

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

Audited Financial Statements
Year Ended March 31, 2019

With Summarized Totals for the
Year Ended March 31, 2018

Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 13



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, 2019, the related statements of activities, functional expenses 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, 2019, 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.

Reilly, Penner & Benton LLP

1233 N. Mayfair Road Suite #302 • Milwaukee, WI 53226-3255 • 414-271-7800

www.rpb.biz

Report on Summarized Comparative Information

We have previously audited Biodynamic Farming and Gardening Association, Inc.'s March 31, 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

August 26, 2019
Milwaukee, Wisconsin

BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.

East Troy, Wisconsin

Statements of Financial Position

March 31, 2019 and 2018

ASSETS	2019	2018
Current Assets:		
Cash and equivalents	\$ 205,911	\$ 250,691
Investment	346,329	342,674
Accounts receivable, net	6,047	57,129
Pledges receivable	20,213	13,998
Prepaid expenses	11,225	10,196
Inventory	21,986	23,461
Total current assets	611,711	698,149
Noncurrent Assets:		
Property and equipment, net	2,843	1,277
Security deposit	2,375	2,375
Total noncurrent assets	5,218	3,652
Total assets	\$ 616,929	\$ 701,801
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 10,191	\$ 7,199
Accrued payroll and related expenses	15,129	10,061
Accrued absences	3,794	2,218
Current portion of deferred revenue	41,672	35,628
Total current liabilities	70,786	55,106
Long-Term Liabilities:		
Deferred revenue less current portion	31,229	8,823
Total liabilities	102,015	63,929
Net Assets:		
Without donor restriction	426,728	514,265
With donor restriction	88,186	123,607
Total net assets	514,914	637,872
Total liabilities and net assets	\$ 616,929	\$ 701,801

See Independent Auditors' Report.

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

Statement of Activities

Year Ended March 31, 2019

With Summarized Totals for the Year Ended March 31, 2018

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Totals Years Ended March 31,</u>	
			<u>2019</u>	<u>2018</u>
Revenues:				
Biodynamic literature, net of discounts and refunds	\$ 21,242	\$ -	\$ 21,242	\$ 12,552
Contributions and grants	329,597	54,172	383,769	552,628
Memberships	72,124	-	72,124	46,504
Other	13,346	-	13,346	5,792
Interest income	4,349	-	4,349	2,859
Conference	303,386	-	303,386	-
Conference in-kind revenue	24,244	-	24,244	-
Education and workshops	40,915	-	40,915	54,230
Net assets released from restrictions	89,593	(89,593)	-	-
Total revenues	<u>898,796</u>	<u>(35,421)</u>	<u>863,375</u>	<u>674,565</u>
Expenses:				
Program related	786,014	-	786,014	358,167
General and administrative	101,752	-	101,752	101,535
Fundraising	98,567	-	98,567	130,904
Total expenses	<u>986,333</u>	<u>-</u>	<u>986,333</u>	<u>590,606</u>
Change in Net Assets	(87,537)	(35,421)	(122,958)	83,959
Net Assets, Beginning of year	<u>514,265</u>	<u>123,607</u>	<u>637,872</u>	<u>553,913</u>
Net Assets, End of year	<u>\$ 426,728</u>	<u>\$ 88,186</u>	<u>\$ 514,914</u>	<u>\$ 637,872</u>

See Independent Auditors' Report.

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

Statement of Functional Expenses

Year Ended March 31, 2019

With Summarized Information for the Year Ended March 31, 2018

Expenses:	Program Related	General and Administrative	Fundraising and Development	Totals Years Ended March 31,	
				2019	2018
Salaries and wages	\$ 238,831	\$ 29,306	\$ 51,558	\$ 319,695	\$ 245,024
Employee benefits	9,992	2,085	1,836	13,913	11,152
Payroll taxes	18,866	3,075	4,093	26,034	19,776
Accountant fees	231	25,070	-	25,301	20,724
Advertising	7,150	-	-	7,150	1,350
Bad debt expense	-	267	-	267	640
Bank and credit card expenses	9,570	2,094	1,231	12,895	5,072
Conference in-kind expense	24,244	-	-	24,244	350
Cost of goods sold	1,811	-	-	1,811	1,711
Depreciation	422	47	58	527	510
Facilities and food for events	149,017	4,019	63	153,099	7,507
Fiscal sponsorship fee	252	-	-	252	2,601
Grants and awards	10,000	-	-	10,000	3,350
Insurance	3,922	955	807	5,684	4,400
Legal fees	-	-	-	-	1,535
Licenses and fees	450	212	17	679	351
Miscellaneous expenses	11,179	1,533	-	12,712	10,847
Occupancy	3,763	983	610	5,356	12,112
Postage and shipping	13,347	466	216	14,029	5,682
Printing and reproduction	31,832	56	821	32,709	12,887
Professional development	3,665	2,859	243	6,767	4,014
Professional fees	181,072	12,753	32,824	226,649	156,577
Scholarships and awards	3,161	-	-	3,161	5,645
Software and subscription	5,450	733	438	6,621	4,852
Supplies expense	11,223	1,719	308	13,250	7,204
Travel	43,946	13,313	2,924	60,183	39,359
Utilities	2,149	200	440	2,789	4,759
Website	469	7	80	556	615
Total functional expenses	\$ 786,014	\$ 101,752	\$ 98,567	\$ 986,333	\$ 590,606

See Independent Auditors' Report.

BIODYNAMIC FARMING AND GARDENING ASSOCIATION, INC.

East Troy, Wisconsin

Statements of Cash Flows

March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (122,958)	\$ 83,959
Adjustment to reconcile change in net assets to net cash provided / (used) by operating activities:		
Depreciation	528	509
Change in other assets and liabilities:		
Inventory	1,475	394
Accounts receivable	51,082	(55,651)
Pledges receivable	(6,215)	552
Security deposit	-	1,942
Prepaid expenses	(1,029)	1,687
Accounts payable	2,992	(5,418)
Deferred revenue	28,450	13,222
Accrued payroll and related expenses	5,068	(2,415)
Accrued absences	1,576	2,218
Total adjustments	<u>83,927</u>	<u>(42,960)</u>
Net cash provided (used) by operations	<u>(39,031)</u>	<u>40,999</u>
Cash Flows From Investing Activities:		
Purchase of investments	(3,655)	(2,560)
Purchase of fixed assets	<u>(2,094)</u>	<u>-</u>
Net cash used by investing activities	<u>(5,749)</u>	<u>(2,560)</u>
Net increase (decrease) in cash and equivalents	(44,780)	38,439
Cash and Equivalents, Beginning of Year	<u>250,691</u>	<u>212,252</u>
Cash and Equivalents, End of Year	<u>\$ 205,911</u>	<u>\$ 250,691</u>

See Independent Auditors' Report.

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

Notes to Financial Statements
March 31, 2019 and 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:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to specific, donor-imposed restrictions. Some donor restrictions are temporary in nature and the restrictions must be met by actions of the Association and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as releases from restriction. Other donor restrictions are perpetual in nature where the donor has stipulated the funds be maintained in perpetuity. The Association does not have any restrictions that are perpetual in nature.

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, 2019 and 2018 consisted of cash in a bank.

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

Notes to Financial Statements
March 31, 2019 and 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, 2019 and 2018 totaled \$346,329 and \$342,674, 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 at March 31, 2019 and 2018. 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.

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 \$21,986 and \$23,461 for the years ended March 31, 2019 and 2018, respectively.

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

Notes to Financial Statements
March 31, 2019 and 2018
(Continued)

2. Summary of Significant Accounting Policies (Continued)

Deferred Revenue

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 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.

Revenue and Support

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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 \$7,150 and \$1,350 for the years ended March 31, 2019 and 2018, respectively.

Allocation of Functional Expenses

The costs of program and supporting services activities have been summarized on the functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimate of appropriate level of employee full-time equivalents worked within that program.

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

Notes to Financial Statements
March 31, 2019 and 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, 2019 financial statements through August 26, 2019, the date that the financial statements were available to be issued. The Association has no subsequent events that require disclosure in the financial statements.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented which had no impact on net asset classification.

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended March 31, 2018, from which the summarized information was derived.

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

3. Liquidity and Availability

Financial assets available for general expenditure and other contractual obligations, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position, comprise the following at March 31:

Financial assets:		<u>2019</u>	<u>2018</u>
Cash and equivalents	\$	205,911	\$ 250,691
Investments		346,329	342,674
Accounts receivable		6,047	57,129
Pledges receivable		<u>20,213</u>	<u>13,998</u>
Total financial assets		578,500	664,492
Less amounts not available to be used within one year for general expenditures and other contractual obligations:			
None		<u>-</u>	<u>-</u>
Financial assets available to meet general expenditures and other contractual obligations within one year	\$	<u>578,500</u>	<u>664,492</u>

The Organization receives contributions restricted by donors and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

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

Notes to Financial Statements
March 31, 2019 and 2018
(Continued)

4. 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, 2019:

<u>Description</u>	Fair Value Measurement at Reporting Date Using		
	Quoted Prices in Active markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
RSF Foundation	\$ 346,329	-	\$ 346,329

The Association's investment in notes issued by the Rudolf Steiner Foundation as of March 31, 2019 is recorded at cost. As of March 31, 2019 and 2018, the investment was earning interest at a rate of 1.25% and 0.75%, 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, 2018:

<u>Description</u>	Fair Value Measurement at Reporting Date Using		
	Quoted Prices in Active markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
RSF Foundation	\$ 342,674	-	\$ 342,674

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

Notes to Financial Statements
March 31, 2019 and 2018
(Continued)

4. 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, 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
Balance, April 1, 2018	\$ 342,674
Total gains and losses (realized/unrealized):	
Interest Income included in investment income (or changes in net assets)	3,655
Purchases, sales, issuances and settlements (net)	-
Balance, March 31, 2019	\$ 346,329
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.

5. Property and Equipment

Property and equipment consist of the following as of March 31, 2019 and 2018:

	Year Ended March 31,	
	2019	2018
Equipment and furniture	\$ 9,367	\$ 56,070
Website and database	11,480	11,480
	20,847	67,550
Less: Accumulated depreciation	(18,004)	(66,273)
Total	\$ 2,843	\$ 1,277

Depreciation expense amounted to \$528 and \$509 for the years ended March 31, 2019 and 2018, respectively. Depreciation expense allocated to the conference amounted to \$128 and \$24 for the years ended March 31, 2019 and 2018, respectively.

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

Notes to Financial Statements
March 31, 2019 and 2018
(Continued)

6. Deferred Revenue

Deferred revenue related to membership dues consists of the following at March 31, 2019 and 2018:

	<u>Year Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Current portion	\$ 41,672	\$ 35,628
Long-term portion	31,229	8,823
Total	<u>\$ 72,901</u>	<u>\$ 44,451</u>

Deferred revenue as of March 31, 2019 will be recognized as revenue in the following fiscal years ending March 31:

2020	\$ 41,672
2021	1,154
2021	1,154
2022	1,154
2023	1,154
2024-2028	5,475
Beyond	21,138
Total	<u>\$ 72,901</u>

7. Concentrations

The Association received approximately 14% and 23% of total without donor restricted revenues and support from one major contributor to be used for the year ended March 31, 2019 and 2018, respectively. A board member of the Association is also on the board of the major contributor.

The Association received approximately 33% of total without donor restricted revenues and support from its biennial conference for the year ended March 31, 2019. 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.

8. With Donor Restriction Net Assets

With donor restriction net assets consist of the following time-restricted and purpose-restricted grants and contributions as of March 31, 2019 and 2018:

	<u>Year Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Visioning Project	\$ -	\$ 15,000
Fellowship of Prep Makers	2,426	3,109
Research	3,000	3,000
Conference presenter	-	1,000
Education	39,196	47,500
Time Restricted	10,213	53,998
Seed, Soil and Culture	33,351	-
Total	<u>\$ 88,186</u>	<u>\$ 123,607</u>