

FARM AID, INC.

Financial Statements

December 31, 2023 and 2022

FARM AID, INC.

December 31, 2023 and 2022

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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, 2023 and 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of Farm Aid, Inc. as of December 31, 2023 and 2022, 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.

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 14, 2024

FARM AID, INC.**Statements of Financial Position
December 31,**

	2023	2022
Assets:		
Cash	\$ 9,051,319	\$ 2,177,968
Certificates of deposit	-	8,316,667
Accounts receivable	1,434,014	85,223
Contributions and grants receivable	318,317	533,439
Merchandise inventory	138,073	133,259
Prepaid expenses	89,870	88,970
Investments	360,222	355,561
Security deposit	7,500	7,500
Operating lease right-of-use assets, net	313,096	533,248
Furniture and equipment, net	5,813	6,485
Intangible assets, net	35,488	73,737
Total assets	\$ 11,753,712	\$ 12,312,057
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 130,939	\$ 81,170
Grants payable	28,000	10,000
Accrued expenses	222,121	67,015
Scholarships payable	18,011	17,570
Operating lease liabilities	329,217	553,069
Total liabilities	728,288	728,824
Net assets:		
Without donor restrictions	10,614,889	11,108,402
With donor restrictions	410,535	474,831
Total net assets	11,025,424	11,583,233
Total liabilities and net assets	\$ 11,753,712	\$ 12,312,057

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

FARM AID, INC.

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

	2023			2022		
	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	\$ 3,580,565	\$ -	\$ 3,580,565	\$ 2,950,851	\$ -	\$ 2,950,851
Contributions from festival and special events	469,535	-	469,535	557,844	-	557,844
In-kind contributions from festival and special events	153,412	-	153,412	180,737	-	180,737
Event expenses	(3,307,160)	-	(3,307,160)	(2,702,117)	-	(2,702,117)
Festival and special events revenue, net	<u>896,352</u>	<u>-</u>	<u>896,352</u>	<u>987,315</u>	<u>-</u>	<u>987,315</u>
Other revenue and support:						
Contributions and grants	2,570,677	-	2,570,677	3,263,950	11,783	3,275,733
In-kind contributions	-	-	-	248	-	248
Investment income (loss), net	290,168	28,715	318,883	3,480	(70,748)	(67,268)
Merchandise sales, net	123,408	-	123,408	102,238	-	102,238
Licensing fees and royalties	89,257	-	89,257	136,215	-	136,215
Program service fees	20,500	-	20,500	1,762	-	1,762
Other revenue and support	<u>3,094,010</u>	<u>28,715</u>	<u>3,122,725</u>	<u>3,507,893</u>	<u>(58,965)</u>	<u>3,448,928</u>
Net assets released from restrictions:						
Satisfaction of purpose restrictions	93,011	(93,011)	-	69,058	(69,058)	-
Total revenue and support	<u>4,083,373</u>	<u>(64,296)</u>	<u>4,019,077</u>	<u>4,564,266</u>	<u>(128,023)</u>	<u>4,436,243</u>
Expenses:						
Program services:						
Helping farmers thrive	2,114,576	-	2,114,576	1,789,818	-	1,789,818
Promoting food from family farms	437,921	-	437,921	319,075	-	319,075
Taking action to change the system	896,621	-	896,621	759,388	-	759,388
Growing the good food movement	404,778	-	404,778	259,620	-	259,620
Total program services	<u>3,853,896</u>	<u>-</u>	<u>3,853,896</u>	<u>3,127,901</u>	<u>-</u>	<u>3,127,901</u>
Supporting services:						
Management and general	404,917	-	404,917	164,815	-	164,815
Fundraising	318,073	-	318,073	271,091	-	271,091
Total supporting services	<u>722,990</u>	<u>-</u>	<u>722,990</u>	<u>435,906</u>	<u>-</u>	<u>435,906</u>
Total expenses	<u>4,576,886</u>	<u>-</u>	<u>4,576,886</u>	<u>3,563,807</u>	<u>-</u>	<u>3,563,807</u>
Change in net assets before gain on forgiveness of Paycheck Protection Program loan	<u>(493,513)</u>	<u>(64,296)</u>	<u>(557,809)</u>	<u>1,000,459</u>	<u>(128,023)</u>	<u>872,436</u>
Gain on forgiveness of Paycheck Protection Program loan	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,344</u>	<u>-</u>	<u>229,344</u>
Change in net assets	<u>(493,513)</u>	<u>(64,296)</u>	<u>(557,809)</u>	<u>1,229,803</u>	<u>(128,023)</u>	<u>1,101,780</u>
Net assets, beginning 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>
Net assets, end of year	<u>\$ 10,614,889</u>	<u>\$ 410,535</u>	<u>\$ 11,025,424</u>	<u>\$ 11,108,402</u>	<u>\$ 474,831</u>	<u>\$ 11,583,233</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,

2023

2022

Cash flows from operating activities:

Change in net assets	\$ (557,809)	\$ 1,101,780
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Gain on forgiveness of Paycheck Protection Program loan	-	(229,344)
Donated stock	(1,015,067)	(4,999)
Depreciation and amortization	43,037	46,233
Amortization on operating lease right-of-use assets	220,152	219,469
Net realized (gains) losses on investments	(67,468)	35,317
Net unrealized (gains) losses on investments	(5,110)	50,253
Reinvestment of investment income and interest in certificates of deposit	(244,790)	(19,074)
Changes in operating assets and liabilities:		
Accounts receivable	(1,348,791)	594,973
Contributions and grants receivable	215,122	(229,319)
Merchandise inventory	(4,814)	(92,000)
Prepaid expenses	(900)	(50,643)
Accounts payable	49,769	(91,859)
Grants payable	18,000	2,500
Accrued expenses	155,106	21,402
Scholarships payable	441	(4,656)
Operating lease liabilities	(223,852)	(215,758)

Net cash (used in) provided by operating activities

(2,766,974) 1,134,275

Cash flows from investing activities:

Redemption of certificates of deposit	8,549,876	184,330
Purchase of equipment	(4,116)	(2,429)
Payment for website development costs	-	(18,880)
Withdrawals from investments	1,094,565	27,460

Net cash provided by investing activities

9,640,325 190,481

Net increase in cash

6,873,351 1,324,756

Cash, beginning of year

2,177,968 853,212

Cash, end of year

\$ 9,051,319 \$ 2,177,968

Supplemental disclosures of cash flow information:

Right-of-use assets obtained in exchange for operating lease liabilities	\$ -	\$ 752,717
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FARM AID, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2023

	Program Services							Total
	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	
Salaries and wages	\$ 618,944	\$ 133,232	\$ 193,539	\$ 104,333	\$ 112,230	\$ 121,564	\$ 290,478	\$ 1,574,320
Facility rentals and production costs	8,179	6,231	6,894	6,727	175	262	1,373,408	1,401,876
Grants and direct assistance	774,241	-	410,634	150,140	-	-	-	1,335,015
Other contractual services	94,029	70,388	14,258	8,043	156,479	7,277	259,133	609,607
Marketing and communications	58,349	46,072	75,575	38,515	12	6,622	215,250	440,395
Employee benefits	131,086	28,986	41,051	22,313	22,484	25,536	64,067	335,523
Travel, transportation and lodging	33,740	15,480	28,384	6,876	10,012	3,006	230,118	327,616
Accounting services	121,478	26,149	37,985	20,477	15,937	24,259	57,011	303,296
Fees and insurance	7,875	11,206	2,437	1,314	1,022	16,292	261,800	301,946
Cost of merchandise sold	-	70,294	-	-	-	-	188,382	258,676
Occupancy	97,366	24,259	30,445	16,413	23,743	19,123	45,695	257,044
Catering, food and beverage	6,325	7,823	6,325	6,325	-	-	174,192	200,990
Payroll taxes	50,289	10,825	15,725	8,477	4,738	9,877	23,601	123,532
Other business expenses	36,176	5,275	12,274	6,175	3,250	4,056	34,707	101,913
Information and communications technology	26,788	5,485	7,534	4,087	5,280	27,429	11,177	87,780
Supplies and equipment	1,236	14,522	640	400	261	2,824	56,483	76,366
Printing and reproduction	2,626	11	6	3	3	36,776	4,427	43,852
Audit services	-	-	-	-	43,168	-	-	43,168
Depreciation and amortization	17,261	3,715	5,397	2,910	2,263	3,390	8,101	43,037
Postage and shipping	873	25,957	196	133	58	8,479	5,988	41,684
Scholarship - Younkers	20,339	-	-	-	-	-	-	20,339
Subscriptions and dues	3,397	1,449	6,078	446	410	520	1,275	13,575
Legal fees	3,979	856	1,244	671	3,392	781	1,867	12,790
	2,114,576	508,215	896,621	404,778	404,917	318,073	3,307,160	7,954,340
Less items included within revenue and support on the statement of activities and changes in net assets:								
Non-festival cost of merchandise sold	-	(70,294)	-	-	-	-	-	(70,294)
Direct expenses of festival and special events	-	-	-	-	-	-	(3,307,160)	(3,307,160)
Total expenses included in the functional categories on the statement of activities and changes in net assets	<u>\$ 2,114,576</u>	<u>\$ 437,921</u>	<u>\$ 896,621</u>	<u>\$ 404,778</u>	<u>\$ 404,917</u>	<u>\$ 318,073</u>	<u>\$ -</u>	<u>\$ 4,576,886</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, 2022**

	Program Services							Total
	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	
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
	1,789,818	446,725	759,388	259,620	164,815	271,091	2,702,117	6,393,574
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.

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 \$89 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 2023 was held at Ruoff Music Center in Noblesville, Indiana, on September 23. A crowd of 22,209 enjoyed performances by Farm Aid Board members Willie Nelson, John Mellencamp, Neil Young, Dave Matthews with Tim Reynolds, and Margo Price. Additional artists included Bobby Weir & Wolf Bros, Allison Russell, Lukas Nelson & Promise of the Real, Nathaniel Rateliff & The Night Sweats, String Cheese Incident, Particle Kid, The Black Opry featuring Kyshona, Lori Rayne and Tylar Bryant, The Jim Irsay Band featuring Ann Wilson of Heart, Clayton Anderson, The Wisdom Indian Dancers and Native Pride Productions. Farm Aid 2023 also featured a surprise performance by Bob Dylan, backed by members of the Heartbreakers, as well as Sturgill Simpson, who joined Margo Price’s set. Certain Board member and celebrity artists generously donated their performance time at the festival which provide an invaluable experience which value cannot be reasonably determinable.

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, 2023 and 2022, or for the years then ended.

Notes to Financial Statements

2. Summary of Significant Accounting Policies

Recently Adopted Accounting Pronouncements

On January 1, 2023, the Organization adopted Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments – Credit Losses* (Accounting Standards Codification "ASC 326"). ASC 326 significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through changes in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 are accounts receivable. The Organization adopted the standard using the modified retrospective approach. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

On January 1, 2022, the Organization adopted FASB's ASU No. 2020-07: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, 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 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)*. 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. 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.

FARM AID, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Pronouncements (continued)

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.

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.

FARM AID, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

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.

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.

Contributions and grants, 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 support 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 condition of performance is met by the Organization as 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. The Organization provides nominal value to sponsors at the festival and special events which does not represent commensurate value to the sponsors. The Organization accounts for the arrangement as a nonreciprocal transaction. Sponsorships for the festival or special events received prior to the events is recorded as refundable advances.

Contributions of services are recognized as revenue 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 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.

FARM AID, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Revenue and Support (continued)

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 income from festival and special 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 Youngers-Farm Aid scholarship.

Cash

Cash primarily consists of deposits held in checking, sweep and saving 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 certificate of deposit held at December 31, 2022 was 0.05%. The certificates of deposit reached maturity in 2023 and funds were transferred to a sweep account.

Accounts, Contributions and Grants Receivable

Accounts receivable consisted of customer accounts from program services and festival ticket balances and are stated at the amount management expects to collect on outstanding balances. The Organization maintains an allowance for estimated credit losses resulting from the inability of customers and contractors to make payments. The Organization considers the following factors when determining the collectability of specific receivables: past experience with the customers and contractors, the aging of the receivable, source of the contractors' funding and other currently available evidence. If the financial condition of certain customers and contractors was to deteriorate, adversely affecting their ability to make payments, additional allowance for expected credit losses may be required. The Organization provides for estimated uncollectible amounts through a charge to expense and a credit to a valuation allowance. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the accounts receivable.

There was no allowance for credit losses recorded at December 31, 2023 and 2022, as the balance in accounts receivable that was due from the festival contractor in the amount of \$1,429,686 and \$71,081, respectively, at December 31, 2023 and 2022, carries little to no credit risk. Accounts receivable from others at December 31, 2023 and 2022 were deemed immaterial by management, and therefore, no valuation for credit losses were deemed necessary.

FARM AID, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Accounts, Contributions and Grants Receivable (continued)

Certain grants receivable consisted of requisition invoices for expenditures incurred in subaward grant agreements funded by federal government agencies. Other 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. There was no allowance for doubtful accounts on contributions and grants receivable recorded at December 31, 2023 and 2022 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.

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, 2023 and 2022.

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.

FARM AID, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

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, salaries and wages, employee benefits, payroll taxes, depreciation and amortization, occupancy, accounting services and certain insurance, printing and reproduction, other contractual services, 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 Accounting 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.

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 14, 2024, the date these financial statements became available to be issued. Other than a significant cooperative grant award agreement with the United States Department of Agriculture ("USDA") on September 26, 2024 as disclosed in Note 15, no other 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, 2023 and 2022, are comprised of the following:

	<u>2023</u>	<u>2022</u>
Cash	\$ 9,051,319	\$ 2,177,968
Certificates of deposit	-	8,316,667
Accounts receivable	1,434,014	85,223
Contributions and grants receivable	318,317	533,439
Investments	360,222	355,561
Total financial assets	<u>11,163,872</u>	<u>11,468,858</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>(360,222)</u>	<u>(355,561)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 10,803,650</u>	<u>\$ 11,113,297</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 and grants receivable consisted of \$318,317 and \$533,439 at December 31, 2023 and 2022, respectively, and are expected to be collected in less than one year from the date of the statements of financial position.

As of December 31, 2023, the Organization has been awarded approximately \$228,000 of subaward commitments from federal government sources that are conditional on the Organization incurring budgeted expenditures subject to review and approval under specific government rules and regulations.

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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	<u>Level 1</u>	<u>Level 1</u>
Money market fund	\$ 16,049	\$ 16,084
Common stocks -		
Communication services	-	3,527
Industrials	-	628
Mutual funds -		
Equity - domestic	67,106	66,451
Equity - international	16,820	17,084
Fixed income	260,247	251,787
	<u>\$ 360,222</u>	<u>\$ 355,561</u>

6. Furniture and Equipment

As of December 31, 2023 and 2022, furniture and equipment was as follows:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 24,978	\$ 20,862
Furniture & fixtures	4,890	4,890
	29,868	25,752
Less: accumulated depreciation	<u>(24,055)</u>	<u>(19,267)</u>
	<u>\$ 5,813</u>	<u>\$ 6,485</u>

Depreciation expense during the years ended December 31, 2023 and 2022 was \$4,788 and \$5,160, 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, 2023 and 2022, website development costs were as follows:

	<u>2023</u>	<u>2022</u>
Website development costs	\$ 130,208	\$ 130,208
Less: accumulated amortization	<u>(123,914)</u>	<u>(115,416)</u>
	<u>\$ 6,294</u>	<u>\$ 14,792</u>

Amortization expense of website development costs during the years ended December 31, 2023 and 2022 was \$8,498 and \$10,763, 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 \$6,294 for the year ending December 31, 2024.

FARM AID, INC.

Notes to Financial Statements

7. Intangible Assets (continued)

As of December 31, 2023 and 2022, software development costs were as follows:

	<u>2023</u>	<u>2022</u>
Software development costs	\$ 90,928	\$ 90,928
Less: accumulated amortization	<u>(61,734)</u>	<u>(31,983)</u>
	<u>\$ 29,194</u>	<u>\$ 58,945</u>

Amortization expense of software development costs during the years ended December 31, 2023 and 2022 was \$29,751 and \$30,310, respectively. Amortization expense of software development costs will be \$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, 2023 and 2022, 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, 2023 and 2022 was 10.50% and 9.50%, respectively.

9. Paycheck Protection Program Loan

On March 26, 2021, the Organization received a Paycheck Protection Program ("PPP") second draw loan of \$229,344 granted by the Small Business Administration (the "SBA") under the Consolidated Appropriations Act, 2021. All or a portion of the loan and accrued interest of 1% was 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.

10. In-Kind Services and Donated Materials

The Organization received the following in-kind services and donated materials during the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Equipment rental and related services at festival	\$ 147,682	\$ 160,234
Catering services and food at festival	5,730	11,913
Other goods and services at festival	-	8,590
Information technology, and other goods and services - general operations	<u>-</u>	<u>248</u>
	<u>\$ 153,412</u>	<u>\$ 180,985</u>

FARM AID, INC.

Notes to Financial Statements

10. In-Kind Services and Donated Materials (continued)

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, 2023 and 2022. Other various in-kind goods and services for the year ended December 31, 2022, 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, 2023, lease cost of \$221,493 for the office space, which includes \$220,152 of amortization of ROU assets and \$1,341 of accretion of the lease liabilities, is included in the occupancy expense on the statement of functional expenses for the year ended December 31, 2023. Variable non-lease operating costs of \$35,551 are also included in the occupancy expense on the statement of functional expenses for the year ended December 31, 2023. 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 liabilities for the years ended December 31, 2023 and 2022 was \$225,193 and \$218,576, respectively.

Lease liability maturities as of December 31, 2023 are as follows:

2024	\$	232,024
2025		97,878
Total lease payments		<u>329,902</u>
Less: discount to present value		<u>(685)</u>
Lease liabilities at December 31, 2023	\$	<u><u>329,217</u></u>

The remaining lease term of the Organization's operating office lease was 1.42 years and 2.42 at December 31, 2023 and 2022, respectively. The discount rate of the Organization's operating office lease that was still effective at December 31, 2023 is 1.03%, which was based on the risk free rate using a U.S. Treasury rate with a period comparable to the term of the lease.

FARM AID, INC.

Notes to Financial Statements

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 \$39,053 and \$29,497 to the plan for the years ended December 31, 2023 and 2022, respectively.

13. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2023 and 2022:

	2023	2022
Younkers - Farm Aid scholarship	\$ 333,448	\$ 322,744
"Home Place Under Fire" film production	11,655	11,655
Keepseagle project for Native American farmers	11,092	86,092
Music festival record preservation and archive	54,340	54,340
	<u>\$ 410,535</u>	<u>\$ 474,831</u>

Net assets released from donor restrictions during the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Keepseagle project for Native American farmers	\$ 75,000	\$ -
Younkers - Farm Aid scholarship	18,011	17,570
Music festival record preservation and archive	-	39,705
Other purposes	-	10,000
Family farm disaster and farmers' emergency assistance	-	1,783
	<u>\$ 93,011</u>	<u>\$ 69,058</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 2023 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.

FARM AID, INC.

Notes to Financial Statements

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.

Contributions from one donor comprised 25% of total revenue and support of the Organization for the year ended December 31, 2023. Contributions from one donor and the final distribution from a revocable trust comprised 42% of total revenue and support of the Organization for the year ended December 31, 2022.

A festival contractor and a third-party pass-through organization of a federal grant comprised 95% of total receivables at December 31, 2023. Two festival contractors and two third-party pass-through organizations of federal grants comprised 86% of total receivables at December 31, 2022.

15. Subsequent Event – New Cooperative Award Agreement

On September 26, 2024, the Organization entered into a cooperative award agreement with USDA in the budgeted amount of \$4,236,302 to develop a distressed borrowers assistance network for farmers. The grant's availability period dated back to February 1, 2024 which includes pre-award activities and costs, and lasts through September 30, 2027.