

**PRACTICAL FARMERS OF IOWA  
FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2022**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Practical Farmers of Iowa  
Ames, Iowa

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Practical Farmers of Iowa, (the Organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2022, 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.

#### ***Basis for Opinion***

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

#### ***Emphasis-of-Matter Regarding a Correction of an Error***

As described in Note 15 to the financial statements, the Organization corrected its revenue recognition policy and net asset classification as of September 30, 2021. Our opinion is not modified with respect to these matters.

***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 the Organization's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

***Auditors' 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 auditors' 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 the Organization'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 the Organization's ability to continue as a going concern for a reasonable period of time.

Board of Directors  
Practical Farmers of Iowa

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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Cedar Rapids, Iowa  
January 30, 2024

**PRACTICAL FARMERS OF IOWA  
STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2022**

**ASSETS**

Cash and Cash Equivalents	\$	32,261
Grants Receivable		656,700
Unconditional Promises to Give		1,320,000
Accounts Receivable		87,593
Investments		1,519,012
Prepaid Expenses		9,375
Property and Equipment, Net		252,359
Beneficial Interest in Assets Held by a Community Foundation		<u>362,272</u>
Total Assets	\$	<u><u>4,239,572</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable	\$	125,522
Accrued Payroll and Taxes		136,318
Deferred Revenue		<u>229,212</u>
Total Liabilities		491,052

**NET ASSETS**

Net Assets Without Donor Restrictions:		
Board-Designated for Endowment		258,732
Undesignated		<u>1,588,389</u>
Total Net Assets Without Donor Restrictions		1,847,121
Net Assets With Donor Restrictions		<u>1,901,399</u>
Total Net Assets		<u><u>3,748,520</u></u>
Total Liabilities and Net Assets	\$	<u><u>4,239,572</u></u>

*See accompanying Notes to Financial Statements.*

**PRACTICAL FARMERS OF IOWA  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2022**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Grants	\$ 2,404,715	\$ 2,418,500	\$ 4,823,215
Contributions	131,206	-	131,206
Membership Dues	99,118	-	99,118
Conference and Event Sponsorships	69,785	-	69,785
Conference and Event Registrations	42,066	-	42,066
Investment Return	(137,688)	-	(137,688)
Other Income	9,731	-	9,731
Net Assets Released from Restriction	1,422,121	(1,422,121)	-
Total Revenue and Support	<u>4,041,054</u>	<u>996,379</u>	<u>5,037,433</u>
<b>EXPENSES</b>			
Program	3,900,923	-	3,900,923
Management and General	180,208	-	180,208
Fundraising	142,607	-	142,607
Total Expenses	<u>4,223,738</u>	<u>-</u>	<u>4,223,738</u>
<b>CHANGE IN NET ASSETS</b>	(182,684)	996,379	813,695
Net Assets - Beginning of Year, as Previously Reported	1,651,615	1,721,639	3,373,254
Prior Period Adjustment	378,190	(816,619)	(438,429)
Net Assets - Beginning of Year, as Restated	<u>2,029,805</u>	<u>905,020</u>	<u>2,934,825</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,847,121</u>	<u>\$ 1,901,399</u>	<u>\$ 3,748,520</u>

See accompanying Notes to Financial Statements.

**PRACTICAL FARMERS OF IOWA  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2022**

	Program	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 1,548,254	\$ 15,519	\$ 91,572	\$ 1,655,345
Employee Benefits and Taxes	297,465	-	11,604	309,069
Contract Services	1,390,316	131,269	7,131	1,528,716
Printing and Copying	54,311	3	6,722	61,036
Postage and Delivery	20,735	6	3,787	24,528
Supplies and Equipment	173,141	5,058	6,568	184,767
Rent and Occupancy	63,221	-	3,850	67,071
Telephone and Internet	38,068	2,393	1,622	42,083
Travel and Conferences	31,468	6	276	31,750
Publicity and Advertising	98,079	-	309	98,388
Insurance	20,960	8,728	1,337	31,025
Meetings	77,125	16,980	2,792	96,897
Repairs and Maintenance	4,494	-	341	4,835
Professional Development	21,375	-	1,238	22,613
Sponsorships	10,421	-	322	10,743
Dues and Subscriptions	9,082	-	557	9,639
Fees and Service Charges	6,517	-	303	6,820
Other	476	246	-	722
Depreciation	35,415	-	2,276	37,691
<b>Total Functional Expenses</b>	<b>\$ 3,900,923</b>	<b>\$ 180,208</b>	<b>\$ 142,607</b>	<b>\$ 4,223,738</b>

See accompanying Notes to Financial Statements.

**PRACTICAL FARMERS OF IOWA  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 813,695
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation	37,691
Realized Gains on Investments	(10,836)
Unrealized Losses on Investments	100,154
Change in Beneficial Interest in Assets Held by a Community Foundation	62,892
(Increase) Decrease in Assets:	
Accounts and Grants Receivable	25,996
Unconditional Promises to Give	(1,136,250)
Prepaid Expenses	13,811
Increase in Liabilities:	
Accounts Payable	24,632
Accrued Payroll and Taxes	17,040
Deferred Revenue	175,547
Net Cash Provided by Operating Activities	124,372

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Investments	(1,358,452)
Proceeds from Sale of Investments	357,762
Purchase of Property and Equipment	(62,827)
Net Cash Used by Investing Activities	(1,063,517)

**NET CHANGE IN CASH AND CASH EQUIVALENTS**

(939,145)

Cash and Cash Equivalents - Beginning of Year

971,406

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 32,261

*See accompanying Notes to Financial Statements.*

**PRACTICAL FARMERS OF IOWA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Practical Farmers of Iowa (the Organization) is a nonprofit corporation that seeks to preserve the productive capacity of farmland, improve the environmental and economic well-being of farm families, and protect the health of consumers through food system activities, farming system activities, educational activities, and public policy activities.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Receivables from Grantor Agencies**

Reimbursement procedures used for grants and contracts may result in timing differences between program reimbursements and expenditures as of the beginning and end of the year. Receivables from grantor agencies represent an excess of expenditures over reimbursements at year-end.

**Promises to Give**

Unconditional promises to give are recorded as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises are recognized only when the conditions on which they depend are substantially met and promises become unconditional. The Organization has no conditional promises to give. Uncollectible promises are written off after management has used reasonable collection efforts and determines the promises will not be collected.

**Investments**

Investments are carried at fair value with unrealized and realized gains and losses on investments reported as an increase or decrease in net assets based upon donor-imposed restrictions.

Investment income is reported in the statement of activities as revenue based upon donor-imposed restrictions. Gains and investment income that are limited to specific uses by donor-imposed restrictions are reported in without donor-restricted net assets when the restrictions are met in the same reporting period as the gains and income are recognized.

**PRACTICAL FARMERS OF IOWA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Acquisitions of property and equipment in excess of \$2,500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the useful lives of the assets generally as follows:

Buildings	40 Years
Furniture and Fixtures	10 Years
Office Equipment	5 to 10 Years
Vehicles	5 Years

**Impairment of Long-Lived Assets**

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

**Beneficial Interest in Assets Held by a Community Foundation**

Beneficial interest in assets held by a community foundation represents designated assets set aside by the board of directors in an endowment fund and transferred to the Community Foundation of Greater Des Moines (the Foundation) under a reciprocal agreement. In accordance with the provisions of the Endow Iowa legislation, distributions of up to, but not exceeding, five percent (5%) of the Fund balance as of December 31 of the previous year may be made each year. The Organization shall direct distributions not more frequently than four times in any 12-month period. Net income in excess of the distributions to the Organization, administrative fees and direct expenses will be maintained in the Fund. If the Organization ceases to be a qualified charitable organization or proposes to dissolve, the Community Foundation, using its variance power, shall redirect distributions from the Fund to other qualifying Iowa charities operating in the same general geographic area and providing related or similar services as those provided by the Organization. The endowment is reported at fair value on the statement of financial position with the corpus of the fund being perpetually restricted and earnings being temporarily restricted until disbursed from the fund.

**PRACTICAL FARMERS OF IOWA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets**

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

*Net Assets Without Donor Restrictions* – Resources over which the board of directors has discretionary control. Designated amounts represent amounts which the board has set aside for a particular purpose.

*Net Assets With Donor Restrictions* – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Agency or passage of time.

**Revenue Recognition**

Grant or contract revenue is recognized when earned. The grants and contracts are written on an expenditure reimbursement basis and accordingly, grant or contract revenue is earned when the performance obligations for each grant or contract are met. The financial statements present any funds received and not expended as deferred revenue.

Contributions received are classified as with and without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions receivable are recognized when an unconditional promise to give is received. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. The Organization has not recorded the present value discount for long-term contributions as they have determined it does not materially impact the financial statements. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. The Organization has not recognized any conditional promises to give. However, the Organization has been awarded several grants and contributions that will be recognized as revenue once the conditions are met in future periods.

Noncash contributions are recorded at their fair values in the period received. Noncash contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Contributed property and equipment are recorded at estimated fair value at the date of the gift. If donors stipulate how long the assets must be used, the contributions are recorded as with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as without donor restrictions.

Membership revenue is recognized as received because they are deemed to be contributions rather than exchange transactions.

**Advertising**

Advertising costs are expensed as incurred.

**PRACTICAL FARMERS OF IOWA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Expense Allocations**

The Organization allocates its expenses on a functional basis among its various programs and supporting activities. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits, insurance, and occupancy, which are allocated on the basis of estimates of time and effort.

**Income Taxes**

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides income tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. The Internal Revenue Service has not classified the Organization as a private foundation.

The Organization files information returns with the U.S. federal jurisdiction and follows the standard for evaluating uncertain tax positions. The Organization has determined that it was not required to record a liability related to uncertain tax positions.

**Change in Accounting Principle**

In September 2020, FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU was issued to improve the effectiveness of disclosures related to contributions of nonfinancial assets. This adoption had no impact on the Organization's financial position.

**Subsequent Events**

Management has evaluated subsequent events through January 30, 2024, the date the financial statements were available to be issued.

**NOTE 2 LIQUIDITY AND AVAILABILITY**

Financial assets held by the Organization, that is, without donor restrictions limiting their use, within one year of the statement of financial position date to meet general expenditures and future needs of the Organization are as follows as of September 30, 2022:

Cash and Cash Equivalents	\$ 32,261
Grants Receivable	656,700
Unconditional Promises to Give	1,320,000
Accounts Receivable	87,593
Investments	1,519,012
Financial Assets	<u>3,615,566</u>
Less: Net Assets With Donor Restrictions	<u>(1,901,399)</u>
Total	<u><u>\$ 1,714,167</u></u>

**PRACTICAL FARMERS OF IOWA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 3 RECEIVABLES**

Grants, unconditional promises to give, and accounts receivable as of September 30, 2022, are expected to be received as follows:

Year Ending September 30,	Amount
2023	\$ 1,779,293
2024	285,000
Total	\$ 2,064,293

**NOTE 4 INVESTMENTS**

Investments consist of the following as of September 30, 2022:

Money Market	\$ 406,310
Exchange Traded Funds	31,385
Mutual Funds	1,081,317
Total	\$ 1,519,012

Investment income includes the following for the year ended September 30, 2022:

Interest and Dividends	\$ 17,345
Realized Gain	10,836
Unrealized Loss	(100,154)
Investment Management Fee	(2,823)
Change in Beneficial Interest in Assets Held by Community Foundation	(62,892)
Total	\$ (137,688)

**NOTE 5 FAIR VALUE MEASUREMENT**

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

*Level 2* – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;

**PRACTICAL FARMERS OF IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 5 FAIR VALUE MEASUREMENT (CONTINUED)**

- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

The asset's 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

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

*Mutual and Exchange Traded Funds* are valued at the net asset value of shares held by the Organization at year-end.

*Beneficial Interest in Assets Held by a Community Foundation* is valued at the Organization's pro-rata share of the community foundation's investment pool. The unobservable inputs are the underlying assets at the community foundation and follow their investment policy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**PRACTICAL FARMERS OF IOWA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 5 FAIR VALUE MEASUREMENT (CONTINUED)**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange Traded Funds	\$ 31,385	\$ -	\$ -	\$ 31,385
Mutual Funds	1,081,317	-	-	1,081,317
Beneficial Interest in Assets Held by a Community Foundation	-	-	362,272	362,272
Total	<u>\$ 1,112,702</u>	<u>\$ -</u>	<u>\$ 362,272</u>	<u>\$ 1,474,974</u>

The following is a reconciliation of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ended September 30, 2022:

	<u>Amount</u>
Balance - October 1, 2021	\$ 425,164
Change in Beneficial Interest	(62,892)
Balance - September 30, 2022	<u>\$ 362,272</u>

The following table details Level 3 holdings as of September 30, 2022:

<u>Type</u>	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>
Beneficial Interest in Assets Held by a Community Foundation	<u>\$ 362,272</u>	Pro-Rata Share of Pool	Value of Underlying Assets

**NOTE 6 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of September 30, 2022:

Land	\$ 137,000
Buildings and Improvements	11,000
Leasehold Improvements	67,683
Equipment	210,627
Subtotal	426,310
Less: Accumulated Depreciation	(173,951)
Total Property and Equipment	<u>\$ 252,359</u>

**PRACTICAL FARMERS OF IOWA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 7 BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION**

The Organization has established funds at the Community Foundation of Greater Des Moines (the Foundation). The funds are administered by the Foundation for the benefit of the Organization. Control over the investment or reinvestment of these funds is exercised exclusively by the Foundation. Distributions from the funds are not subject to variance power. The funds balance as of September 30, 2022 is \$362,272. During the year ended September 30, 2022, the Organization received no distributions from these funds.

**NOTE 8 CONTINGENT LIABILITY**

The Organization is contingently liable to grantors for monies received until each grant has been closed by the grantor. No amounts have been accrued for the year ended September 30, 2022.

**NOTE 9 RESTRICTIONS ON NET ASSETS**

Net assets with donor restrictions are available for the following as of September 30, 2022:

Endowment - Corpus	\$ 55,614
Endowment - Earnings	47,926
Time	1,127,749
Livestock Program	371,645
Horticulture Program	187,422
Field Crops	91,656
Savings Incentive Program	19,387
Total	<u>\$ 1,901,399</u>

Net assets released from donor restrictions by incurring expense, satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors is as follows for the year ended September 30, 2022:

Satisfaction of Purpose Restrictions	\$ 885,205
Expiration of Time Restrictions	536,916
Total	<u>\$ 1,422,121</u>

**NOTE 10 ENDOWMENT FUND**

The Organization's endowment consists of one fund established to support future operations of the Organization. The endowment consists of board-designated (quasi) endowment funds as well as donor contributions. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**PRACTICAL FARMERS OF IOWA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 10 ENDOWMENT FUND (CONTINUED)**

Management has interpreted the Iowa-enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor-restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in donor-restricted net assets classifies as net assets without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

**Investment Return Objectives, Risk Parameters and Strategies**

The Organization has invested the endowment funds with the Community Foundation of Greater Des Moines, who has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**Spending Policy**

The Organization has an agreement with the Community Foundation of Greater Des Moines in which the Organization may request and appropriate for distribution each year 5% of its endowment fund fair value of the December 31 balance of the previous year in which the distribution is planned. In following this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds and the possible effects of inflation.

**PRACTICAL FARMERS OF IOWA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 10 ENDOWMENT FUND (CONTINUED)**

**Spending Policy (Continued)**

The Organization expects the current spending policy to allow its endowment funds to grow at a nominal rate. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of September 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Value</u>
Board-Designated	\$ 258,732	\$ -	\$ 258,732
Donor-Restricted	-	103,540	103,540
Total	<u>\$ 258,732</u>	<u>\$ 103,540</u>	<u>\$ 362,272</u>

Changes in endowment net assets for the year ended September 30, 2022, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Value</u>
Net Assets - Beginning of Year	\$ 303,649	\$ 121,515	\$ 425,164
Change in Beneficial Interest in Assets Held by a Community Foundation	(44,917)	(17,975)	(62,892)
Net Assets - End of Year	<u>\$ 258,732</u>	<u>\$ 103,540</u>	<u>\$ 362,272</u>

**NOTE 11 DEFINED CONTRIBUTION PLAN**

The Organization has a defined contribution plan (the Plan) covering all employee that have been employed at least one year and worked over 1,000 hours within the year of eligibility. The Organization makes matching contributions to the Plan each year up to 4% of the individual participant's compensation. The Organization contributed \$51,132 to the Plan during the year ended September 30, 2022.

**NOTE 12 DISCLOSURE ABOUT CERTAIN CONCENTRATIONS**

**Cash Concentration**

The Organization maintains its cash in bank demand deposit accounts at multiple financial institutions. Frequently, the balances of these cash deposits have exceeded the Federal Deposit Insurance Corporation's (FDIC) insured limit of \$250,000. The Organization has not experienced any losses in such accounts. It is the opinion of management that the solvency of the referenced financial institution is not of particular concern at this time.

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**NOTE 12 DISCLOSURE ABOUT CERTAIN CONCENTRATIONS (CONTINUED)**

**Revenue Concentration**

The Organization seeks to preserve the productive capacity of farmland, improve the environmental and economic well-being of farm families, and protect the health of consumers through food system activities, farming system activities, educational activities, and public policy activities. The Organization is dependent upon federal and state funding to maintain its operation. In the event that grant monies are not available from such sources, the Organization may not continue as a going concern.

For the year ended September 30, 2022, the Organization had funding, defined as greater than 10% of total support and revenue, as follows:

	<u>Revenue</u>	<u>Percentage</u>
Foundation A	\$ 1,498,000	30 %
Foundation B	525,000	11

**NOTE 13 LEASE OBLIGATIONS**

The Organization utilizes operating leases for office space and equipment. The office space lease expires in December 2022 while the equipment lease expires in December 2025. The future minimum rental payments for the leases are as follows as of September 30, 2022:

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	\$ 16,805
2024	3,305
2025	826
Total	<u>\$ 20,936</u>

Rent expense is included in occupancy expenses and supplies and equipment expense on the statement of functional expenses. Expenses totaled \$57,305 for the year ended September 30, 2022.

**NOTE 14 ADVERTISING**

The Organization uses advertising to promote its programs among the audience it serves. Advertising costs totaled \$95,644 for the year ended September 30, 2022.

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**NOTE 15 PRIOR PERIOD ADJUSTMENT**

Previously the Organization recognized substantially all revenue sources on a reimbursement basis. As of September 30, 2021, the Organization corrected its revenue recognition policy to follow Accounting Standards Update (ASU) 2020-05, *Revenue from Contracts with Customers (Topic 606)*; and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The following is a summary of the correction as of and for the year ended September 30, 2021.

	<u>As Restated</u>	<u>As Previously Reported</u>	<u>Prior Period Adjustment</u>
Grants Receivable	\$ 476,605	\$ 342,705	\$ 133,900
Unconditional Promises to Give	183,750	1,010,013	(826,263)
Accounts Receivable	293,684	-	293,684
Prepaid Expenses	23,186	45,088	(21,902)
Accrued Payroll and Taxes	119,278	155,095	35,817
Deferred Revenue	53,665	-	(53,665)
Total			<u>\$ (438,429)</u>
 Net Assets Without Donor Restrictions	 \$ 2,029,805	 \$ 1,651,615	 \$ (378,190)
Net Assets With Donor Restrictions	905,020	1,721,639	816,619
Total			<u>\$ 438,429</u>



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