

FARM AID, INC.

Financial Statements

December 31, 2016 and 2015

FARM AID, INC.

December 31, 2016 and 2015

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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, 2016 and 2015, 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 audits 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, 2016 and 2015, 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 13, 2017

FARM AID, INC.**Statements of Financial Position
December 31,****2016****2015****Assets:**

| | | |
|-----------------------------|--------------|--------------|
| Cash and cash equivalents | \$ 1,724,560 | \$ 1,753,886 |
| Accounts receivable | 10,968 | 21,097 |
| Contributions receivable | 65,760 | 67,765 |
| Merchandise inventory | 23,847 | 10,294 |
| Investments | 423,220 | 431,484 |
| Prepaid expenses | 22,548 | 32,489 |
| Deposits | 7,500 | 7,500 |
| Property and equipment, net | 5,462 | 15,200 |
| Website, net | 35,104 | 52,990 |

Total assets

| | |
|--------------|--------------|
| \$ 2,318,969 | \$ 2,392,705 |
|--------------|--------------|

Liabilities and net assets**Liabilities:**

| | | |
|---------------------------------------|----------------|----------------|
| Accounts payable and accrued expenses | \$ 151,858 | \$ 125,240 |
| Grants payable | 21,378 | 22,965 |
| Total liabilities | 173,236 | 148,205 |

Net assets:

| | | |
|-------------------------|------------------|------------------|
| Unrestricted | 1,631,477 | 1,808,356 |
| Temporarily restricted | 514,256 | 436,144 |
| Total net assets | 2,145,733 | 2,244,500 |

Total liabilities and net assets

| | |
|--------------|--------------|
| \$ 2,318,969 | \$ 2,392,705 |
|--------------|--------------|

FARM AID, INC.**Statements of Activities and Changes in Net Assets****For the Year Ended December 31,****2016****2015**

| | <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 | \$ 2,962,536 | \$ - | \$ 2,962,536 | \$ 3,507,630 | \$ - | \$ 3,507,630 |
| Direct expenses | (1,907,792) | - | (1,907,792) | (1,967,840) | - | (1,967,840) |
| Concert and special events revenue, net | <u>1,054,744</u> | <u>-</u> | <u>1,054,744</u> | <u>1,539,790</u> | <u>-</u> | <u>1,539,790</u> |
| Other revenue and support: | | | | | | |
| Contributions | 544,477 | 204,723 | 749,200 | 636,638 | 27,000 | 663,638 |
| Investment income, net | - | 20,264 | 20,264 | 32 | 1,217 | 1,249 |
| Merchandise sales, net | 52,437 | - | 52,437 | 27,012 | - | 27,012 |
| Licensing fees and royalties | 41,027 | - | 41,027 | 42,563 | - | 42,563 |
| Other | 18,120 | - | 18,120 | 3,114 | - | 3,114 |
| Other revenue and support | <u>656,061</u> | <u>224,987</u> | <u>881,048</u> | <u>709,359</u> | <u>28,217</u> | <u>737,576</u> |
| Net assets released from restrictions: | | | | | | |
| Satisfaction of purpose restrictions | <u>146,875</u> | <u>(146,875)</u> | <u>-</u> | <u>85,965</u> | <u>(85,965)</u> | <u>-</u> |
| Total revenue and support | <u>1,857,680</u> | <u>78,112</u> | <u>1,935,792</u> | <u>2,335,114</u> | <u>(57,748)</u> | <u>2,277,366</u> |
| Expenses: | | | | | | |
| Program services: | | | | | | |
| Helping farmers thrive | 612,702 | - | 612,702 | 664,156 | - | 664,156 |
| Promoting food from family farms | 242,117 | - | 242,117 | 310,840 | - | 310,840 |
| Taking action to change the system | 510,023 | - | 510,023 | 492,428 | - | 492,428 |
| Growing the good food movement | 211,391 | - | 211,391 | 242,097 | - | 242,097 |
| Total program services | <u>1,576,233</u> | <u>-</u> | <u>1,576,233</u> | <u>1,709,521</u> | <u>-</u> | <u>1,709,521</u> |
| Supporting services: | | | | | | |
| Management and general | 282,427 | - | 282,427 | 375,478 | - | 375,478 |
| Fundraising | 175,899 | - | 175,899 | 165,049 | - | 165,049 |
| Total supporting services | <u>458,326</u> | <u>-</u> | <u>458,326</u> | <u>540,527</u> | <u>-</u> | <u>540,527</u> |
| Total expenses | <u>2,034,559</u> | <u>-</u> | <u>2,034,559</u> | <u>2,250,048</u> | <u>-</u> | <u>2,250,048</u> |
| Change in net assets | <u>(176,879)</u> | <u>78,112</u> | <u>(98,767)</u> | <u>85,066</u> | <u>(57,748)</u> | <u>27,318</u> |
| Net assets, beginning of year | <u>1,808,356</u> | <u>436,144</u> | <u>2,244,500</u> | <u>1,723,290</u> | <u>493,892</u> | <u>2,217,182</u> |
| Net assets, end 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> |

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

FARM AID, INC.**Statements of Cash Flows****For the Year Ended December 31,****2016****2015****Cash flows (used in) provided by operating activities:**

| | | |
|--|-------------|-----------|
| Change in net assets | \$ (98,767) | \$ 27,318 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 37,334 | 32,821 |
| Net realized losses (gains) on investments | 8,199 | (20,188) |
| Net unrealized (gains) losses on investments | (7,361) | 35,934 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 10,129 | (412) |
| Contributions receivable | 2,005 | 68,895 |
| Merchandise inventory | (13,553) | 26,526 |
| Prepaid expenses | 9,941 | (15,784) |
| Accounts payable and accrued expenses | 26,618 | (17,948) |
| Grants payable | (1,587) | (101) |

Net cash (used in) provided by operating activities(27,042)137,061**Cash flows used in investing activities:**

| | | |
|--------------------------------------|-----------|-----------|
| Purchase of investments | (453,926) | (119,991) |
| Purchase of equipment | (2,288) | (1,236) |
| Purchase made on website development | (7,422) | (63,850) |
| Proceeds from sale of investments | 461,352 | 131,850 |

Net cash used in investing activities(2,284)(53,227)**Net (decrease) increase in cash and cash equivalents**

(29,326)

83,834

Cash and cash equivalents, beginning of year1,753,8861,670,052**Cash and cash equivalents, end of year**\$ 1,724,560\$ 1,753,886

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

| | <u>Helping</u> <u>Farmers Thrive</u> | <u>Promoting</u> <u>Food from</u> <u>Family Farms</u> | <u>Taking Action</u> <u>to Change the</u> <u>System</u> | <u>Growing the</u> <u>Good Food</u> <u>Movement</u> | <u>Management &</u> <u>General</u> | <u>Fundraising</u> | <u>Total</u> |
|---|---|---|---|---|---|--------------------|---------------------|
| 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 consultants | 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.

Statement of Functional Expenses

For the Year Ended December 31, 2015

| | <u>Helping Farmers Thrive</u> | <u>Promoting Food from Family Farms</u> | <u>Taking Action to Change the System</u> | <u>Growing the Good Food Movement</u> | <u>Management & General</u> | <u>Fundraising</u> | <u>Total</u> |
|---|-----------------------------------|---|---|---|-------------------------------------|--------------------|---------------------|
| Salaries and wages | \$ 118,085 | \$ 124,161 | \$ 97,328 | \$ 65,976 | \$ 110,332 | \$ 56,528 | \$ 572,410 |
| Payroll taxes | 10,013 | 9,594 | 8,259 | 5,663 | 9,720 | 4,967 | 48,216 |
| Employee benefits | 17,224 | 12,987 | 14,184 | 9,633 | 16,138 | 8,221 | 78,387 |
| Accounting services | - | - | - | - | 105,025 | 8,600 | 113,625 |
| Audit services | - | - | - | - | 18,561 | - | 18,561 |
| Legal fees | - | - | - | - | 2,354 | - | 2,354 |
| Other consultants | 120,048 | 82,422 | 64,480 | 47,527 | 28,789 | 7,664 | 350,930 |
| Events, conferences and travel | 11,682 | 32,378 | 13,210 | 2,068 | 1,390 | 14,647 | 75,375 |
| Grants and direct assistance | 317,800 | - | 248,747 | 83,000 | - | - | 649,547 |
| Scholarship - Younkers | 22,965 | - | - | - | - | - | 22,965 |
| Occupancy | 24,197 | 22,691 | 20,038 | 13,611 | 21,942 | 11,709 | 114,188 |
| Subscriptions and dues | 488 | 350 | 2,836 | 363 | 12 | 244 | 4,293 |
| Printing and reproduction | 2,297 | 4,028 | 2,205 | 3,012 | 414 | 27,754 | 39,710 |
| Postage and shipping | 2,020 | 1,661 | 1,749 | 1,244 | 1,790 | 3,501 | 11,965 |
| Supplies and equipment | 2,607 | 3,527 | 2,155 | 1,448 | 2,255 | 1,605 | 13,597 |
| Information and communications technology | 6,234 | 8,970 | 7,895 | 3,664 | 9,449 | 9,318 | 45,530 |
| Fees and insurance | 2,246 | 2,776 | 1,863 | 1,252 | 8,049 | 8,344 | 24,530 |
| Depreciation | - | - | - | - | 32,821 | - | 32,821 |
| Bad debt | - | - | - | - | 3,550 | - | 3,550 |
| Other business expenses | 6,250 | 5,295 | 7,479 | 3,636 | 2,887 | 1,947 | 27,494 |
| | <u>\$ 664,156</u> | <u>\$ 310,840</u> | <u>\$ 492,428</u> | <u>\$ 242,097</u> | <u>\$ 375,478</u> | <u>\$ 165,049</u> | <u>\$ 2,250,048</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. Since 1985, Farm Aid has raised approximately \$50 Million to help farmers thrive, expand the reach of the Good Food Movement, take action to change the dominant system of industrial agriculture, and promote food from family farms. 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. 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 partners with service partners and their networks to help build their capacity for addressing farmer challenges and needs.

Promoting Food from Family Farms

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

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 and growth hormones. 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, INC.

Notes to Financial Statements

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, 2016 and 2015 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.

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.

FARM AID, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

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.

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 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, 2016 and 2015 as the entire balance in these accounts has been deemed by management to be fully collectible within one year. 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.

FARM AID, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

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.

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 2016, 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 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 13, 2017, 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, 2016 and 2015 as the Organization had no material unrelated business income. Returns for tax years beginning with those filed for December 31, 2013 are open to examination.

FARM AID, INC.

Notes to Financial Statements

3. 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, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|---------------------------|-------------------|-------------------|
| | <u>Level 1</u> | <u>Level 1</u> |
| Cash and cash equivalents | \$ 12,513 | \$ 17,414 |
| Mutual funds - | | |
| Equity - domestic | 93,160 | 83,872 |
| Equity - international | 16,521 | 23,203 |
| Bond - intermediate term | 279,755 | 286,968 |
| Bond - large growth | 21,271 | - |
| Bond - high yield | - | 20,027 |
| | <u>\$ 423,220</u> | <u>\$ 431,484</u> |

Investment income consists of the following for the years ended December 31, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|---------------------------|------------------|-----------------|
| Interest and dividends | \$ 21,103 | \$ 16,995 |
| Realized (losses) gains | (8,200) | 20,188 |
| Unrealized gains (losses) | 7,361 | (35,934) |
| | <u>\$ 20,264</u> | <u>\$ 1,249</u> |

4. Property and Equipment

As of December 31, 2016 and 2015, the Organization had the following property and equipment:

| | <u>2016</u> | <u>2015</u> |
|--------------------------------|-----------------|------------------|
| Equipment | \$ 66,170 | \$ 63,882 |
| Furniture & fixtures | 4,890 | 4,890 |
| Property and equipment, gross | <u>71,060</u> | <u>68,772</u> |
| Less: accumulated depreciation | (65,598) | (53,572) |
| | <u>\$ 5,462</u> | <u>\$ 15,200</u> |

FARM AID, INC.

Notes to Financial Statements

5. Website

As of December 31, 2016 and 2015, Website development costs were as follows:

| | <u>2016</u> | <u>2015</u> |
|--------------------------------|------------------|------------------|
| Website development costs | \$ 149,790 | \$ 142,368 |
| Less: accumulated depreciation | <u>(114,686)</u> | <u>(89,378)</u> |
| | <u>\$ 35,104</u> | <u>\$ 52,990</u> |

Amortization expense during the years ended December 31, 2016 and 2015 was \$25,308 and \$20,668, respectively. Amortization expense for the following two years ending December 31 are as follows:

| | |
|------|-----------|
| 2017 | \$ 23,757 |
| 2018 | 11,347 |

6. 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, 2016 and 2015. Interest rates of the line of credit as of December 31, 2016 and 2015 were 5.75% and 5.50%, respectively.

7. In-Kind Services and Donated Materials

The Organization received the following in-kind services and donated materials during the years ended December 31, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|----------------------------------|-------------------|-------------------|
| Concert promotion | \$ 150,000 | \$ - |
| Equipment rental | 52,180 | 28,000 |
| Catering services | 17,260 | 30,421 |
| Legal and professional services | 10,397 | 11,928 |
| Other various goods and services | 9,309 | 910 |
| Merchandise | - | 48,246 |
| | <u>\$ 239,146</u> | <u>\$ 119,505</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.

FARM AID, INC.

Notes to Financial Statements

8. 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 requires a security deposit payment of \$7,500. Rent expense for this office lease, including operating costs was \$143,471 and \$127,485 for the years ended December 31, 2016 and 2015, respectively, including the pro-rata share allocated to event costs.

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

For the years ending December 31,

| | | |
|------|----|---------|
| 2017 | \$ | 136,740 |
| 2018 | | 140,817 |
| 2019 | | 145,027 |
| 2020 | | 67,749 |

9. 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 \$20,438 and \$16,682 to the plan for the years ended December 31, 2016 and 2015, respectively.

10. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|
| Younkers - Farm Aid scholarship | \$ 435,714 | \$ 436,144 |
| Corporate control in seed sector and strengthen non-GMO supply chain | 50,000 | - |
| Concert record preservation and archival | 19,042 | - |
| Family farm disaster assistance | 7,000 | - |
| Farm Aid hosted convenings | 2,500 | - |
| | <u>\$ 514,256</u> | <u>\$ 436,144</u> |

FARM AID, INC.

Notes to Financial Statements

10. Temporarily Restricted Net Assets (continued):

Net assets released from restriction during the years ended December 31, 2016 and 2015 were as follows:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------------|-------------------|------------------|
| Farm Aid's programmatic mission | \$ 105,000 | \$ - |
| Younkers - Farm Aid scholarship | 20,694 | 22,965 |
| Farm Aid hosted convenings | 12,500 | - |
| Family farm disaster assistance | 8,000 | - |
| Leadership grants | 681 | - |
| Texas farmers fund | - | 36,000 |
| South Carolina family farm disaster | - | 27,000 |
| | <u>\$ 146,875</u> | <u>\$ 85,965</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.

11. Related Party Transaction

A receivable of \$7,855 for reimbursement of concert tickets purchased was due from an officer of the Organization at December 31, 2016 and is included in accounts receivable on the statement of financial position. This amount was subsequently received in full in January 2017.

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 (FDIC). 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.

As of December 31, 2016, 61% of the Organization's accounts and contribution receivable was due from two donors. As of December 31, 2015, 24% of the Organization's accounts and contribution receivable was due from a concert vendor.