

**FARM AID, INC.**

**Financial Statements**

**December 31, 2019 and 2018**

**FARM AID, INC.**

**December 31, 2019 and 2018**

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## **Independent Auditor's Report**

To 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, 2019 and 2018, 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, 2019 and 2018, 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  
December 11, 2020

# FARM AID, INC.

## Statements of Financial Position December 31,

	2019	2018
<b>Assets:</b>		
Cash	\$ 2,151,790	\$ 2,460,380
Accounts receivable	742,843	6,109
Contributions receivable	38,853	65,333
Merchandise inventory	16,333	19,583
Prepaid expenses	66,627	64,951
Investments	432,142	398,272
Deposit	7,500	7,500
Property and equipment, net	5,323	760
Intangible assets, net	34,959	15,967
<b>Total assets</b>	<b><u>\$ 3,496,370</u></b>	<b><u>\$ 3,038,855</u></b>
<b>Liabilities and net assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 151,464	\$ 62,214
Accrued expenses	107,606	45,008
Scholarships payable	20,724	30,742
Deferred rent liability	4,168	-
<b>Total liabilities</b>	<b><u>283,962</u></b>	<b><u>137,964</u></b>
<b>Net assets:</b>		
Without donor restrictions	2,468,471	2,178,069
With donor restrictions	743,937	722,822
<b>Total net assets</b>	<b><u>3,212,408</u></b>	<b><u>2,900,891</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 3,496,370</u></b>	<b><u>\$ 3,038,855</u></b>

**FARM AID, INC.**

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

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support:</b>						
Festival and special events:						
Income from festival and special events	\$ 3,423,908	\$ -	\$ 3,423,908	\$ 2,885,127	\$ -	\$ 2,885,127
Contributions from festival and special events	836,495	-	836,495	812,864	-	812,864
Direct expenses	(2,579,923)	-	(2,579,923)	(1,998,114)	-	(1,998,114)
Festival and special events revenue, net	1,680,480	-	1,680,480	1,699,877	-	1,699,877
Other revenue and support:						
Contributions and grants	586,346	410,678	997,024	453,243	449,141	902,384
Investment income (loss), net	1,045	54,667	55,712	-	(13,500)	(13,500)
Merchandise sales, net	69,445	-	69,445	40,339	-	40,339
Licensing fees and royalties	113,501	-	113,501	87,480	-	87,480
Program service fees	15,644	-	15,644	25,754	-	25,754
Other revenue and support	785,981	465,345	1,251,326	606,816	435,641	1,042,457
Net assets released from restrictions:						
Satisfaction of purpose restrictions	444,230	(444,230)	-	301,217	(301,217)	-
<b>Total revenue and support</b>	<b>2,910,691</b>	<b>21,115</b>	<b>2,931,806</b>	<b>2,607,910</b>	<b>134,424</b>	<b>2,742,334</b>
<b>Expenses:</b>						
Program services:						
Helping farmers thrive	1,108,518	-	1,108,518	865,648	-	865,648
Promoting food from family farms	272,940	-	272,940	225,632	-	225,632
Taking action to change the system	571,760	-	571,760	458,562	-	458,562
Growing the good food movement	229,143	-	229,143	238,884	-	238,884
Total program services	2,182,361	-	2,182,361	1,788,726	-	1,788,726
Supporting services:						
Management and general	187,052	-	187,052	198,702	-	198,702
Fundraising	250,876	-	250,876	139,670	-	139,670
Total supporting services	437,928	-	437,928	338,372	-	338,372
<b>Total expenses</b>	<b>2,620,289</b>	<b>-</b>	<b>2,620,289</b>	<b>2,127,098</b>	<b>-</b>	<b>2,127,098</b>
<b>Change in net assets</b>	<b>290,402</b>	<b>21,115</b>	<b>311,517</b>	<b>480,812</b>	<b>134,424</b>	<b>615,236</b>
<b>Net assets, beginning of year</b>	<b>2,178,069</b>	<b>722,822</b>	<b>2,900,891</b>	<b>1,697,257</b>	<b>588,398</b>	<b>2,285,655</b>
<b>Net assets, end of year</b>	<b>\$ 2,468,471</b>	<b>\$ 743,937</b>	<b>\$ 3,212,408</b>	<b>\$ 2,178,069</b>	<b>\$ 722,822</b>	<b>\$ 2,900,891</b>

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

**FARM AID, INC.****Statements of Cash Flows****For the Year Ended December 31,****2019****2018****Cash flows from operating activities:**

Change in net assets	\$ 311,517	\$ 615,236
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Donated stock	(1,273)	(24,408)
Depreciation and amortization	10,288	17,868
Net realized gain on investments	(12,244)	(7,174)
Net unrealized (gain) loss on investments	(36,157)	31,201
Reinvestment of investment income	(11,645)	(15,905)
Changes in operating assets and liabilities:		
Accounts receivable	(736,734)	139,721
Contributions receivable	26,480	17,386
Merchandise inventory	3,250	515
Prepaid expenses	(1,676)	(15,734)
Accounts payable	89,250	(11,271)
Accrued expenses	62,598	(20,701)
Scholarships payable	(10,018)	(19,282)
Deferred rent liability	4,168	-
Deferred revenue	-	(15,000)
<b>Net cash (used in) provided by operating activities</b>	<b>(302,196)</b>	<b>692,452</b>
<b>Cash flows from investing activities:</b>		
Purchase of equipment	(5,945)	-
Payment for website development costs	(11,610)	(13,759)
Payment for software development costs	(16,288)	-
Net withdrawals from investments	27,449	51,207
<b>Net cash (used in) provided by investing activities</b>	<b>(6,394)</b>	<b>37,448</b>
<b>Net (decrease) increase in cash</b>	<b>(308,590)</b>	<b>729,900</b>
<b>Cash, beginning of year</b>	<b>2,460,380</b>	<b>1,730,480</b>
<b>Cash, end of year</b>	<b>\$ 2,151,790</b>	<b>\$ 2,460,380</b>

**FARM AID, INC.**

**Statement of Functional Expenses  
For the Year Ended December 31, 2019**

	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
Facility rentals and production costs	\$ 372	\$ 70,598	\$ 1,023	\$ 374	\$ -	\$ -	\$ 1,396,783	\$ 1,469,150
Grants and direct assistance	583,646	667	322,429	82,761	-	-	-	989,503
Salaries and wages	216,185	60,803	105,158	56,094	30,783	100,871	269,210	839,104
Marketing and communications	58,198	46,623	46,783	46,770	8	10,486	120,656	329,524
Cost of merchandise sold	-	39,995	-	-	-	-	143,667	183,662
Occupancy	45,629	12,834	22,195	11,839	12,667	21,290	56,821	183,275
Travel, transportation and lodging	14,698	8,879	8,240	3,879	2,192	3,923	134,312	176,123
Fees and insurance	4,456	3,235	502	268	8,577	16,704	136,761	170,503
Other contractual services	77,532	9,277	2,204	1,885	1,724	4,640	49,326	146,588
Catering, food and beverage	2,257	11,832	7,208	2,257	-	-	121,168	144,722
Employee benefits	36,134	10,163	17,576	9,376	5,145	16,860	44,997	140,251
Other business expenses	21,319	12,140	11,533	3,497	11,437	1,539	17,384	78,849
Payroll taxes	20,266	5,700	9,858	5,259	2,886	9,456	25,237	78,662
Accounting services	-	-	-	-	62,862	6,547	-	69,409
Printing and reproduction	502	132	301	153	67	29,251	21,788	52,194
Information and communications technology	10,831	2,979	2,557	2,028	1,113	18,150	11,191	48,849
Audit services	-	-	-	-	44,500	-	-	44,500
Supplies and equipment	2,060	2,429	1,473	548	277	4,115	22,860	33,762
Postage and shipping	53	13,901	1,030	549	2,418	2,960	4,456	25,367
Subscriptions and dues	952	2	10,401	918	19	2,846	6	15,144
Scholarship - Younkers	10,778	-	-	-	-	-	-	10,778
Depreciation and amortization	2,650	746	1,289	688	377	1,238	3,300	10,288
	<u>1,108,518</u>	<u>312,935</u>	<u>571,760</u>	<u>229,143</u>	<u>187,052</u>	<u>250,876</u>	<u>2,579,923</u>	<u>5,240,207</u>
Less items included within revenue and support:								
Non-festival cost of merchandise sold	-	(39,995)	-	-	-	-	-	(39,995)
Direct expenses of festival and special events	-	-	-	-	-	-	(2,579,923)	(2,579,923)
Total expenses included in the functional categories on the statement of activities and changes in net assets	<u>\$ 1,108,518</u>	<u>\$ 272,940</u>	<u>\$ 571,760</u>	<u>\$ 229,143</u>	<u>\$ 187,052</u>	<u>\$ 250,876</u>	<u>\$ -</u>	<u>\$ 2,620,289</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, 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
Facility rentals and production costs	\$ 406	\$ 4,995	\$ 398	\$ 393	\$ -	\$ -	\$ 1,062,370	\$ 1,068,562
Grants and direct assistance	351,510	-	247,769	100,400	-	-	-	699,679
Salaries and wages	223,268	62,358	95,611	69,912	68,754	47,081	191,451	758,435
Marketing and communications	62,015	44,212	33,161	17,614	266	9,685	136,565	303,518
Cost of merchandise sold	-	43,327	-	-	-	-	119,246	162,573
Occupancy	49,604	14,045	21,166	15,625	20,795	10,508	41,584	173,327
Travel, transportation and lodging	17,757	9,293	5,498	1,628	423	177	88,455	123,231
Fees and insurance	3,139	4,073	1,022	745	5,190	12,405	112,137	138,711
Other contractual services	34,808	7,651	1,796	898	1,405	338	42,185	89,081
Catering, food and beverage	1,155	27,408	6,187	1,155	-	-	75,576	111,481
Employee benefits	35,227	10,185	15,463	11,196	11,539	7,704	31,865	123,179
Other business expenses	12,845	9,272	7,660	5,085	1,130	1,313	29,031	66,336
Payroll taxes	18,506	5,143	7,796	5,853	5,785	3,909	15,441	62,433
Accounting services	-	-	-	-	57,418	7,001	-	64,419
Printing and reproduction	934	6,306	1,094	941	116	16,228	12,038	37,657
Information and communications technology	11,628	3,789	7,399	3,297	3,234	12,698	8,869	50,914
Audit services	-	-	-	-	20,000	-	-	20,000
Supplies and equipment	2,513	1,885	1,181	1,052	694	5,993	23,976	37,294
Postage and shipping	1,843	13,526	643	502	321	1,134	2,742	20,711
Subscriptions and dues	2,449	26	2,451	932	18	2,383	132	8,391
Scholarship - Younkers	30,739	-	-	-	-	-	-	30,739
Depreciation and amortization	5,302	1,465	2,267	1,656	1,614	1,113	4,451	17,868
	865,648	268,959	458,562	238,884	198,702	139,670	1,998,114	4,168,539
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	\$ 865,648	\$ 225,632	\$ 458,562	\$ 238,884	\$ 198,702	\$ 139,670	\$ -	\$ 2,127,098

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



# FARM AID, INC.

## Notes to Financial Statements

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### 1. Organizational Purpose

Farm Aid, Inc. (the “Organization”) is a nonprofit 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 approximately \$60 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 for 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

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### 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, revenue and support, 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, 2019 and 2018, 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

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### 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/units held by the Organization based on net asset value per share/unit published as of the last business day of the year.

#### *Recently Adopted Accounting Pronouncement*

On January 1, 2019, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Updates (“ASU”) 2018-08: *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. This ASU has different effective dates for resource recipients and resource providers. Where the Organization is a resource recipient, this ASU is applicable to contributions and grants received for the year ended December 31, 2019, and the Organization has adopted this amendment on a modified prospective basis. The adoption did not have a material impact on reported net assets as of January 1, 2019. Where the Organization is a resource provider, the ASU is effective for the year ending December 31, 2020. The Organization is in the process of evaluating the impact of this new guidance for resource providers.

#### *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.

Revenue and support related to contributions and grants is recognized as revenue in the period in which the donor’s commitment is made, if unconditional. Conditional contributions and grants are recognized when performance and/or control barriers are met by the Organization.

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, transportation services, 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

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### 2. Summary of Significant Accounting Policies (continued)

#### *Revenue and Support (continued)*

Festival and special events' ticket sales and event related revenues such as broadcasting 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. Sponsorship for the festival or special events received prior to the events is recorded as deferred revenue. Revenue from all other sources, such as licensing and program service income, is recognized when earned.

Changes in fair value of securities and realized gains and losses have been reflected in the statements of activities and changes in net assets. Interest, dividends, realized and unrealized gains and losses on investments are recorded as other revenue and support and are restricted to use by the donor specifically for the Younkers-Farm Aid scholarship.

#### *Cash*

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

#### *Accounts and Contributions Receivable*

Accounts and contributions receivable consist of customer and festival ticket balances, and contributions received 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, 2019 and 2018 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*

Property and equipment are stated at acquisition cost, net of accumulated depreciation. 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 statements of activities and changes in net assets.

# FARM AID, INC.

## Notes to Financial Statements

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### 2. Summary of Significant Accounting Policies (continued)

#### *Intangible Assets*

Website development and software development costs are capitalized if future benefits are deemed to exist beyond one year from the statements of financial position date. The Organization amortizes website development and software development costs over an estimated useful life of three years when they are put into service.

#### *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, festival 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.

The Organization's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on December 11, 2020, the date these financial statements became available to be issued. As a result of the COVID-19 public health pandemic, economic conditions have arisen that may affect the operations of the Organization. In April 2020, the Organization received a loan for approximately \$175,450 under the Small Business Association's ("SBA") Paycheck Protection Program ("PPP") which will be used for employee compensation and related costs, and certain other costs. The PPP loan may be forgiven by the SBA if certain criteria are met. At this time, management is unable to predict the financial impact and its duration because of the high level of uncertainty and unpredictable outcomes associated with the pandemic.

#### *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.

#### *Accounting Pronouncement Issued and Not Yet Adopted*

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* which amends the existing accounting standards for revenue recognition. This new revenue standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In accordance with the allowance of this ASU, the Organization has elected to defer the implementation of this ASU until the year ending December 31, 2020 and is currently in the process of evaluating the impact of adoption on its financial statements.

# FARM AID, INC.

## Notes to Financial Statements

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### 2. Summary of Significant Accounting Policies (continued)

#### *Reclassifications*

Certain amounts from 2018 have been reclassified on these financial statements in order to conform to 2019 presentation.

### 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, 2019 and 2018, are comprised of the following:

	2019	2018
Cash	\$ 2,151,790	\$ 2,460,380
Accounts receivable	742,843	6,109
Contributions receivable	38,853	65,333
Investments	432,142	398,272
Total financial assets	<u>3,365,628</u>	<u>2,930,094</u>
Less: amounts not available to be used within one year		
Contributions receivable	-	(25,000)
Investments restricted to use by the donor specifically for the Younkers-Farm Aid scholarship	<u>(432,142)</u>	<u>(398,272)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,933,486</u>	<u>\$ 2,506,822</u>

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 that are expected to be collected beyond one year are excluded from the above analysis as available for general expenditure within one year. The Organization also maintains a line of credit as described in Note 8 if additional operating fund is needed.

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 the financial performance of the festival being uncertain from year to year, maintaining and accessing the reserve funds judiciously enables the Organization to balance fiscal health, support programmatic activities and respond to new opportunities and needs.

# FARM AID, INC.

## Notes to Financial Statements

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### 4. Contributions Receivable

Contributions receivable as of December 31, 2019 and 2018 are due as follows:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 38,853	\$ 40,333
Receivable in one to two years	-	25,000
	<u>\$ 38,853</u>	<u>\$ 65,333</u>

Net present value discount was not recorded as of December 31, 2018 given that the amount was 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
	<u>Level 1</u>	<u>Level 1</u>
Cash equivalents	\$ 12,993	\$ 10,635
Mutual funds -		
Equity - domestic	113,748	88,040
Equity - international	22,434	18,679
Bond - intermediate term	282,967	280,918
	<u>\$ 432,142</u>	<u>\$ 398,272</u>

### 6. Property and Equipment

As of December 31, 2019 and 2018, the Organization had the following property and equipment:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 50,039	\$ 44,094
Furniture & fixtures	4,890	4,890
Property and equipment, gross	54,929	48,984
Less: accumulated depreciation	(49,606)	(48,224)
	<u>\$ 5,323</u>	<u>\$ 760</u>

Depreciation expense during the years ended December 31, 2019 and 2018 was \$1,382 and \$2,147, respectively.

# FARM AID, INC.

## Notes to Financial Statements

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### 7. Intangible Assets

As of December 31, 2019 and 2018, website development costs were as follows:

	<u>2019</u>	<u>2018</u>
Website development costs	\$ 115,481	\$ 103,871
Less: accumulated amortization	<u>(96,787)</u>	<u>(87,904)</u>
	<u>\$ 18,694</u>	<u>\$ 15,967</u>

Amortization expense of website development during the years ended December 31, 2019 and 2018 was \$8,883 and \$15,721, respectively. Amortization expense for the years ending December 31 are as follows:

2020	\$ 9,655
2021	6,775
2022	2,264

During the year ended December 31, 2019, the Organization incurred software development costs in the amount of \$16,288, of which \$14,615 was still in progress and not yet put to use at December 31, 2019. Amortization expense of software development costs during the year ended December 31, 2019 was \$23.

### 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. Outstanding principal balance is payable on demand. There was no outstanding balance on the line of credit at December 31, 2019 and 2018, and there was no borrowing from this line of credit during either fiscal year. Interest rates on the line of credit as of December 31, 2019 and 2018 were 6.75% and 7.50%, respectively.

### 9. In-Kind Services and Donated Materials

The Organization received the following in-kind services and donated materials during the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Equipment rental and related services	\$ 237,275	\$ 80,961
Catering services and food	300	23,007
Merchandise	-	5,800
Other various goods and services	5,450	2,450
	<u>\$ 243,025</u>	<u>\$ 112,218</u>

These in-kind services and donated materials are included in contributions from festival and special events in the statements of activities and changes in net assets for the years ended December 31, 2019 and 2018.



# FARM AID, INC.

## Notes to Financial Statements

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### 10. Lease Commitment

The Organization leases its office space under a non-cancellable lease agreement that expires on May 31, 2020. In February 2020, the lease was extended through May 31, 2025. The lease also requires 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 \$160,341 and \$151,107 for the years ended December 31, 2019 and 2018, respectively, is included in occupancy on the statements of functional expenses.

Future annual minimum lease payments due under the lease for the years ending December 31, are as follows:

2020	\$	164,379
2021		212,168
2022		218,576
2023		225,193
2024		232,024
Thereafter		97,878

### 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 \$24,570 and \$18,079 to the plan for the years ended December 31, 2019 and 2018, respectively.

### 12. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2019 and 2018:

	2019	2018
Youngers - Farm Aid scholarship	\$ 400,589	\$ 367,530
Keepseagle project for Native American farmers	215,803	219,285
Music festival record preservation and archive	115,890	124,352
"Home Place Under Fire" film production	11,655	11,655
	<u>\$ 743,937</u>	<u>\$ 722,822</u>

Net assets released from restrictions during the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Family farm disaster and farmers' emergency assistance	\$ 260,428	\$ 42,753
Farm Aid's programs and farmers' hotline	150,250	186,550
Youngers - Farm Aid scholarship	21,607	64,611
Music festival record preservation and archive	8,463	7,303
Keepseagle project for Native American farmers	3,482	-
	<u>\$ 444,230</u>	<u>\$ 301,217</u>

# FARM AID, INC.

## Notes to Financial Statements

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### 12. Net Assets with Donor Restrictions (continued)

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 continues to 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.

At December 31, 2019, 97% of the Organization's accounts receivable was from the event promoter and venue operator who assisted in hosting the Organization's 2019 festival.