

**FARM AID, INC.**

**Financial Statements**

**December 31, 2020 and 2019**

**FARM AID, INC.**

**December 31, 2020 and 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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  
November 10, 2021

# FARM AID, INC.

## Statements of Financial Position December 31,

	2020	2019
<b>Assets:</b>		
Cash	\$ 2,848,801	\$ 2,151,790
Accounts receivable	32,415	742,843
Contributions receivable	59,750	38,853
Merchandise inventory	16,012	16,333
Prepaid expenses	60,283	66,627
Investments	450,879	432,142
Deposit	7,500	7,500
Furniture and equipment, net	11,827	5,323
Intangible assets, net	50,367	34,959
<b>Total assets</b>	<u>\$ 3,537,834</u>	<u>\$ 3,496,370</u>
<b>Liabilities and net assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 97,553	\$ 151,464
Accrued expenses	61,532	107,606
Scholarships payable	22,503	20,724
Deferred rent liability	6,917	4,168
Paycheck Protection Program loan	175,450	-
<b>Total liabilities</b>	<u>363,955</u>	<u>283,962</u>
<b>Net assets:</b>		
Without donor restrictions	2,552,321	2,468,471
With donor restrictions	621,558	743,937
<b>Total net assets</b>	<u>3,173,879</u>	<u>3,212,408</u>
<b>Total liabilities and net assets</b>	<u>\$ 3,537,834</u>	<u>\$ 3,496,370</u>

**FARM AID, INC.**

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

	2020			2019		
	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	\$ 551,262	\$ -	\$ 551,262	\$ 3,423,908	\$ -	\$ 3,423,908
Contributions from festival and special events	1,521,246	156	1,521,402	836,495	-	836,495
Direct expenses	(891,684)	-	(891,684)	(2,579,923)	-	(2,579,923)
Festival and special events revenue, net	1,180,824	156	1,180,980	1,680,480	-	1,680,480
Other revenue and support:						
Contributions and grants	896,958	218,573	1,115,531	586,346	410,678	997,024
Investment income, net	1,241	38,680	39,921	1,045	54,667	55,712
Merchandise sales, net	13,140	-	13,140	69,445	-	69,445
Licensing fees and royalties	109,291	-	109,291	113,501	-	113,501
Program service fees	10,000	-	10,000	15,644	-	15,644
Other revenue and support	1,030,630	257,253	1,287,883	785,981	465,345	1,251,326
Net assets released from restrictions:						
Satisfaction of purpose restrictions	379,788	(379,788)	-	444,230	(444,230)	-
<b>Total revenue and support</b>	<b>2,591,242</b>	<b>(122,379)</b>	<b>2,468,863</b>	<b>2,910,691</b>	<b>21,115</b>	<b>2,931,806</b>
<b>Expenses:</b>						
Program services:						
Helping farmers thrive	1,333,329	-	1,333,329	1,108,518	-	1,108,518
Promoting food from family farms	158,774	-	158,774	272,940	-	272,940
Taking action to change the system	308,532	-	308,532	571,760	-	571,760
Growing the good food movement	151,491	-	151,491	229,143	-	229,143
Total program services	1,952,126	-	1,952,126	2,182,361	-	2,182,361
Supporting services:						
Management and general	84,732	-	84,732	187,052	-	187,052
Fundraising	470,534	-	470,534	250,876	-	250,876
Total supporting services	555,266	-	555,266	437,928	-	437,928
<b>Total expenses</b>	<b>2,507,392</b>	<b>-</b>	<b>2,507,392</b>	<b>2,620,289</b>	<b>-</b>	<b>2,620,289</b>
<b>Change in net assets</b>	<b>83,850</b>	<b>(122,379)</b>	<b>(38,529)</b>	<b>290,402</b>	<b>21,115</b>	<b>311,517</b>
<b>Net assets, beginning 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>
<b>Net assets, end of year</b>	<b>\$ 2,552,321</b>	<b>\$ 621,558</b>	<b>\$ 3,173,879</b>	<b>\$ 2,468,471</b>	<b>\$ 743,937</b>	<b>\$ 3,212,408</b>

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

**FARM AID, INC.****Statements of Cash Flows****For the Years Ended December 31,****2020****2019****Cash flows from operating activities:**

Change in net assets	\$ (38,529)	\$ 311,517
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated stock	(828)	(1,273)
Depreciation and amortization	13,878	10,288
Net realized gains on investments	(6,612)	(12,244)
Net unrealized gains on investments	(20,221)	(36,157)
Reinvestment of investment income	(17,398)	(11,645)
Changes in operating assets and liabilities:		
Accounts receivable	710,428	(736,734)
Contributions receivable	(20,897)	26,480
Merchandise inventory	321	3,250
Prepaid expenses	6,344	(1,676)
Accounts payable	(53,911)	89,250
Accrued expenses	(46,074)	62,598
Scholarships payable	1,779	(10,018)
Deferred rent liability	2,749	4,168

**Net cash provided by (used in) operating activities**531,029(302,196)**Cash flows from investing activities:**

Purchase of equipment	(10,194)	(5,945)
Payment for website development costs	-	(11,610)
Payment for software development costs	(25,596)	(16,288)
Net withdrawals from investments	26,322	27,449

**Net cash used in investing activities**(9,468)(6,394)**Cash flows from financing activities:**

Proceeds from Paycheck Protection Program loan	175,450	-
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**Net increase (decrease) in cash**

697,011

(308,590)

**Cash, beginning of year**2,151,7902,460,380**Cash, end of year**\$ 2,848,801\$ 2,151,790

**FARM AID, INC.**

**Statement of Functional Expenses  
For the Year Ended December 31, 2020**

	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	\$ 236,218	\$ 67,912	\$ 101,431	\$ 64,236	\$ 34,373	\$ 157,697	\$ 250,205	\$ 912,072
Grants and direct assistance	779,500	-	81,850	7,500	-	-	-	868,850
Marketing and communications	33,761	24,727	30,275	24,722	53	30,022	182,536	326,096
Other contractual services	98,270	6,353	12,461	5,725	6,664	18,478	48,758	196,709
Occupancy	49,511	16,859	21,236	13,464	8,243	33,053	52,443	194,809
Employee benefits	40,718	11,706	17,484	11,073	5,925	27,183	43,129	157,218
Fees and insurance	2,021	6,067	749	474	320	10,833	98,775	119,239
Accounting services	25,266	7,264	10,849	6,871	3,677	18,649	26,762	99,338
Cost of merchandise sold	-	3,706	-	-	-	-	89,505	93,211
Supplies and equipment	2,420	1,379	1,039	658	352	64,162	5,798	75,808
Payroll taxes	18,870	5,425	8,103	5,131	2,746	12,598	19,988	72,861
Postage and shipping	44	135	19	12	6	24,796	36,014	61,026
Information and communications technology	10,559	2,681	4,063	2,507	1,341	23,898	9,852	54,901
Other business expenses	8,920	7,127	5,733	6,066	571	2,917	12,652	43,986
Printing and reproduction	462	133	199	126	463	21,969	489	23,841
Scholarship - Younkers	22,549	-	-	-	-	-	-	22,549
Audit services	-	-	-	-	18,750	-	-	18,750
Subscriptions and dues	1,106	24	10,934	1,046	12	2,289	87	15,498
Depreciation and amortization	955	275	410	260	139	10,827	1,012	13,878
Facility rentals and production costs	-	-	-	-	-	9,829	3,265	13,094
Travel, transportation and lodging	2,179	707	1,697	1,620	845	1,334	4,090	12,472
Legal	-	-	-	-	252	-	6,324	6,576
	<u>1,333,329</u>	<u>162,480</u>	<u>308,532</u>	<u>151,491</u>	<u>84,732</u>	<u>470,534</u>	<u>891,684</u>	<u>3,402,782</u>
Less items included within revenue and support on the statement of activities and changes in net assets:								
Non-festival cost of merchandise sold	-	(3,706)	-	-	-	-	-	(3,706)
Direct expenses of festival and special events	-	-	-	-	-	-	(891,684)	(891,684)
Total expenses included in the functional categories on the statement of activities and changes in net assets	<u>\$ 1,333,329</u>	<u>\$ 158,774</u>	<u>\$ 308,532</u>	<u>\$ 151,491</u>	<u>\$ 84,732</u>	<u>\$ 470,534</u>	<u>\$ -</u>	<u>\$ 2,507,392</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, 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
Salaries and wages	\$ 216,185	\$ 60,803	\$ 105,158	\$ 56,094	\$ 30,783	\$ 100,871	\$ 269,210	\$ 839,104
Grants and direct assistance	583,646	667	322,429	82,761	-	-	-	989,503
Marketing and communications	58,198	46,623	46,783	46,770	8	10,486	120,656	329,524
Other contractual services	77,532	9,277	2,204	1,885	1,724	4,640	49,326	146,588
Occupancy	45,629	12,834	22,195	11,839	12,667	21,290	56,821	183,275
Employee benefits	36,134	10,163	17,576	9,376	5,145	16,860	44,997	140,251
Fees and insurance	4,456	3,235	502	268	8,577	16,704	136,761	170,503
Accounting services	-	-	-	-	62,862	6,547	-	69,409
Cost of merchandise sold	-	39,995	-	-	-	-	143,667	183,662
Supplies and equipment	2,060	2,429	1,473	548	277	4,115	22,860	33,762
Payroll taxes	20,266	5,700	9,858	5,259	2,886	9,456	25,237	78,662
Postage and shipping	53	13,901	1,030	549	2,418	2,960	4,456	25,367
Information and communications technology	10,831	2,979	2,557	2,028	1,113	18,150	11,191	48,849
Other business expenses	21,319	12,140	11,533	3,497	11,437	1,539	17,384	78,849
Printing and reproduction	502	132	301	153	67	29,251	21,788	52,194
Scholarship - Younkers	10,778	-	-	-	-	-	-	10,778
Audit services	-	-	-	-	44,500	-	-	44,500
Subscriptions and dues	952	2	10,401	918	19	2,846	6	15,144
Depreciation and amortization	2,650	746	1,289	688	377	1,238	3,300	10,288
Facility rentals and production costs	372	70,598	1,023	374	-	-	1,396,783	1,469,150
Travel, transportation and lodging	14,698	8,879	8,240	3,879	2,192	3,923	134,312	176,123
Catering, food and beverage	2,257	11,832	7,208	2,257	-	-	121,168	144,722
	<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 on the statement of activities and changes in net assets:								
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.

## 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 more than \$60 million to support programs that 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. The Organization works year-round to promote a strong and resilient family farm system of agriculture through several programs as described below. Farm Aid adapted its work in 2020 in response to the pandemic, including hosting two virtual music events to showcase, and in support of Farm Aid’s work.

On April 11, 2020, *At Home with Farm Aid*, a virtual music event, raised more than \$500,000 in funds that were quickly distributed to farmers impacted by COVID-19. The one-hour live-streamed online concert featured Farm Aid Board artists Neil Young, John Mellencamp, Dave Matthews and Willie Nelson with his sons Lukas and Micah Nelson.

The Organization’s annual Farm Aid festival held in the fall is at the heart of Farm Aid, bringing people together to celebrate family farmers and good food. The Organization could not have an in-person festival in 2020, but the Organization was heartened by the incredible response to *Farm Aid 2020 On the Road*, a virtual music event in September 2020. *Farm Aid 2020 on the Road* was a three-and-a-half-hour, virtual at-home festival featuring 22 artists who helped showcase the critical need for family farmers, the food they produce and their care for soil and water amid a time of unprecedented upheaval in the country, due to the COVID-19 pandemic and necessary calls for racial justice.

### 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.

# FARM AID, INC.

## Notes to Financial Statements

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### 1. Organizational Purpose (continued)

#### **Taking Action to Change the System**

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

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

#### **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, 2020 and 2019, 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:

# FARM AID, INC.

## Notes to Financial Statements

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

#### *Fair Value Measurements (continued)*

*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.

Common stocks: Valued at the fair values of shares held by the Organization based on price that is readily available in exchange markets as of the last business day of the year.

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 Pronouncements*

On January 1, 2020, the Organization adopted Financial Accounting Standards Board's ("FASB") Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and its subsequent amendments ("ASU 2014-09"), which creates a single, comprehensive revenue recognition model for recognizing revenue from contracts with customers. The core principle of this new revenue recognition standard is that an entity should 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. The implementation of ASU 2014-09 did not result in a significant change in the judgment or timing associated with the recognition of revenue for the Organization. As such, the adoption of ASU 2014-09 did not result in a cumulative adjustment as of January 1, 2020, and it did not have a material impact on the Organization's financial statements.

On January 1, 2020, as a resource provider, the Organization adopted FASB's Accounting Standards Updates No. 2018-08: *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). ASU 2018-08 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. The Organization adopted ASU 2018-08 on a modified prospective basis applicable for resources provided by the Organization during the fiscal year ended December 31, 2020. The adoption did not have a material impact on reported net assets as of January 1, 2020. The Organization adopted ASU 2018-08 on a modified prospective basis applicable for resources received by the Organization during the fiscal year ended December 31, 2019.

# FARM AID, INC.

## Notes to Financial Statements

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

#### *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.

Unconditional grants and contributions are recognized as revenues in the period received. The Organization determines whether a grant or contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and whether a right of return of assets transferred exists. Conditional grants and contributions are not recognized as revenues until the conditions on which they depend are substantially met.

Sponsorships and contributions received for the festival and special events are 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. Sponsorship for the festival or special events received prior to the events is recorded as deferred revenue.

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 of merchandise, catering, professional services, and equipment rental are recorded at fair value at 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 broadcasting income and merchandise sales at the festival are recognized when the performance obligation is satisfied by the event or service taking place at a point in time. Event tickets are based on ticket price of similar musical events with similar exchanged benefits, and broadcasting revenue is based on fixed amount agreed upon in contracts. Management has determined that these transactions are considered one performance obligation in accordance with Accounting Standards Codification ("ASC") Topic 606 and are reported as revenue from festival and special events, net of direct expenses of these events, on the statements of activities and changes in net assets.

Revenues from all other sources, such as other online merchandise sales, licensing and program service income, are recognized when the related service or delivery takes place at a point in time, and these transactions are considered one performance obligation by management in accordance with ASC Topic 606.

Interest and dividends on investments are recorded when earned. Gains or losses are recorded when realized and unrealized gains or losses are recorded based upon changes in the fair value of investments held. Interest, dividends, realized and unrealized gains and losses on investments are recorded as other revenue and support, net of investment expenses, and certain amounts 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.

# FARM AID, INC.

## Notes to Financial Statements

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

#### *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, 2020 and 2019 as the entire balance in these accounts had 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.

#### *Furniture and Equipment*

Furniture 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.

#### *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, accounting services and certain insurance, printing and reproduction, other contractual expenses, and 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.

For accounting expenses, this method reflects a change from previous years, as is evident in the statement of functional expenses for the year ended December 31, 2019, wherein accounting services were attributed only to management and general expenses. The Organization determined that in 2020 and the future years, it would achieve greater transparency, consistency and a more accurate representation of the cost of implementing its programs, by applying the same allocation method for accounting as for other shared and indirect costs.

# FARM AID, INC.

## Notes to Financial Statements

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

#### *Use of Estimates*

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.

#### *Subsequent Events*

The Organization's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on November 10, 2021, the date these financial statements became available to be issued. On April 1, 2021, the Organization received a Paycheck Protection Program ("PPP") second draw loan of \$229,344 granted by the Small Business Administration ("SBA") under the Consolidated Appropriations Act, 2021. All or a portion of the loan and accrued interest may be forgivable based on the amount of qualifying expenses incurred and demonstration of at least a 25% reduction in gross receipts between comparable quarters as compared to the previous year.

On March 18, 2021, the Organization received a \$2,700,000 preliminary distribution from a revocable trust (the "Trust") of which the Organization is named a beneficiary. On October 28, 2021, the Organization received an additional distribution of \$4,500,000 from the Trust. Uncertainty exists regarding the status of certain assets held by the Trust, including on-going probate proceedings. The trustee's best estimate of the amount of remaining potential distributions to the Organization are approximately \$2,250,000 which is subject to change as the administration process progresses.

#### *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 February 2016, the FASB issued ASU 2016-02 - *Leases (Topic 842)*. This new lease standard requires most leases with terms over 12 months to be capitalized as a right-to-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities and changes in net assets. This standard will be effective for annual reporting periods beginning after December 15, 2021 for non-public entities. The Organization 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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### 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, 2020 and 2019, are comprised of the following:

	2020	2019
Cash	\$ 2,848,801	\$ 2,151,790
Accounts receivable	32,415	742,843
Contributions receivable	59,750	38,853
Investments	450,879	432,142
Total financial assets	<u>3,391,845</u>	<u>3,365,628</u>
Less: amounts not available to be used within one year		
Investments restricted to use by the donor specifically for the Younkers-Farm Aid scholarship	<u>(450,879)</u>	<u>(432,142)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,940,966</u>	<u>\$ 2,933,486</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 7, if additional operating funds are 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.

### 3. Contributions Receivable

Contribution receivable consisted of \$59,750 and \$38,853 at December 31, 2020 and 2019, respectively, and are expected to be collected in less than one year from the date of the statements of financial position.

# FARM AID, INC.

## Notes to Financial Statements

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### 4. Investments

The following sets forth, by level within the fair value hierarchy, the financial assets reported at fair value on a recurring basis as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
	<u>Level 1</u>	<u>Level 1</u>
Cash equivalents	\$ 5,044	\$ 12,993
Common stocks - consumer defensive	828	-
Mutual funds -		
Equity - domestic	117,091	113,748
Equity - international	27,820	22,434
Bond - intermediate term	300,096	282,967
	<u>\$ 450,879</u>	<u>\$ 432,142</u>

### 5. Furniture and Equipment

As of December 31, 2020 and 2019, the Organization had the following furniture and equipment:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 58,977	\$ 50,039
Furniture & fixtures	4,890	4,890
	63,867	54,929
Less: accumulated depreciation	<u>(52,040)</u>	<u>(49,606)</u>
	<u>\$ 11,827</u>	<u>\$ 5,323</u>

Depreciation expense during the years ended December 31, 2020 and 2019 was \$3,690 and \$1,382, respectively. The Organization sold a fully depreciated computer equipment which resulted in a gain of \$190 during the year ended December 31, 2020.

### 6. Intangible Assets

As of December 31, 2020 and 2019, website development costs were as follows:

	<u>2020</u>	<u>2019</u>
Website development costs	\$ 115,481	\$ 115,481
Less: accumulated amortization	<u>(106,441)</u>	<u>(96,787)</u>
	<u>\$ 9,040</u>	<u>\$ 18,694</u>



# FARM AID, INC.

## Notes to Financial Statements

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### 6. Intangible Assets (continued)

Amortization expense of website development costs during the years ended December 31, 2020 and 2019 was \$9,654 and \$8,883, respectively. Amortization expense of website development costs will be \$6,775 and \$2,265 for the years ending December 31, 2021 and 2022, respectively.

As of December 31, 2020 and 2019, software development costs were as follows:

	<u>2020</u>	<u>2019</u>
Software development costs	\$ 41,884	\$ 16,288
Less: accumulated amortization	<u>(557)</u>	<u>(23)</u>
	<u>\$ 41,327</u>	<u>\$ 16,265</u>

As of December 31, 2020 and 2019, software development costs in the amount of \$38,537 and \$14,615, respectively, were still in progress and not yet placed in service. Amortization expense of software development costs during the years ended December 31, 2020 and 2019 was \$534 and \$23, respectively. Amortization expense of the software development costs that are already in use for the years ending December 31 will be as follows:

2021	\$ 1,116
2022	1,116
2023	558

### 7. Line of Credit

The Organization maintains a \$100,000 line of credit to help finance short-term working capital requirements. The line of credit is collateralized by all of the Organization's assets and interest is payable monthly on outstanding balances at an interest rate of 2% above the Wall Street Journal prime rate. Outstanding principal balance is payable on demand. There was no outstanding balance on the line of credit at December 31, 2020 and 2019, 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, 2020 and 2019 were 5.25% and 6.75%, respectively.

### 8. Paycheck Protection Program Loan

On April 30, 2020, the Organization received a PPP loan established by the SBA under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") in the amount of \$175,450. The loan and accrued interest are forgivable provided that the Organization uses the loan proceeds for eligible purposes (including payroll and employee benefits) within a given time-period and maintains a certain employee head count level.

The Organization intends to use the loan proceeds for purposes consistent with the PPP and believes that the Organization's use of the loan proceeds will meet the conditions for forgiveness of the loan. The Organization will record the amount of forgiveness as a gain when legally released by the lender. Any unforgiven portion of the loan bears interest at a rate of 1 percent. Should any portion of the PPP loan be unforgiven, the Organization has two years to repay the loan. Principal payments required should the entire amount not be forgiven would be \$116,967 and \$58,483 for the year ending December 31, 2021 and 2022, respectively. On September 22, 2021, the Organization received full forgiveness of the PPP loan and the accrued interest from the bank.

# FARM AID, INC.

## Notes to Financial Statements

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

The Organization received the following in-kind services and donated materials during the years ended December 31, 2020 and 2019:

	2020	2019
Equipment rental and related services	\$ 2,403	\$ 237,275
Catering services and food	-	300
Information technology, and other goods and services	6,100	5,450
	<u>\$ 8,503</u>	<u>\$ 243,025</u>

In-kind equipment rental and related services, and donated catering services and food are included in contributions from festival and special events in the statement of activities and changes in net assets for the years ended December 31, 2020 and 2019. Other various in-kind goods and services for the years ended December 31, 2020 and 2019, including information technology services, are included in contributions from other revenue and support on the statements of activities and net changes in net assets.

### 10. Lease Commitment

The Organization leases its office space under a non-cancellable lease agreement that expires on May 31, 2025. The lease 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 \$190,378 and \$160,341 for the years ended December 31, 2020 and 2019, 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:

2021	\$ 212,168
2022	218,576
2023	225,193
2024	232,024
2025	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 \$26,381 and \$24,570 to the plan for the years ended December 31, 2020 and 2019, respectively.

# FARM AID, INC.

## Notes to Financial Statements

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### 12. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2020 and 2019:

	2020	2019
Youngers - Farm Aid scholarship	\$ 416,767	\$ 400,589
Music festival record preservation and archive	106,527	115,890
Keepseagle project for Native American farmers	86,609	215,803
"Home Place Under Fire" film production	11,655	11,655
	<u>\$ 621,558</u>	<u>\$ 743,937</u>

Net assets released from restrictions during the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Family farm disaster and farmers' emergency assistance	\$ 118,729	\$ 260,428
Farm Aid's programs and farmers' hotline	100,000	150,250
Youngers - Farm Aid scholarship	22,503	21,607
Music festival record preservation and archive	9,362	8,463
Keepseagle project for Native American farmers	129,194	3,482
	<u>\$ 379,788</u>	<u>\$ 444,230</u>

The Organization's Youngers-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. Concentrations

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**

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### **14. Related Party Transactions**

The Organization paid a contractor, controlled by a board member, a total of \$113,034 for film production costs which is recorded in facility rentals and production costs under festival and special events on the statement of functional expenses for the year ended December 31, 2020. Additionally, \$7,010 due from this contractor for an overpayment made by the Organization is included in accounts receivable at December 31, 2020.

### **15. Uncertainty Regarding the Impact of COVID-19**

The Organization is subject to risks and uncertainties as a result of the current COVID-19 pandemic. The COVID-19 pandemic has presented a substantial public health and economic challenge around the world and is affecting the U.S. economy and other economies worldwide. The full extent to which the COVID-19 pandemic may impact the Organization depend on future developments that are highly uncertain and may not be accurately predicted, including the duration and severity of the pandemic. The Organization is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.