

**BIODYNAMIC FARMING AND GARDENING
ASSOCIATION, INC.**
East Troy, Wisconsin

Audited Financial Statements
Year Ended March 31, 2018

With Summarized Totals for the
Year Ended March 31, 2017

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Independent Auditors' Report

Board of Directors
Biodynamic Farming and Gardening Association, Inc.
East Troy, 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, 2018, 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, 2018, 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, 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

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.

September 20, 2018
Milwaukee, Wisconsin

BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.
East Troy, Wisconsin

Statements of Financial Position
March 31, 2018 and 2017

ASSETS	2018	Restated 2017
Current Assets:		
Cash and equivalents	\$ 250,691	\$ 212,252
Investment	342,674	340,114
Accounts receivable, net	57,129	1,478
Pledges receivable	13,998	14,550
Prepaid expenses	10,196	11,883
Inventory	23,461	23,855
Total current assets	<u>698,149</u>	<u>604,132</u>
Noncurrent Assets:		
Property and equipment, net	1,277	1,786
Security deposit	2,375	4,317
Total noncurrent assets	<u>3,652</u>	<u>6,103</u>
Total assets	<u>\$ 701,801</u>	<u>\$ 610,235</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 7,199	\$ 12,617
Accrued payroll and related expenses	10,061	12,476
Accrued absences	2,218	-
Current portion of deferred revenue	35,628	31,229
Total current liabilities	<u>55,106</u>	<u>56,322</u>
Long-Term Liabilities:		
Deferred revenue less current portion	8,823	-
Total liabilities	<u>63,929</u>	<u>56,322</u>
Net Assets:		
Unrestricted	514,265	548,415
Temporarily restricted	123,607	5,498
Total net assets	<u>637,872</u>	<u>553,913</u>
Total liabilities and net assets	<u>\$ 701,801</u>	<u>\$ 610,235</u>

See Independent Auditors' Report.

BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.
East Troy, Wisconsin

Statement of Activities
Year Ended March 31, 2018
With Summarized Totals for the Year Ended March 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	Totals Years Ended March 31, Restated	
			2018	2017
Revenues:				
Biodynamic literature, net of discounts and refunds	\$ 12,552	\$ -	\$ 12,552	\$ 25,801
Contributions and grants	429,021	123,607	552,628	314,646
Memberships	46,504	-	46,504	45,955
Other	5,792	-	5,792	2,695
Interest income	2,859	-	2,859	2,130
Conference	-	-	-	271,614
Education and workshops	54,230	-	54,230	17,801
In-kind revenue	-	-	-	23,365
Net assets released from restrictions	5,498	(5,498)	-	-
Total revenues	556,456	118,109	674,565	704,007
Expenses:				
Program related	358,167	-	358,167	545,161
General and administrative	101,535	-	101,535	97,955
Fundraising	130,904	-	130,904	73,158
Total expenses	590,606	-	590,606	716,274
Change in Net Assets	(34,150)	118,109	83,959	(12,267)
Net Assets, Beginning of year	548,415	5,498	553,913	553,981
Prior Period Adjustment	-	-	-	12,199
Net Assets, Beginning of year, as adjusted	548,415	5,498	553,913	566,180
Net Assets, End of year	\$ 514,265	\$ 123,607	\$ 637,872	\$ 553,913

See Independent Auditors' Report.

BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.
East Troy, Wisconsin

Statements of Cash Flows
March 31, 2018 and 2017

	2018	Restated 2017
Cash Flows From Operating Activities:		
Change in net assets	\$ 83,959	\$ (12,267)
Adjustment to reconcile change in net assets to net cash provided / (used) by operating activities:		
Depreciation	509	3,344
Change in other assets and liabilities:		
Inventory	394	(1,821)
Accounts receivable	(55,651)	18,241
Grants receivable	-	40,000
Pledges receivable	552	6,357
Security deposit	1,942	(3,000)
Prepaid expenses	1,687	(9,383)
Accounts payable	(5,418)	7,793
Deferred revenue	13,222	5,956
Accrued payroll and related expenses	(2,415)	3,027
Accrued absences	2,218	-
Total adjustments	(42,960)	70,514
Net cash provided by operations	40,999	58,247
 Cash Flows From Investing Activities:		
Purchase of investments	(2,560)	(1,901)
Purchase of fixed assets	-	(1,161)
Net cash used by investing activities	(2,560)	(3,062)
 Net increase in cash and equivalents	38,439	55,185
 Cash and Equivalents, Beginning of Year	212,252	157,067
 Cash and Equivalents, End of Year	\$ 250,691	\$ 212,252

See Independent Auditors' Report.

BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.
East Troy, Wisconsin

Notes to Financial Statements
March 31, 2018

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, 2018 and 2017.

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, 2018 and 2017 consisted of cash in a bank.

BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.
East Troy, Wisconsin

Notes to Financial Statements
March 31, 2018
(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, 2018 and 2017 totaled \$342,674 and \$340,144, 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 \$1,000 and \$3,500 at March 31, 2018 and 2017, respectively. 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.

Property and Equipment

The Association capitalizes all expenditures in excess of \$1,000 for property and equipment 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.

BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.
East Troy, Wisconsin

Notes to Financial Statements
March 31, 2018
(Continued)

2. Summary of Significant Accounting Policies (Continued)

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 \$23,461 and \$23,855 for the years ended March 31, 2018 and 2017, 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. In January 2018, the Association started a lifetime membership program. The revenue from the lifetime memberships is recorded based on the life expectancy of the lifetime member.

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.

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 \$1,350 and \$592 for the years ended March 31, 2018 and 2017, respectively.

BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.
East Troy, Wisconsin

Notes to Financial Statements
March 31, 2018
(Continued)

2. Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Association has evaluated subsequent events for potential recognition and/or disclosure in the March 31, 2018 financial statements through September 20, 2018, 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, 2018:

<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	\$ 342,674	-	\$ 342,674

The Association's investment in Rudolf Steiner Foundation as of March 31, 2018 is recorded at cost. As of March 31, 2018 and 2017, the investment was earning interest at a rate of 0.75%. 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, 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

BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.
East Troy, Wisconsin

Notes to Financial Statements
March 31, 2018
(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:

	RSF Foundation Investment
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, 2017	\$ 340,114
Balance, April 1, 2017	\$ 340,114
Total gains and losses (realized/unrealized):	
Interest Income included in investment income (or changes in net assets)	2,560
Purchases, sales, issuances and settlements (net)	-
Balance, March 31, 2018	\$ 342,674
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, 2018 and 2017:

	Year Ended March 31,	
	2018	2017
Equipment and furniture	\$ 56,070	\$ 77,440
Website and database	11,480	11,480
	67,550	88,920
Less: Accumulated depreciation	(66,273)	(87,134)
Total	\$ 1,277	\$ 1,786

Depreciation expense amounted to \$509 and \$3,344 for the years ended March 31, 2018 and 2017, respectively. Depreciation expense allocated to the conference amounted to \$24 and \$842 for the years ended March 31, 2018 and 2017, respectively.

BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.
East Troy, Wisconsin

Notes to Financial Statements
March 31, 2018
(Continued)

5. Concentrations

The Association received approximately 23% and 16% of total unrestricted revenues and support from one major contributor to be used for the year ended March 31, 2018 and 2017, respectively. A board member of the Association is also on the board of the major contributor.

The Association received approximately 35% of total unrestricted revenues and support from its biennial conference for the year ended March 31, 2017. There was no revenue from the conference in the year ended March 31, 2018.

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, 2018 and 2017:

	<u>Year Ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Visioning Project	\$ 15,000	\$ -
Fellowship of Prep Makers	3,109	-
Research	3,000	-
Conference presenter	1,000	-
Education	47,500	-
Time Restricted	53,998	4,550
Conference and classes	-	948
Total	<u>\$ 123,607</u>	<u>\$ 5,498</u>

7. Lease

The Organization had a lease for office space that ended 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 \$7,280 and \$19,063 under this lease for the years ended March 31, 2018 and 2017, respectively. The Organization currently leases office space in a month-to-month arrangement for \$375 per month.

8. Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

9. Prior Period Adjustment

A \$12,199 adjustment was made to the March 31, 2017 inventory balance. The adjustment reflects previously unrecorded biodynamic publication and literature inventory that was in storage and not recorded on the financial statements of the Organization. As a result, the March 31, 2017 inventory balance increased from \$11,656 to \$23,855 and the March 31, 2017 unrestricted net assets increased from \$553,981 to \$566,180.

BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.
East Troy, Wisconsin

Statement of Functional Expenses

Year Ended March 31, 2018

With Summarized Information for the Year Ended March 31, 2017

Expenses:	Program Related	General and Administrative	Fundraising and Development	Totals Years Ended March 31,	
				2018	2017
Salaries and wages	\$ 138,932	\$ 42,425	\$ 54,624	\$ 235,981	\$ 182,507
Employee benefits	5,879	1,964	2,860	10,703	6,496
Payroll taxes	11,462	3,395	4,152	19,009	15,092
Accountant fees	11,642	3,371	4,614	19,627	15,846
Advertising	1,300	-	50	1,350	592
Bad debt expense	-	640	-	640	21,901
Bank and credit card expenses	2,751	1,179	861	4,791	3,530
Conference expenses	19,640	-	-	19,640	229,853
Conference in-kind expense	350	-	-	350	23,365
Cost of goods sold	1,711	-	-	1,711	10,859
Depreciation	288	87	110	485	2,502
Facilities and food for events	801	5,537	1,141	7,479	2,787
Fiscal sponsorship fee	2,601	-	-	2,601	-
Grants and awards	3,350	-	-	3,350	25,000
Insurance	2,274	1,118	958	4,350	3,320
Legal fees	-	1,535	-	1,535	3,767
Licenses and fees	169	116	65	350	114
Miscellaneous expenses	7,708	2,786	335	10,829	3,945
Occupancy	6,514	2,692	2,622	11,828	15,984
Postage and shipping	5,125	285	239	5,649	3,916
Printing and reproduction	12,039	368	381	12,788	11,518
Professional development	751	1,555	1,708	4,014	4,437
Professional fees	94,662	7,838	50,467	152,967	81,066
Repairs and maintenance	-	-	-	-	193
Scholarships and awards	5,645	-	-	5,645	3,795
Software and subscription	3,083	743	843	4,669	5,227
Supplies expense	4,755	1,777	628	7,160	7,156
Travel	11,869	20,993	2,963	35,825	23,696
Utilities	2,485	1,113	1,067	4,665	7,810
Website	381	18	216	615	-
Total functional expenses	\$ 358,167	\$ 101,535	\$ 130,904	\$ 590,606	\$ 716,274

See Independent Auditors' Report.