

FARM AID, INC.

Financial Statements

December 31, 2022 and 2021

FARM AID, INC.

December 31, 2022 and 2021

CONTENTS

Independent Auditor’s Report	1
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets.....	4
Statements of Cash Flows	5
Statements of Functional Expenses.....	6
Notes to Financial Statements	8

Independent Auditor’s Report

To the Board of Directors
Farm Aid, Inc.
Cambridge, Massachusetts

Opinion

We have audited the financial statements of Farm Aid, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (“GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Farm Aid, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2022, Farm Aid, Inc. adopted Financial Accounting Standards Board’s Accounting Standards Codification 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Farm Aid, Inc.’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Farm Aid, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Farm Aid, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Edelstein & Company LLP

Boston, Massachusetts
November 15, 2023

FARM AID, INC.

Statements of Financial Position December 31,

	2022	2021
Assets:		
Cash	\$ 2,177,968	\$ 853,212
Certificates of deposit	8,316,667	8,500,997
Accounts receivable	85,223	680,196
Contributions and grants receivable	533,439	304,120
Merchandise inventory	133,259	41,259
Prepaid expenses	88,970	38,327
Investments	355,561	444,518
Security deposit	7,500	7,500
Operating lease right-of-use assets, net	533,248	-
Furniture and equipment, net	6,485	9,216
Intangible assets, net	73,737	95,930
Total assets	\$ 12,312,057	\$ 10,975,275
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 81,170	\$ 173,029
Grants payable	10,000	7,500
Accrued expenses	67,015	45,613
Scholarships payable	17,570	22,226
Deferred rent liability	-	16,110
Operating lease liabilities	553,069	-
Paycheck Protection Program loan	-	229,344
Total liabilities	728,824	493,822
Net assets:		
Without donor restrictions	11,108,402	9,878,599
With donor restrictions	474,831	602,854
Total net assets	11,583,233	10,481,453
Total liabilities and net assets	\$ 12,312,057	\$ 10,975,275

FARM AID, INC.

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

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Festival and special events:						
Income from festival and special events	\$ 2,950,851	\$ -	\$ 2,950,851	\$ 2,617,513	\$ -	\$ 2,617,513
Contributions from festival and special events	557,844	-	557,844	499,091	-	499,091
In-kind contributions from festival and special events	180,737	-	180,737	176,776	-	176,776
Direct expenses	(2,702,117)	-	(2,702,117)	(2,539,419)	-	(2,539,419)
Festival and special events revenue, net	<u>987,315</u>	<u>-</u>	<u>987,315</u>	<u>753,961</u>	<u>-</u>	<u>753,961</u>
Other revenue and support:						
Contributions and grants	3,263,950	11,783	3,275,733	8,815,188	136,817	8,952,005
In-kind contributions	248	-	248	811	-	811
Investment income (loss), net	3,480	(70,748)	(67,268)	1,743	16,521	18,264
Merchandise sales, net	102,238	-	102,238	78,448	-	78,448
Licensing fees and royalties	136,215	-	136,215	128,110	-	128,110
Program service fees	1,762	-	1,762	9,333	-	9,333
Other revenue and support	<u>3,507,893</u>	<u>(58,965)</u>	<u>3,448,928</u>	<u>9,033,633</u>	<u>153,338</u>	<u>9,186,971</u>
Net assets released from restrictions:						
Satisfaction of purpose restrictions	69,058	(69,058)	-	172,042	(172,042)	-
Total revenue and support	<u>4,564,266</u>	<u>(128,023)</u>	<u>4,436,243</u>	<u>9,959,636</u>	<u>(18,704)</u>	<u>9,940,932</u>
Expenses:						
Program services:						
Helping farmers thrive	1,789,818	-	1,789,818	1,425,465	-	1,425,465
Promoting food from family farms	319,075	-	319,075	187,639	-	187,639
Taking action to change the system	759,388	-	759,388	522,205	-	522,205
Growing the good food movement	259,620	-	259,620	218,334	-	218,334
Total program services	<u>3,127,901</u>	<u>-</u>	<u>3,127,901</u>	<u>2,353,643</u>	<u>-</u>	<u>2,353,643</u>
Supporting services:						
Management and general	164,815	-	164,815	107,815	-	107,815
Fundraising	271,091	-	271,091	347,350	-	347,350
Total supporting services	<u>435,906</u>	<u>-</u>	<u>435,906</u>	<u>455,165</u>	<u>-</u>	<u>455,165</u>
Total expenses	<u>3,563,807</u>	<u>-</u>	<u>3,563,807</u>	<u>2,808,808</u>	<u>-</u>	<u>2,808,808</u>
Change in net assets before gain on forgiveness of Paycheck Protection Program loan	1,000,459	(128,023)	872,436	7,150,828	(18,704)	7,132,124
Gain on forgiveness of Paycheck Protection Program loan	<u>229,344</u>	<u>-</u>	<u>229,344</u>	<u>175,450</u>	<u>-</u>	<u>175,450</u>
Change in net assets	1,229,803	(128,023)	1,101,780	7,326,278	(18,704)	7,307,574
Net assets, beginning of year	<u>9,878,599</u>	<u>602,854</u>	<u>10,481,453</u>	<u>2,552,321</u>	<u>621,558</u>	<u>3,173,879</u>
Net assets, end of year	<u>\$ 11,108,402</u>	<u>\$ 474,831</u>	<u>\$ 11,583,233</u>	<u>\$ 9,878,599</u>	<u>\$ 602,854</u>	<u>\$ 10,481,453</u>

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

FARM AID, INC.

Statements of Cash Flows

For the Years Ended December 31,

2022

2021

Cash flows from operating activities:

Change in net assets	\$ 1,101,780	\$ 7,307,574
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on forgiveness of Paycheck Protection Program loan	(229,344)	(175,450)
Donated stock	(4,999)	(3,076)
Depreciation and amortization	46,233	13,636
Amortization on operating lease right-of-use assets	219,469	-
Net realized losses (gains) on investments	35,317	(22,218)
Net unrealized losses on investments	50,253	15,542
Reinvestment of investment income	(19,074)	(15,665)
Changes in operating assets and liabilities:		
Accounts receivable	594,973	(647,781)
Contributions and grants receivable	(229,319)	(244,370)
Merchandise inventory	(92,000)	(25,247)
Prepaid expenses	(50,643)	21,956
Accounts payable	(91,859)	75,476
Grants payable	2,500	7,500
Accrued expenses	21,402	(15,919)
Scholarships payable	(4,656)	(277)
Deferred rent liability	-	9,193
Operating lease liabilities	(215,758)	-

Net cash provided by operating activities

1,134,275

6,300,874

Cash flows from investing activities:

Purchase of certificates of deposit	-	(8,500,997)
Net withdrawals from certificates of deposit	184,330	-
Purchase of equipment	(2,429)	(929)
Payment for website development costs	(18,880)	(6,615)
Payment for software development costs	-	(49,044)
Net withdrawals from investments	27,460	31,778

Net cash provided by (used in) investing activities

190,481

(8,525,807)

Cash flows provided by financing activities:

Proceeds from Paycheck Protection Program loan	-	229,344
--	---	---------

Net increase (decrease) in cash

1,324,756

(1,995,589)

Cash, beginning of year

853,212

2,848,801

Cash, end of year

\$ 2,177,968

\$ 853,212

Supplemental disclosures of cash flow information:

Right-of-use assets obtained in exchange for operating lease liabilities	<u><u>\$ 752,717</u></u>	<u><u>\$ -</u></u>
--	--------------------------	--------------------

FARM AID, INC.

**Statement of Functional Expenses
For the Year Ended December 31, 2022**

	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	\$ -	\$ -	\$ -	\$ -	\$ 8,411	\$ 434	\$ 1,243,502	\$ 1,252,347
Salaries and wages	603,011	96,105	81,060	66,279	57,199	106,843	229,990	1,240,487
Grants and direct assistance	569,559	-	533,841	83,700	-	-	-	1,187,100
Other contractual services	74,243	51,993	11,795	7,496	10,500	5,680	297,005	458,712
Marketing and communications	61,271	53,352	60,168	47,469	4,467	11,525	93,302	331,554
Fees and insurance	8,236	6,037	1,089	890	768	18,917	222,286	258,223
Occupancy	121,322	19,336	16,309	13,335	23,305	21,496	46,273	261,376
Cost of merchandise sold	-	127,650	-	-	-	-	108,856	236,506
Travel, transportation and lodging	29,669	6,489	8,364	3,722	1,853	881	176,967	227,945
Employee benefits	114,064	17,076	14,403	11,777	10,164	18,984	40,865	227,333
Accounting services	73,227	11,671	9,844	8,049	6,946	19,987	27,929	157,653
Catering, food and beverage	-	6,383	-	-	-	-	143,054	149,437
Payroll taxes	48,075	7,662	6,463	5,284	4,560	8,518	18,336	98,898
Other business expenses	16,884	14,698	5,933	6,062	918	1,806	20,377	66,678
Information and communications technology	18,880	2,527	1,961	1,604	3,062	16,396	6,182	50,612
Supplies and equipment	4,592	1,436	737	598	5,092	17,661	11,340	41,456
Depreciation and amortization	22,474	3,582	3,021	2,470	2,132	3,982	8,572	46,233
Postage and shipping	1,448	20,060	192	162	105	3,973	3,026	28,966
Audit services	-	-	-	-	25,000	-	-	25,000
Scholarship - Younkers	17,570	-	-	-	-	-	-	17,570
Printing and reproduction	-	-	-	-	6	13,396	2,939	16,341
Subscriptions and dues	5,293	668	4,208	723	327	612	1,316	13,147
	<u>1,789,818</u>	<u>446,725</u>	<u>759,388</u>	<u>259,620</u>	<u>164,815</u>	<u>271,091</u>	<u>2,702,117</u>	<u>6,393,574</u>
Less items included within revenue and support on the statement of activities and changes in net assets:								
Non-festival cost of merchandise sold	-	(127,650)	-	-	-	-	-	(127,650)
Direct expenses of festival and special events	-	-	-	-	-	-	(2,702,117)	(2,702,117)
Total expenses included in the functional categories on the statement of activities and changes in net assets	<u>\$ 1,789,818</u>	<u>\$ 319,075</u>	<u>\$ 759,388</u>	<u>\$ 259,620</u>	<u>\$ 164,815</u>	<u>\$ 271,091</u>	<u>\$ -</u>	<u>\$ 3,563,807</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, 2021**

	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	\$ -	\$ -	\$ -	\$ -	\$ 5,589	\$ 647	\$ 992,425	\$ 998,661
Salaries and wages	426,175	62,549	55,197	34,309	37,693	136,418	236,806	989,147
Grants and direct assistance	507,500	-	344,500	122,000	-	-	-	974,000
Other contractual services	63,303	20,196	34,980	1,961	1,862	6,740	336,393	465,435
Marketing and communications	85,406	32,950	36,144	32,927	30	5,495	128,148	321,100
Fees and insurance	4,060	4,958	506	315	681	27,315	214,396	252,231
Occupancy	103,999	15,264	13,470	8,372	17,142	33,290	57,787	249,324
Cost of merchandise sold	-	51,450	-	-	-	-	206,978	258,428
Travel, transportation and lodging	2,303	398	333	-	1,477	-	105,237	109,748
Employee benefits	88,857	13,042	11,509	7,153	7,859	28,443	49,374	206,237
Accounting services	36,417	5,345	4,717	2,932	3,221	13,941	20,235	86,808
Catering, food and beverage	-	2,160	-	-	-	-	113,021	115,181
Payroll taxes	35,425	5,199	4,588	2,852	3,133	11,339	19,684	82,220
Other business expenses	8,882	18,479	5,305	870	841	2,767	27,688	64,832
Information and communications technology	28,413	4,291	3,592	2,233	2,453	21,425	15,790	78,197
Supplies and equipment	1,999	468	259	161	2,266	26,368	3,708	35,229
Depreciation and amortization	5,875	862	761	473	520	1,880	3,265	13,636
Postage and shipping	1,460	1,383	177	110	121	5,385	2,818	11,454
Audit services	-	-	-	-	20,000	-	-	20,000
Scholarship - Younkers	22,226	-	-	-	-	-	-	22,226
Printing and reproduction	-	-	-	-	-	22,822	5,666	28,488
Subscriptions and dues	3,165	95	6,167	1,666	1,347	3,075	-	15,515
Legal	-	-	-	-	1,580	-	-	1,580
	1,425,465	239,089	522,205	218,334	107,815	347,350	2,539,419	5,399,677
Less items included within revenue and support on the statement of activities and changes in net assets:								
Non-festival cost of merchandise sold	-	(51,450)	-	-	-	-	-	(51,450)
Direct expenses of festival and special events	-	-	-	-	-	-	(2,539,419)	(2,539,419)
Total expenses included in the functional categories on the statement of activities and changes in net assets	<u>\$ 1,425,465</u>	<u>\$ 187,639</u>	<u>\$ 522,205</u>	<u>\$ 218,334</u>	<u>\$ 107,815</u>	<u>\$ 347,350</u>	<u>\$ -</u>	<u>\$ 2,808,808</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” or “Farm Aid”) is a nonprofit organization whose mission is to build a vibrant, family farm-centered system of agriculture in America. Farm Aid artists and board members Willie Nelson, John Mellencamp, Neil Young, Dave Matthews and Margo Price host an annual festival to support Farm Aid’s work with family farmers and to inspire people to choose food from family farms. Since 1985, Farm Aid has raised more than \$78 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.

Promoting Food from Family Farms

The heart of Farm Aid’s work to promote food from family farms is the annual Farm Aid festival, 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 2022* was held at Coastal Credit Union Music Park at Walnut Creek in Raleigh, North Carolina, on September 24. A crowd of 18,350 enjoyed performances by Farm Aid Board members Willie Nelson, John Mellencamp, Dave Matthews with Tim Reynolds, and Margo Price. Additional artists included Chris Stapleton, Sheryl Crow, Allison Russell, Lukas Nelson & Promise of the Real, Charley Crockett, Brittany Spencer, Particle Kid, The Wisdom Indian Dancers and The Horse Hill Singers. All of the artists generously donated their time and travel expenses.

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.

FARM AID, INC.

Notes to Financial Statements

1. Organizational Purpose (continued)

Taking Action to Change the System

Farm Aid seeks to advance the power and participation of farmers to change the American farm and food system. Farm Aid works with and makes 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, 2022 and 2021, or for the years then ended.

FARM AID, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies

Recently Adopted Accounting Pronouncements

On January 1, 2022, the Organization adopted Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2020-07: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), which improves transparency in the reporting of contributed nonfinancial assets. ASU 2020-07 requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities and changes in net assets, apart from contributions of cash or other financial assets. It also requires a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets, qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period, a description of any donor-imposed restrictions associated with the contributed nonfinancial assets, and the valuation techniques and inputs used to arrive at a fair value measure. ASU 2020-07 was adopted on a retrospective basis and did not result in a change in the judgment or timing associated with the recognition of revenue for the Organization. As such, the adoption of ASU 2020-07 did not result in a cumulative adjustment as of January 1, 2022, and it did not have a material impact on the Organization's financial statements.

On January 1, 2022, the Organization also adopted FASB's ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). The objective of ASU 2016-02, along with several related ASUs issued subsequently, is to increase the transparency and comparability between organizations that enter into lease agreements. For leases, the key difference of the new accounting codification from the previous guidance (Topic 840) is the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position for all leases with original lease terms greater than twelve months. Topic 842 requires disclosures to meet the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

As part of the transition to the new accounting codification under Topic 842, the Organization elected to measure and recognize leases that existed at, or were entered into after January 1, 2022 using the modified retrospective approach, through a cumulative effect adjustment if the amount is material. Lease disclosures for the year ended December 31, 2021, are made under prior lease guidance in FASB ASC 840. For leases existing at the effective date, the Organization elected the package of three transaction practical expedients and therefore, did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct costs. In addition, the Organization also elected to use a risk-free rate in lieu of determining the Organization's incremental borrowing rate to determine the lease liabilities, as a practical expedient.

The adoption of Topic 842 resulted in the recognition of lease liabilities as of January 1, 2022 of \$768,827, which represented the present value of the remaining operating lease payments of \$773,671, discounted using a risk free rate of 1.03% (the effective risk free rate for a period comparable to the remaining lease term), and the ROU operating lease assets of \$752,717, which represented the operating lease liabilities of \$768,827 adjusted for previously recorded deferred rent of \$16,110. Adoption of the standard had a material impact on the statement of financial position, but did not have an impact on the statement of activities and changes in net assets or cash flows. The most significant impact was the recognition of ROU asset and lease liability for operating lease.

Leases

At inception, the Organization determines whether an arrangement is or contains a lease. ROU assets represent the Organization's right to use leased assets over the term of the lease. Lease liabilities represent the Organization's contractual obligation to make lease payments over the lease term. Operating leases are included in operating right-to-use assets and lease liabilities on the statements of financial position. The Organization has no financing leases.

FARM AID, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Leases (continued)

For operating leases, ROU assets and lease liabilities are recognized at the commencement date of each of the respective leases and are measured at the present value of the lease payments over the lease term. The Organization uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Organization uses a U.S. Treasury risk-free rate that is comparable to the lease term at the commencement date of the lease to determine the present value of the lease payments. ROU assets for operating leases are calculated as the present value of the lease payments plus initial direct costs, plus any prepayments less any lease incentives received.

Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised without applying hindsight. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Lease expense is recognized on a straight-line basis over the lease term. The Organization may have lease arrangements with lease and non-lease components, which generally are accounted for separately. The Organization has elected to treat the lease and non-lease components as a single lease component. There may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are comprised of share of real estate taxes, common area utilities and maintenance fees in portion to the space leased by the Organization, are recognized as a component of occupancy expenses in the statements of functional expenses in which the obligation for those payments were incurred.

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: Net asset value 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.

FARM AID, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

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.

Revenue and Support

Contributions and grants are recorded as support without donor restrictions or support 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.

Grants and contributions, if unconditional, are recognized as support 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/barriers on which they depend are substantially met. The Organization also received certain government funded subgrants whereby recognition of grant revenue is conditional upon review and approval of the project expenditures by the grantor.

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.

FARM AID, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Cash

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

Certificates of Deposit

The certificates of deposit are reported at face value plus accrued interest and had original maturities of thirteen weeks. Interest rate on the certificates of deposit held at December 31, 2022 and 2021 was 0.05%.

Accounts, Contributions and Grants Receivable

Accounts receivable consisted of customer accounts from program services and festival ticket balances. Contributions and grants receivable consisted of contributions and grants received for the general and program support of the Organization. Contributions and grants receivable expected to be collected within one year are reported at their net realizable value. Contributions and grants receivable expected to be collected in future years are reported at the net present value of estimated future cash flows. 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, 2022 and 2021 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, Net

Furniture and equipment, net, 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.

FARM AID, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

Long-lived assets, such as furniture and equipment, intangible assets, and right-of-use assets are tested for recoverability whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Organization assesses factors such as significant under performance of its operations in relation to expectations, significant negative industry or economic trends, and utilization of services, or carrying costs in deciding whether to perform an impairment review. Based on these qualitative factors, the Organization believed an impairment review was not necessary during years ended December 31, 2022 and 2021.

Grants Payable

The Organization records a liability for unconditional grants when they have been approved by management or the Board of Directors. The Organization may require recipients to submit expenses incurred and/or financial reports. Grants that are considered conditional are recorded when the terms of such conditions/barriers are met or overcome.

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant accounting estimates include functional allocation of certain expenses, allowance for doubtful accounts for accounts, contributions and grants receivable, and net realizable value of merchandise inventory.

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 15, 2023, the date these financial statements became available to be issued. No events have occurred subsequent to the statement of financial position date and through the date of evaluation that meet the criteria required for disclosure or accrual.

Income Taxes

The Organization operates as a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code and its income is exempt from income taxes. The Organization is also exempt from Massachusetts income tax under Massachusetts General Law 180.

FARM AID, INC.

Notes to Financial Statements

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, 2022 and 2021, are comprised of the following:

	2022	2021
Cash	\$ 2,177,968	\$ 853,212
Certificates of deposit	8,316,667	8,500,997
Accounts receivable	85,223	680,196
Contributions and grants receivable	533,439	304,120
Investments	355,561	444,518
Total financial assets	<u>11,468,858</u>	<u>10,783,043</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>(355,561)</u>	<u>(444,518)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 11,113,297</u>	<u>\$ 10,338,525</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, contributions and grants 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 of \$100,000, as described in Note 8, 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.

4. Contributions and Grants Receivable

Contributions receivable consisted of \$533,439 and \$304,120 at December 31, 2022 and 2021, 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

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
	<u>Level 1</u>	<u>Level 1</u>
Cash equivalents	\$ 16,084	\$ 12,239
Common stocks -		
Communication services	3,527	-
Industrials	628	-
Mutual funds -		
Equity - domestic	66,451	89,994
Equity - international	17,084	22,379
Fixed income	251,787	319,906
	<u>\$ 355,561</u>	<u>\$ 444,518</u>

6. Furniture and Equipment

As of December 31, 2022 and 2021, the Organization had the following furniture and equipment:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 20,862	\$ 59,906
Furniture & fixtures	4,890	4,890
	25,752	64,796
Less: accumulated depreciation	(19,267)	(55,580)
	<u>\$ 6,485</u>	<u>\$ 9,216</u>

Depreciation expense during the years ended December 31, 2022 and 2021 was \$5,160 and \$3,540, respectively. During the year ended December 31, 2022, \$41,473 of fully depreciated equipment was disposed by the Organization.

7. Intangible Assets

As of December 31, 2022 and 2021, website development costs were as follows:

	<u>2022</u>	<u>2021</u>
Website development costs	\$ 130,208	\$ 122,096
Less: accumulated amortization	(115,416)	(115,421)
	<u>\$ 14,792</u>	<u>\$ 6,675</u>

Amortization expense of website development costs during the years ended December 31, 2022 and 2021 was \$10,763 and \$8,980, respectively. During the year ended December 31, 2022, \$10,768 of fully amortized website development costs were written-off by the Organization. Amortization expense of website development costs will be \$8,498 for the year ending December 31, 2023 and \$6,294 for the year ending December 31, 2024.

FARM AID, INC.

Notes to Financial Statements

7. Intangible Assets (continued)

As of December 31, 2022 and 2021, software development costs were as follows:

	2022	2021
Software development costs	\$ 90,928	\$ 90,928
Less: accumulated amortization	(31,983)	(1,673)
	<u>\$ 58,945</u>	<u>\$ 89,255</u>

As of December 31, 2021, software development costs in the amount of \$87,581, were still in progress and were placed in service during the year ended December 31, 2022. Amortization expense of software development costs during the years ended December 31, 2022 and 2021 was \$30,310 and \$1,116, respectively. Amortization expense of software development costs will be \$29,751 for the year ending December 31, 2023 and \$29,194 for the year ending December 31, 2024.

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, 2022 and 2021, and there was no borrowing from this line of credit during either fiscal year. The interest rate on the line of credit as of December 31, 2022 and 2021 was 9.50% and 5.25%, respectively.

9. Paycheck Protection Program Loan

On April 30, 2020, the Organization received a Paycheck Protection Program ("PPP") loan established by the Small Business Administration (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. On September 22, 2021, the Organization received full forgiveness of the PPP loan and the immaterial accrued interest from the SBA, and therefore, recognized the entire loan amount of \$175,450 as a gain on forgiveness of Paycheck Protection Program loan on the statement of activities and changes in net assets for the year ended December 31, 2021.

On March 26, 2021, the Organization received a PPP second draw loan of \$229,344 granted by the SBA under the Consolidated Appropriations Act, 2021 and is reported as a loan payable on the statement of financial position at December 31, 2021. All or a portion of the loan and accrued interest of 1% is forgivable based on the amount of qualifying expenses incurred and certain other criteria. On April 6, 2022, the Organization received full forgiveness of the PPP second draw loan and an immaterial amount of interest by the SBA, and therefore, recognized the entire loan amount of \$229,344 as a gain on forgiveness of Paycheck Protection Program loan on the statement of activities and changes in net assets for the year ended December 31, 2022.

FARM AID, INC.

Notes to Financial Statements

10. In-Kind Services and Donated Materials

The Organization received the following in-kind services and donated materials during the years ended December 31, 2022 and 2021:

	2022	2021
Equipment rental and related services at festival	\$ 160,234	\$ 160,628
Catering services and food at festival	11,913	10,000
Other goods and services at festival	8,590	6,148
Information technology, and other goods and services - general operations	248	811
	<u>\$ 180,985</u>	<u>\$ 177,587</u>

The contributed services are reported at the fair value of these services provided at the festival based on the number of hours and market rate that would otherwise be charged by these professionals. The fair value of the in-kind equipment rental provided at the festival is based on market rental rate for similar equipment otherwise be charged by the vendors. The donated catering services and food are reported at the fair value based on market rate that would otherwise be charged for similar food items and services. There were no donor restrictions on these contributions.

In-kind equipment rental and related services, donated catering services and food, and certain other donated goods and services are included in in-kind contributions from festival and special events in the statements of activities and changes in net assets for the years ended December 31, 2022 and 2021. Other various in-kind goods and services for the years ended December 31, 2022 and 2021, including information technology and other goods and services, are included in in-kind contributions from other revenue and support on the statements of activities and net changes in net assets.

11. 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 which is reported as security deposit on the statements of financial position. During the year ended December 31, 2022, lease cost of \$221,493 for the office space, which includes \$219,469 of amortization of ROU assets and \$2,024 of accretion of the lease liabilities, is included in the occupancy expense on the statement of functional expenses for the year ended December 31, 2022. Variable non-lease operating costs of \$39,883 are also included in the occupancy expense on the statement of functional expenses for the year ended December 31, 2022.

Cash paid for amounts included in the measurement of the lease liability for the year ended December 31, 2022 was \$218,576.

FARM AID, INC.

Notes to Financial Statements

11. Lease Commitment (continued)

Lease liability maturities as of December 31, 2022 are as follows:

2023	\$	225,193
2024		232,024
2025		97,878
Total lease payments		555,095
Less: discount to present value		(2,026)
Lease liabilities at December 31, 2022	\$	<u>553,069</u>

The remaining lease term of the Organization's operating office lease is 2.42 years. The discount rate of the Organization's operating office lease is 1.03%, which was based on the risk free rate using a U.S. Treasury rate with a period comparable to the remaining term of the lease.

During the year ended December 31, 2021 (under ASC Topic 840), rent expense of \$224,478 and other operating costs of \$24,846 were included in the occupancy expense on the statement of functional expenses. The effect of escalating rent was amortized over the term of the lease so as to result in equal monthly rent expense over the lease term. A deferred rent liability of \$16,110 reported on the 2021 statement of financial position represents the excess of straight-line rental cost due over the actual rent payments through December 31, 2021.

12. 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 \$29,497 and \$23,195 to the plan for the years ended December 31, 2022 and 2021, respectively.

13. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Younkers - Farm Aid scholarship	\$ 322,744	\$ 411,062
Keepseagle project for Native American farmers	86,092	86,092
Music festival record preservation and archive	54,340	94,045
"Home Place Under Fire" film production	11,655	11,655
	<u>\$ 474,831</u>	<u>\$ 602,854</u>

FARM AID, INC.

Notes to Financial Statements

13. Net Assets with Donor Restrictions (continued)

Net assets released from donor restrictions during the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Music festival record preservation and archive	\$ 39,705	\$ 12,483
Younkers - Farm Aid scholarship	17,570	22,226
Other purposes	10,000	100
Family farm disaster and farmers' emergency assistance	1,783	36,717
Farm Aid's programs and farmers' hotline	-	100,000
Keepseagle project for Native American farmers	-	516
	<u>\$ 69,058</u>	<u>\$ 172,042</u>

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

In July 2018, Farm Aid was awarded \$219,285 in funding from the Keepseagle cy pres process, the Native American Agriculture Fast Track Fund ("NAAFTF"). NAAFTF funding continued to support Farm Aid's work into 2022 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 is being established.

14. 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.

Contribution from one donor and the final distribution from a revocable trust (the "Trust") comprised 42% of total revenue and support of the Organization for the year ended December 31, 2022. Total contributions from the Trust totaled \$7,200,000 or 72% of total revenue and support of the Organization for the year ended December 31, 2021.

Two festival contractors and two third-party pass-through organizations of federal grants comprised 86% of accounts receivables, contributions and grants receivable at December 31, 2022. A festival contractor and a third-party pass-through organization of a federal grant comprised 80% of receivables at December 31, 2021.