

**PRACTICAL FARMERS OF IOWA**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2023 AND 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 statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the 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.

#### ***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  
July 31, 2024

**PRACTICAL FARMERS OF IOWA  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2023 AND 2022**

	2023	2022
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 767,347	\$ 32,261
Grants Receivable	1,143,806	656,700
Unconditional Promises to Give	2,528,008	1,320,000
Accounts Receivable, Net	393,581	87,593
Investments	3,084,476	1,519,012
Prepaid Expenses	10,502	9,375
Property and Equipment, Net	206,130	252,359
Beneficial Interest in Assets Held by a Community Foundation	410,841	362,272
	\$ 8,544,691	\$ 4,239,572
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 34,482	\$ 125,522
Accrued Payroll and Taxes	152,595	136,318
Deferred Revenue	570,610	229,212
Total Liabilities	757,687	491,052
<b>NET ASSETS</b>		
Net Assets Without Donor Restrictions:		
Board-Designated for Endowment	293,420	258,732
Undesignated	2,946,890	1,588,389
Total Net Assets Without Donor Restrictions	3,240,310	1,847,121
Net Assets With Donor Restrictions	4,546,694	1,901,399
Total Net Assets	7,787,004	3,748,520
Total Liabilities and Net Assets	\$ 8,544,691	\$ 4,239,572

See accompanying Notes to Financial Statements.

**PRACTICAL FARMERS OF IOWA  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2023**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Grants	\$ 3,652,369	\$ 3,926,651	\$ 7,579,020
Fee for Service Revenue	3,470,372	-	3,470,372
Contributions	153,465	-	153,465
Membership Dues	134,001	-	134,001
Conference and Event Sponsorships	29,904	-	29,904
Conference and Event Registrations	80,698	-	80,698
Investment Return	112,886	-	112,886
Other Income	17,129	-	17,129
Net Assets Released from Restriction	1,281,356	(1,281,356)	-
Total Revenue and Support	<u>8,932,180</u>	<u>2,645,295</u>	<u>11,577,475</u>
<b>EXPENSES</b>			
Program	6,112,746	-	6,112,746
Management and General	1,266,074	-	1,266,074
Fundraising	160,171	-	160,171
Total Expenses	<u>7,538,991</u>	<u>-</u>	<u>7,538,991</u>
<b>CHANGE IN NET ASSETS</b>	1,393,189	2,645,295	4,038,484
Net Assets - Beginning of Year	<u>1,847,121</u>	<u>1,901,399</u>	<u>3,748,520</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 3,240,310</u></u>	<u><u>\$ 4,546,694</u></u>	<u><u>\$ 7,787,004</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	\$ 1,675,676	\$ 2,418,500	\$ 4,094,176
Fee for Service Revenue	729,039	-	729,039
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	<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, 2023**

	Program	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 1,693,924	\$ 410,059	\$ 102,882	\$ 2,206,865
Employee Benefits and Taxes	339,210	75,502	18,780	433,492
Contract Services	3,573,497	413,828	11,368	3,998,693
Printing and Copying	45,336	13,358	5,862	64,556
Postage and Delivery	2,985	20,750	3,922	27,657
Supplies and Equipment	95,674	116,183	3,339	215,196
Rent and Occupancy	637	82,563	2,033	85,233
Travel and Conferences	53,918	3,040	550	57,508
Publicity and Advertising	135,041	5,720	175	140,936
Insurance	5,084	30,589	449	36,122
Meetings	97,808	38,858	6,919	143,585
Repairs and Maintenance	-	5,462	50	5,512
Professional Development	4,514	15,959	651	21,124
Sponsorships	7,476	9,527	723	17,726
Dues and Subscriptions	5,500	7,872	403	13,775
Fees and Service Charges	23,565	9,886	329	33,781
Depreciation	28,577	6,918	1,736	37,230
<b>Total Functional Expenses</b>	<b>\$ 6,112,746</b>	<b>\$ 1,266,074</b>	<b>\$ 160,171</b>	<b>\$ 7,538,991</b>

See accompanying Notes to Financial Statements.

**PRACTICAL FARMERS OF IOWA  
STATEMENT OF FUNCTIONAL EXPENSES  
YEARS 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  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 4,038,484	\$ 813,695
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	37,230	37,691
Realized Gains on Investments	(19,741)	(10,836)
Unrealized Gains (Losses) on Investments	(20,574)	100,154
Change in Beneficial Interest in Assets		
Held by a Community Foundation	(48,569)	62,892
Increase (Decrease) in Assets:		
Accounts and Grants Receivable	(793,094)	25,996
Unconditional Promises to Give	(1,208,008)	(1,136,250)
Prepaid Expenses	(1,127)	13,811
(Increase) Decrease in Liabilities:		
Accounts Payable	(91,040)	24,632
Accrued Payroll and Taxes	16,277	17,040
Deferred Revenue	341,398	175,547
Net Cash Provided by Operating Activities	2,251,236	124,372
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(6,469,316)	(1,358,452)
Proceeds from Sale of Investments	4,944,167	357,762
Purchase of Property and Equipment	8,999	(62,827)
Net Cash Used by Investing Activities	(1,516,150)	(1,063,517)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	735,086	(939,145)
Cash and Cash Equivalents - Beginning of Year	32,261	971,406
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 767,347	\$ 32,261

See accompanying Notes to Financial Statements.

**PRACTICAL FARMERS OF IOWA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 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.

**Accounts Receivable**

Accounts receivable consist primarily of amounts due for services provided. The allowance for uncollectible accounts receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable.

The Organization's fee for service receivables consist of the following as of September 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accounts Receivable	\$ 393,581	\$ 87,593	\$ 293,684

**PRACTICAL FARMERS OF IOWA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022**

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

**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.

**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.

**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.

**PRACTICAL FARMERS OF IOWA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022**

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

**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.

**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. 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.

**PRACTICAL FARMERS OF IOWA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022**

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

**Revenue Recognition (Continued)**

Conferences and meetings registration revenue and sponsorships revenue are recognized over time when conferences and meetings are held.

**Deferred Revenue**

Deferred revenue consists of program service fees in which performance obligations have not been met. The Organization's deferred revenue consist of the following as of September 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Deferred Revenue	\$ 570,610	\$ 229,212	\$ 53,665

**Advertising**

Advertising costs are expensed as incurred.

**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, depreciation 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.

**PRACTICAL FARMERS OF IOWA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022**

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

**Leases**

The Organization determines if an arrangement is a lease at inception. Leases are reported on the statement of financial position as a right-of-use (ROU) asset and lease liability. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the statements of financial position. As of September 30, 2023, the Organization had no lease terms greater than 12 months.

**Adoption of New Accounting Standards**

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the requirement of the guidance effective October 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. There was no impact on the Organization's financial position and change in net assets as a result of the adoption of this accounting standard.

**Subsequent Events**

Management has evaluated subsequent events through July 31, 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:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 767,347	\$ 32,261
Grants Receivable	1,143,806	656,700
Unconditional Promises to Give	2,528,008	1,320,000
Accounts Receivable	393,581	87,593
Investments	<u>1,805,637</u>	<u>1,519,012</u>
Financial Assets	6,638,379	3,615,566
Less: Net Assets With Donor Restrictions	<u>(4,546,694)</u>	<u>(1,901,399)</u>
Total	<u>\$ 2,091,685</u>	<u>\$ 1,714,167</u>



**PRACTICAL FARMERS OF IOWA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022**

**NOTE 3 RECEIVABLES**

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

	<u>2023</u>	<u>2022</u>
Within One Year	\$ 2,822,376	\$ 1,779,293
In One to Five Years	1,296,345	285,000
Total	<u>4,118,721</u>	<u>2,064,293</u>
Less: Discount to Net Present Value of 3%	(53,326)	-
Total	<u>\$ 4,065,395</u>	<u>\$ 2,064,293</u>

**NOTE 4 INVESTMENTS**

Investments consist of the following as of September 30:

	<u>2023</u>	<u>2022</u>
Money Market	\$ 507,206	\$ 406,310
Exchange Traded Funds	35,900	31,385
Mutual Funds	600,115	1,081,317
Brokered Certificates of Deposit	1,941,255	-
Total	<u>\$ 3,084,476</u>	<u>\$ 1,519,012</u>

Investment income includes the following for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Interest and Dividends	\$ 26,915	\$ 17,345
Realized Gain	19,741	10,836
Unrealized Gain (Loss)	20,574	(100,154)
Investment Management Fee	(2,913)	(2,823)
Change in Beneficial Interest in Assets Held by Community Foundation	48,569	(62,892)
Total	<u>\$ 112,886</u>	<u>\$ (137,688)</u>

**PRACTICAL FARMERS OF IOWA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022**

**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;
- 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.

*Brokered Certificates of Deposit* are valued at cost plus accrued interest which approximates fair value.

*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.

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

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.

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

	2023			
	Level 1	Level 2	Level 3	Total
Exchange Traded Funds	\$ 35,900	\$ -	\$ -	\$ 35,900
Mutual Funds	600,115	-	-	600,115
Certificates of Deposit	-	1,941,255	-	1,941,255
Beneficial Interest in Assets Held by a Community Foundation	-	-	410,841	410,841
Total	\$ 636,015	\$ 1,941,255	\$ 410,841	\$ 2,988,111
	2022			
	Level 1	Level 2	Level 3	Total
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	\$ 1,112,702	\$ -	\$ 362,272	\$ 1,474,974

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

	2023	2022
Net Assets - Beginning of Year	\$ 362,272	\$ 425,164
Change in Beneficial Interest in Assets Held by a Community Foundation	48,569	(62,892)
Net Assets - End of Year	\$ 410,841	\$ 362,272

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

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

Type	2023		
	Fair Value	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest in Assets Held by a Community Foundation	\$ 410,841	Pro-Rata Share of Pool	Value of Underlying Assets

  

Type	2022		
	Fair Value	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest in Assets Held by a Community Foundation	\$ 362,272	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:

	2023	2022
Land	\$ 128,000	\$ 137,000
Buildings and Improvements	11,000	11,000
Leasehold Improvements	67,683	67,683
Equipment	210,627	210,627
Subtotal	417,310	426,310
Less: Accumulated Depreciation	(211,180)	(173,951)
Property and Equipment, Net	\$ 206,130	\$ 252,359

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

The Organization has established funds at 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, 2023 and 2022 is \$410,841 and \$362,272, respectively. During the years ended September 30, 2023 and 2022, the Organization received no distributions from these funds.

**PRACTICAL FARMERS OF IOWA  
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**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 as of September 30, 2023 and 2022.

**NOTE 9 RESTRICTIONS ON NET ASSETS**

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

	2023	2022
Endowment - Corpus	\$ 55,614	\$ 55,614
Endowment - Earnings	61,807	47,926
Time	312,083	1,127,749
Livestock Program	246,577	371,645
Horticulture Program	348,724	187,422
Field Crops	3,350,163	91,656
Beginning Farmer	24,700	-
Habitat	130,000	-
Savings Incentive Program	17,026	19,387
Total	<u>\$ 4,546,694</u>	<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 years ended September 30:

	2023	2022
Satisfaction of Purpose Restrictions	\$ 465,689	\$ 885,205
Expiration of Time Restrictions	815,667	536,916
Total	<u>\$ 1,281,356</u>	<u>\$ 1,422,121</u>

**PRACTICAL FARMERS OF IOWA  
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**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.

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.

**PRACTICAL FARMERS OF IOWA  
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**NOTE 10 ENDOWMENT FUND (CONTINUED)**

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

The Organization has invested the endowment funds with the Foundation, 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 Foundation 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.

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:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total Value
Board-Designated	\$ 293,420	\$ -	\$ 293,420
Donor-Restricted	-	117,421	117,421
Total	\$ 293,420	\$ 117,421	\$ 410,841
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total Value
Board-Designated	\$ 258,732	\$ -	\$ 258,732
Donor-Restricted	-	103,540	103,540
Total	\$ 258,732	\$ 103,540	\$ 362,272

**PRACTICAL FARMERS OF IOWA  
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**NOTE 10 ENDOWMENT FUND (CONTINUED)**

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total Value
Net Assets - Beginning of Year	\$ 258,732	\$ 103,540	\$ 362,272
Change in Beneficial Interest in Assets Held by a Community Foundation	34,688	13,881	48,569
Net Assets - End of Year	<u>\$ 293,420</u>	<u>\$ 117,421</u>	<u>\$ 410,841</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total Value
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 \$42,930 and \$51,132 to the Plan during the years ended September 30, 2023 and 2022, respectively.

**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 years ended September 30, the Organization had funding, defined as greater than 10% of total grant revenue, as follows:

	2023	
	Revenue	Percentage
Foundation A	\$ 1,444,085	19 %
Foundation B	998,784	13
Foundation C	1,500,000	20
	2022	
	Revenue	Percentage
Foundation A	\$ 1,444,085	30 %
Foundation B	998,784	11

**NOTE 13 LEASE OBLIGATIONS**

The Organization utilizes operating leases for office space. The office space lease was a one year lease effective January 1, 2022 through December 2022, which was renewed for an additional one year period for January 1, 2023 through December 2023. The lease required monthly payments of \$5,000. Subsequent to year end, a new lease was entered into with an effective date of January 1, 2024 through December 31, 2025, with monthly payments of \$5,500.

Rent expense is included in rent and occupancy expenses on the statement of functional expenses. Expenses totaled \$60,000 and \$57,305 for the years ended September 30, 2023 and 2022, respectively.

**NOTE 14 ADVERTISING**

The Organization uses advertising to promote its programs among the audience it serves. Advertising costs totaled \$140,936 and \$95,644 for the years ended September 30, 2023 and 2022, respectively.

**PRACTICAL FARMERS OF IOWA  
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**NOTE 15 RECLASSIFICATIONS**

Certain reclassifications have been made to the 2022 financial statement presentation to correspond to the current year format. Total assets, net assets, and change in net assets were unchanged due to these reclassifications."



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