,257	\$ 588,398	\$ 2,224,655
Adjustment to accrue for additional festival income	61,000	-	61,000
Net Assets - December 31, 2017 - as restated	<u>\$ 1,697,257</u>	<u>\$ 588,398</u>	<u>\$ 2,285,655</u>