

**BIODYNAMIC FARMING AND GARDENING  
ASSOCIATION, INC.**  
Milwaukee, Wisconsin

**Audited Financial Statements**  
Year Ended March 31, 2017

With Summarized Totals for the  
Year Ended March 31, 2016

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## Independent Auditors' Report

Board of Directors  
Biodynamic Farming and Gardening Association, Inc.  
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Biodynamic Farming and Gardening Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2017, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Biodynamic Farming and Gardening Association, Inc. as of March 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited Biodynamic Farming and Gardening Association, Inc.'s March 31, 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 13, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Reilly, Penner + Barton LLP*

July 26, 2017  
Milwaukee, Wisconsin

**BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.**  
Milwaukee, Wisconsin

**Statements of Financial Position**  
March 31, 2017 and 2016

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
<b>Current Assets:</b>		
Cash and equivalents	\$ 212,252	\$ 157,067
Investment	340,114	338,213
Accounts receivable, net	1,478	4,159
Grants receivable	-	40,000
Pledges receivable	14,550	20,907
Prepaid expenses	11,883	2,500
Inventory	11,656	9,835
<b>Total current assets</b>	<b>591,933</b>	<b>572,681</b>
<b>Noncurrent Assets:</b>		
Property and equipment, net	1,786	3,969
Accounts receivable, net of current portion	-	15,560
Security deposit	4,317	1,317
<b>Total noncurrent assets</b>	<b>6,103</b>	<b>20,846</b>
<b>Total assets</b>	<b>\$ 598,036</b>	<b>\$ 593,527</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 12,617	\$ 4,824
Accrued payroll and related expenses	12,476	9,449
Deferred revenue	31,229	25,273
<b>Total liabilities</b>	<b>56,322</b>	<b>39,546</b>
<b>Net Assets:</b>		
Unrestricted	536,216	432,874
Temporarily restricted	5,498	121,107
Total net assets	<b>541,714</b>	<b>553,981</b>
<b>Total liabilities and net assets</b>	<b>\$ 598,036</b>	<b>\$ 593,527</b>

See Independent Auditors' Report.

**BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.**  
Milwaukee, Wisconsin

**Statement of Activities**

Year Ended March 31, 2017

With Summarized Totals for the Year Ended March 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals Years Ended March 31,</u>	
			<u>2017</u>	<u>2016</u>
<b>Revenues:</b>				
Biodynamic literature, net of discounts and refunds	\$ 25,801	\$ -	\$ 25,801	\$ 10,072
Contributions and grants	310,946	3,700	314,646	371,865
Memberships	45,955	-	45,955	41,173
Consulting	-	-	-	1,340
Other	2,695	-	2,695	2,785
Interest income	2,130	-	2,130	2,070
Conference	288,565	850	289,415	38,592
In-kind revenue	23,365	-	23,365	-
Net assets released from restrictions	120,159	(120,159)	-	-
Total revenues	819,616	(115,609)	704,007	467,897
<b>Expenses:</b>				
Program related	545,161	-	545,161	313,478
General and administrative	97,955	-	97,955	73,034
Fundraising	73,158	-	73,158	45,034
Total expenses	716,274	-	716,274	431,546
<b>Change in Net Assets</b>	103,342	(115,609)	(12,267)	36,351
<b>Net Assets, Beginning of year</b>	432,874	121,107	553,981	517,630
<b>Net Assets, End of year</b>	\$ 536,216	\$ 5,498	\$ 541,714	\$ 553,981

See Independent Auditors' Report.

**BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.**

Milwaukee, Wisconsin

**Statements of Cash Flows**

March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (12,267)	\$ 36,351
Adjustment to reconcile change in net assets to net cash provided / (used) by operating activities:		
Depreciation	3,344	5,080
<b>Change in other assets and liabilities:</b>		
Inventory	(1,821)	1,670
Accounts receivable	18,241	34,521
Grants receivable	40,000	10,000
Pledges receivable	6,357	(10,907)
Security deposit	(3,000)	-
Prepaid expenses	(9,383)	1,494
Accounts payable	7,793	(3,980)
Deferred revenue	5,956	1,746
Accrued payroll and related expenses	3,027	816
Total adjustments	<u>70,514</u>	<u>40,440</u>
<b>Net cash provided by operations</b>	<u>58,247</u>	<u>76,791</u>
<b>Cash Flows From Investing Activities:</b>		
Purchase of investments	(1,901)	(1,056)
Purchase of fixed assets	(1,161)	-
<b>Net cash used by investing activities</b>	<u>(3,062)</u>	<u>(1,056)</u>
<b>Net increase in cash and equivalents</b>	55,185	75,735
<b>Cash and Equivalents, Beginning of Year</b>	<u>157,067</u>	<u>81,332</u>
<b>Cash and Equivalents, End of Year</b>	<u>\$ 212,252</u>	<u>\$ 157,067</u>

See Independent Auditors' Report.

**BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.**  
Milwaukee, Wisconsin

**Notes to Financial Statements**  
March 31, 2017 and 2016

**1. Nature of Operations**

The Biodynamic Farming and Gardening Association, Inc. (the "Association") is a not-for-profit organization incorporated under the laws of New York State. The Association was formed in the United States in 1938. The purpose of the Association is to foster knowledge of the practices and principles of the biodynamic method of agriculture, horticulture, and forestry in the North American continent and to advance the applications of this method through educational activities such as: research, lectures, conferences; publishing and distributing literature on the biodynamic methods; and supporting consultation and extension services to farmers, gardeners, and foresters. The Association may undertake other charitable activities related to such principal purpose.

The Association organizes conferences, workshops, and seminars and publishes books and a quarterly membership journal, "Biodynamics". The Association supports regional, grass-roots membership associations and funds more formal research and training institutions.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

The Association's policy is to prepare its financial statements on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP). Revenues are recognized in the period in which they are earned. Expenses are realized in the period in which they are incurred.

**Net Assets**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association are classified and reported as followed:

**Unrestricted Net Assets** - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be for specific purposes by action of the Board of Directors.

**Temporarily Restricted Net Assets** - Net assets whose use is subject to donor-imposed stipulations that may be fulfilled by actions of the Association to meet the stipulations or become unrestricted at the date specified by the donor.

**Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that may be retained and invested permanently by the Association. There were no permanently restricted net assets as of March 31, 2017 and 2016.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that effect financial statement amounts and disclosures. Actual results could differ from those estimates and assumptions.

**Cash and Equivalents**

For the purposes of the statement of cash flows, cash and equivalents are considered highly liquid investments with maturities of three months or less at the time of acquisition. Cash and equivalents at March 31, 2017 and 2016 consisted of cash in a bank.

**BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.**  
Milwaukee, Wisconsin

**Notes to Financial Statements**  
March 31, 2017 and 2016  
(Continued)

**2. Summary of Significant Accounting Policies (Continued)**

**Investments**

Investments which are not publicly traded are valued at cost. Values for these investments at March 31, 2017 and 2016 totaled \$340,114 and \$338,213, respectively.

U.S. GAAP establishes a hierarchy that prioritizes the inputs for measuring fair value. Those inputs are summarized as follows:

**Level 1** – Quoted prices in active markets, e.g. NYSE, NASDAQ, etc. for securities identical to those to be valued. If a Level 1 input is available, it must be used.

**Level 2** – Inputs other than quoted prices that are observable for securities, either directly or indirectly. Examples include matrix pricing utilizing yield curves, prepayment speeds, credit risks, etc.; quoted prices for similar assets in active markets; and inputs derived from observable market data by correlation or other means.

**Level 3** – Unobservable inputs, which contain assumptions by the party valuing those assets. For level 3 inputs, there is no market data or correlations with market assumptions. Examples would include limited partnership interests, closely held stock, etc.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Association's investment is in a diversified, direct loan fund, which provides mortgage loans and lines of credit to non-profit and for-profit organizations.

**Accounts Receivable**

The Association carries its accounts receivable at cost less an allowance for doubtful accounts. The Association provided for an allowance of \$3,500 at March 31, 2017 and 2016. On a periodic basis, the Association evaluates its receivables and establishes an allowance for doubtful accounts based on a history of past write-offs and collections and current credit conditions. Accounts are written off as uncollectible at the time management determines that collections are unlikely.

Included in accounts receivable for the year ended March 31, 2016 was an installment sale that was expected to be collected in future years. Amounts expected to be collected in future years on this sale were recorded at the present value of their estimated future cash flows. The discounts on those amounts were computed using prime interest rates applicable to the years in which the payment is received. The total amount in accounts receivable at March 31, 2016 related to the installment sale was \$21,901. During the year ended March 31, 2017, the board of directors approved forgiving the amount due related to the installment sale. The \$21,901 was written off and recorded as bad debt expense.



**BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.**  
Milwaukee, Wisconsin

**Notes to Financial Statements**  
March 31, 2017 and 2016  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**Property and Equipment**

The Association capitalizes all expenditures in excess of \$1,000 for property and equipment at stated at cost or appraised value for assets donated. Expenditures for additions, improvements, and major renewals which extend the life of an asset are capitalized, whereas expenditures for maintenance and repairs are charged to operations when incurred. Gains and losses from sales or other dispositions of depreciable property are included in current operations.

Depreciation is provided for financial reporting purposes and is computed using the straight-line method over estimated useful lives of the assets which range from three to ten years for furniture and equipment and five years for database and website.

**Inventory**

Inventory consists of biodynamic literature, publications, and biodynamic preparations. Inventory is stated at the lower of cost, determined on a first-in, first-out basis, or market value. The total value of inventory was \$11,656 and \$9,835 for the years ended March 31, 2017 and 2016, respectively.

**Contributions**

Contributions received are measured at their fair values and are reported as an increase in net assets. The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

**Membership Dues**

The Association charges an annual membership fee. The Association recognizes the membership revenue over the period to which the dues relate. Deferred revenue is recorded for membership dues received but not earned in the current year.

**Expenses**

Expenses are generally reported as decreases in unrestricted net assets.

**Income Taxes:**

The Association has implemented accounting for uncertainty in income taxes in accordance with accounting principles generally accepted in the United States of America. This standard describes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognizing, interest, penalties and disclosure required. Management of the Association evaluates the uncertain tax positions taken, if any, and consults with outside counsel as deemed necessary. The Association recognizes interest and penalties, if any, related to unrecognized tax liabilities in income tax expense.

**BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.**  
Milwaukee, Wisconsin

**Notes to Financial Statements**  
March 31, 2017 and 2016  
(Continued)

**2. Summary of Significant Accounting Policies (Continued)**

**Shipping and Handling**

Delivery income is presented as a component of biodynamic literature sales. Delivery charges are recorded as a component of cost of goods sold.

**Advertising**

Advertising costs are charged to expense as they are incurred. Advertising and promotion costs were \$592 and \$652 for the years ended March 31, 2017 and 2016, respectively.

**Subsequent Events**

The Association has evaluated subsequent events for potential recognition and/or disclosure in the March 31, 2017 financial statements through July 26, 2017, the date that the financial statements were available to be issued. The Association has no subsequent events that require disclosure in the financial statements.

**3. Fair Value Measurement**

The following summarizes the classification of investments by classification and method of valuation in accordance with accounting principles generally accepted in the United States of America as of March 31, 2017:

<u>Description</u>	Fair Value Measurement at Reporting Date Using		
	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
RSF Foundation	\$ 340,114	-	\$ 340,114

The Association's investment in Rudolf Steiner Foundation as of March 31, 2017 is recorded at cost. As of March 31, 2017 and 2016, the investment was earning interest at a rate of 0.75% and 0.50%, respectively. The Association has not estimated the fair value of the cost method investment because it is not practicable to do so. There have been no identified events or changes in circumstances that would cause the Association to believe this investment is impaired.

The following summarizes the classification of investments by classification and method of valuation in accordance with accounting principles generally accepted in the United States of America as of March 31, 2016:

<u>Description</u>	Fair Value Measurement at Reporting Date Using		
	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
RSF Foundation	\$ 338,213	-	\$ 338,213

**BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.**  
Milwaukee, Wisconsin

**Notes to Financial Statements**  
March 31, 2017 and 2016  
(Continued)

**3. Fair Value Measurement (Continued)**

Additionally, the following table reconciles the change in the fair value of the investments categorized as Level 3 investments:

	<b>RSF Foundation Investment</b>
Balance, April 1, 2015	\$ 337,157
Total gains and losses (realized/unrealized):	
Interest Income included in investment income (or changes in net assets)	1,056
Purchases, sales, issuances and settlements (net)	-
Balance, March 31, 2016	\$ 338,213
Balance, April 1, 2016	\$ 338,213
Total gains and losses (realized/unrealized):	
Interest Income included in investment income (or changes in net assets)	1,901
Purchases, sales, issuances and settlements (net)	-
Balance, March 31, 2016	\$ 340,114
The amount of total gains and losses for the period included in investment income (or changes in net assets) attributable to the change in unrealized gains and losses relating to assets still held at the reporting date	\$ -

Prior to 1996, the Association received a gift of 500 shares of stock in Lifeline Farm, Inc. with a stated value of \$2,500. The shares can only be sold in the state of Montana unless prior approval is granted. Since these shares have no ascertainable market value, they are not recorded in the financial statements.

**4. Property and Equipment**

Property and equipment consist of the following as of March 31, 2017 and 2016:

	<b>Year Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Equipment and furniture	\$ 77,440	\$ 76,278
Website and database	11,480	11,480
	88,920	87,758
Less: Accumulated depreciation	(87,134)	(83,789)
<b>Total</b>	\$ 1,786	3,969

Depreciation expense amounted to \$3,344 and \$5,080 for the years ended March 31, 2017 and 2016, respectively.

**BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.**  
Milwaukee, Wisconsin

**Notes to Financial Statements**  
March 31, 2017 and 2016  
(Continued)

**5. Concentrations**

The Association received approximately 16% and 33% of total unrestricted revenues and support from one major contributor to be used for the year ended March 31, 2017 and 2016, respectively. A board member of the Association is also on the board of the major contributor.

The Association received approximately 35% and 9% of total unrestricted revenues and support from its biennial conference for the year ended March 31, 2017.

Financial instruments that potentially expose the Association to concentrations of credit and market risk consist primarily of cash and cash equivalents, accounts receivable and investments. Cash and cash equivalents are maintained at high quality financial institutions and credit exposure is limited to any one institution. At times, account balances may exceed federally insured limits. The Association has not experienced any losses on these accounts. Management therefore believes the Association is not exposed to any significant risk regarding its cash and cash equivalents.

**6. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following time-restricted grants and contributions as of March 31, 2017 and 2016:

	<b>Year Ended March 31,</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
Merry Prepstirs	\$ -	\$ 2,500
Time Restricted	4,550	99,682
Conference and classes	948	18,925
<b>Total</b>	<b><u>\$ 5,498</u></b>	<b><u>\$ 121,107</u></b>

**7. Lease**

In 2013, the Association entered into a lease in Wisconsin. The lease period ends on July 31, 2017. The lease required a security deposit of \$800 and varying monthly installments for each year of the lease based on an agreed upon amount per square foot. Rent expense was \$19,063 and \$17,218 under this lease for the years ended March 31, 2017 and 2016, respectively.

Future minimum lease payments under operating office leases for years ending March 31 are:

2018	\$ <u>6,320</u>
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**BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.**  
Milwaukee, Wisconsin

**Statement of Functional Expenses**

Year Ended March 31, 2017

With Summarized Information for the Year Ended March 31, 2016

<b>Expenses:</b>	<b>Total Program Related</b>	<b>General and Administrative</b>	<b>Fundraising and Development</b>	<b>Totals Years Ended March 31, 2017</b>	<b>2016</b>
Salaries and wages	\$ 118,853	\$ 32,888	\$ 30,766	\$ 182,507	\$ 173,293
Employee benefits	3,768	1,309	1,419	6,496	2,421
Payroll taxes	10,023	2,710	2,359	15,092	14,716
Conference expenses	229,853	-	-	229,853	52,037
Conference in-kind expense	23,365	-	-	23,365	-
Accountant fees	9,865	3,172	2,809	15,846	17,385
Professional fees	52,967	2,720	25,379	81,066	50,555
Legal fees	-	3,767	-	3,767	10,988
Supplies expense	4,520	2,321	315	7,156	3,375
Licenses and fees	64	18	32	114	54
Grants and awards	25,000	-	-	25,000	-
Scholarships and awards	3,795	-	-	3,795	7,480
Facilities and food for events	1,200	1,587	-	2,787	3,310
Bank and credit card expenses	2,375	668	487	3,530	2,744
Utilities	4,650	1,734	1,426	7,810	9,720
Software and subscription	3,655	790	782	5,227	6,362
Postage and shipping	3,718	121	77	3,916	4,458
Advertising	82	-	510	592	652
Occupancy	10,054	3,011	2,919	15,984	17,218
Insurance	2,114	619	587	3,320	4,166
Repairs and maintenance	132	38	23	193	461
Depreciation	1,534	492	476	2,502	4,595
Printing and reproduction	10,839	313	366	11,518	10,513
Travel	9,275	11,995	2,426	23,696	24,613
Professional development	294	4,143	-	4,437	602
Miscellaneous expenses	2,307	1,638	-	3,945	7,068
Cost of goods sold	10,859	-	-	10,859	2,563
Bad debt expense	-	21,901	-	21,901	197
<b>Total functional expenses</b>	<b>\$ 545,161</b>	<b>\$ 97,955</b>	<b>\$ 73,158</b>	<b>\$ 716,274</b>	<b>\$ 431,546</b>

See Independent Auditors' Report.