

**PRACTICAL FARMERS OF IOWA**

**FINANCIAL STATEMENTS**

**September 30, 2009 and 2008**

## CONTENTS

Accountant's Review Report .....	1
Statements of Financial Position .....	2
Statements of Activities .....	3
Statements of Cash Flows.....	4
Notes to Financial Statements.....	5
Schedules of Functional Expenses .....	9



## ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
Practical Farmers of Iowa  
Ames, Iowa

We have reviewed the accompanying statements of financial position of Practical Farmers of Iowa as of September 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Practical Farmers of Iowa.

A review consists principally of inquiries of organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Our reviews were made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the accompanying schedules of functional expenses is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the reviews of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

*Wegner LLP*

Wegner LLP  
Madison, Wisconsin  
December 31, 2009



**PRACTICAL FARMERS OF IOWA**  
**STATEMENTS OF FINANCIAL POSITION**  
September 30, 2009 and 2008

	2009	2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 176,882	\$ 256,996
Grants receivable	56,366	59,183
Accounts receivable	3,011	4,416
Unconditional promises to give	105,500	99,100
Prepaid expenses	3,441	3,914
Total current assets	345,200	423,609
<b>EQUIPMENT</b>		
Equipment	22,372	23,345
Less accumulated depreciation	19,401	20,703
Equipment - net	2,971	2,642
<b>OTHER ASSETS</b>		
Certificate of deposit - non-current	51,192	50,000
<b>Total assets</b>	<b>\$ 399,363</b>	<b>\$ 476,251</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 4,932	\$ 7,377
Accrued payroll and taxes	14,632	15,263
Total liabilities	19,564	22,640
<b>NET ASSETS</b>		
Unrestricted	201,819	168,852
Temporarily restricted	177,980	284,759
Total net assets	379,799	453,611
<b>Total liabilities and net assets</b>	<b>\$ 399,363</b>	<b>\$ 476,251</b>

See accompanying notes and accountant's review report.

**PRACTICAL FARMERS OF IOWA**  
**STATEMENTS OF ACTIVITIES**  
Years ended September 30, 2009 and 2008

	2009	2008
<b>UNRESTRICTED NET ASSETS</b>		
<b>SUPPORT AND REVENUE</b>		
Grants	\$ 309,243	\$ 376,876
Contributions - King Corn	-	526,503
Contributions - general	66,699	75,526
Membership dues	24,285	18,660
Conferences and workshops	46,869	57,910
Merchandise sales	1,564	1,132
Other	9,945	6,502
<b>Total unrestricted support and revenue</b>	<b>458,605</b>	<b>1,063,109</b>
<b>EXPENSES</b>		
Program services	539,889	987,725
Supporting activities		
Management and general	55,425	70,311
Fundraising	27,538	14,146
<b>Total expenses</b>	<b>622,852</b>	<b>1,072,182</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>		
Restrictions satisfied by payments	197,214	99,489
<b>Change in unrestricted net assets</b>	<b>32,967</b>	<b>90,416</b>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	90,435	284,759
Net assets released from restrictions		
Restrictions satisfied by payments	(197,214)	(99,489)
<b>Change in temporarily restricted net assets</b>	<b>(106,779)</b>	<b>185,270</b>
<b>Change in net assets</b>	<b>(73,812)</b>	<b>275,686</b>
Net assets - beginning of year	453,611	177,925
<b>Net assets - end of year</b>	<b>\$ 379,799</b>	<b>\$ 453,611</b>

See accompanying notes and accountant's review report.

**PRACTICAL FARMERS OF IOWA**  
**STATEMENTS OF CASH FLOWS**  
Years ended September 30, 2009 and 2008

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (73,812)	\$ 275,686
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	2,218	2,799
(Increase) decrease in assets		
Grants receivable	2,817	3,318
Accounts receivable	1,405	(2,964)
Unconditional promises to give	(6,400)	17,944
Prepaid expenses	473	(1,904)
Inventory	-	3,773
Increase (decrease) in liabilities		
Grants payable	-	(47,000)
Accounts payable	(2,445)	(9,384)
Accrued payroll and taxes	(631)	1,657
<b>Net cash provided by (used in) operating activities</b>	<b>(76,375)</b>	<b>243,925</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment	(2,547)	-
Purchase of certificate of deposit	-	(50,000)
Reinvestment of certificate of deposit interest	(1,192)	-
<b>Net cash used in investing activities</b>	<b>(3,739)</b>	<b>(50,000)</b>
<b>Net change in cash</b>	<b>(80,114)</b>	<b>193,925</b>
Cash - beginning of year	256,996	63,071
<b>Cash - end of year</b>	<b>\$ 176,882</b>	<b>\$ 256,996</b>

See accompanying notes and accountant's review report.

**PRACTICAL FARMERS OF IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2009 and 2008

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Practical Farmers of Iowa (PFI) seeks to preserve the productive capacity of farmland, improve the environmental and economic wellbeing of farm families, and protect the health of consumers through food system activities (encourage the general public to buy from local farmers using sustainable farming practices), farming system activities (research, demonstrate, and adopt farming practices that are ecologically sound and profitable), educational activities (acquaint urban and rural youth with the principles of sustainable agriculture), and public policy activities (support policy initiatives that foster and encourage ecologically sound farming practices).

PFI's support and revenue is provided primarily by grants from government agencies and foundations, contributions from the general public, and membership dues. The following description of significant accounting policies is provided to enhance the usefulness of the financial statements to the reader.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

PFI is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted Net Assets* – Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

*Temporarily Restricted Net Assets* – Net assets that are subject to donor-imposed time or purpose restrictions.

*Permanently Restricted Net Assets* – Net assets that have been restricted by donors to ensure that their value is maintained by PFI in perpetuity.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Grants and Accounts Receivable**

PFI considers grants and accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when that determination is made.

**Government Grants**

Some of PFI's programs are funded by grants from government agencies. Revenue from grants is based on the actual cost of grant work completed, up to the maximum amount specified in the grant. Costs are allocated to grant-funded programs in accordance with established procedures and are subject to audit by the government agencies that fund the programs. No determination has been made regarding the effect, if any, such audits could have on the financial statements.

**PRACTICAL FARMERS OF IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2009 and 2008

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Promises to Give**

Unconditional promises to give are recognized as support or gains in the period received, and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Uncollectible promises are written off after management has used reasonable collection efforts and determines the promises will not be collected.

**Contributions**

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Equipment**

Purchases of equipment in excess of \$1,000 are capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the assets.

**Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

**Income Taxes**

PFI is a nonprofit public charity organization under Internal Revenue Code Section 501(c)(3) and is therefore exempt from federal and state income or franchise taxes. PFI has elected to defer the application of *Accounting for Uncertainty in Income Taxes*. PFI evaluates any uncertain tax positions in accordance with *Accounting for Contingencies* until it applies the new provisions.

**NOTE 2 – DATE OF MANAGEMENT REVIEW**

Management has evaluated subsequent events through December 31, 2009, the date which the financial statements were available to be issued.

**PRACTICAL FARMERS OF IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2009 and 2008

**NOTE 3 – GRANTS RECEIVABLE**

Grants receivable at September 30, 2009 and 2008 consisted of the following:

	2009	2008
The Leopold Center	\$ 23,251	\$ 16,520
Iowa Attorney General's Office	9,779	4,889
USDA - SARE	7,377	-
EPA - Seed Treatment	5,764	2,126
Winrock	3,564	2,926
Iowa Department of Natural Resources	2,948	-
USDA ARS - Corn Breeding	2,149	9,683
Iowa State University	1,534	23,039
Grants receivable	\$ 56,366	\$ 59,183

**NOTE 4 – UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give at September 30, 2009 and 2008 were due within one year and consisted of the following:

	2009	2008
National Fish and Wildlife Foundation	\$ 64,100	\$ 64,100
McKnight Foundation	35,000	35,000
Non-GMO seed development funds	6,400	-
Unconditional promises to give	\$ 105,500	\$ 99,100

**NOTE 5 – CONDITIONAL PROMISE TO GIVE**

During the 2009 PFI received a \$5,000 promise to give from the McKnight Foundation payable upon receipt of matching funds in the same amount. PFI must complete the match by July 2010 in order to receive the contribution.

**NOTE 6 – RETIREMENT PLAN**

PFI maintains a Simplified Employees Pension Plan (SEP) retirement plan for employees who have worked at least one year and earn at least the annual minimum required for a SEP. PFI contributed 4% of eligible employees' annual salaries to the SEP during the year ended September 30, 2009, and 2% of eligible salaries during the year ended September 30, 2008. Employees are 100% vested in all contributions made on their behalf. Retirement expense was \$5,884 and \$2,707 for the years ended September 30, 2009 and 2008.

**PRACTICAL FARMERS OF IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2009 and 2008

**NOTE 7 – NET ASSETS**

Temporarily restricted net assets at September 30, 2009 and 2008 were restricted for use in specific projects periods. Project restrictions involve agricultural research, conservation education, public policy, and marketing of locally grown products. Support was provided for the following programs:

	2009	2008
Restricted for use in grazing program		
National Fish and Wildlife Foundation	\$ 54,874	\$ 145,116
McKnight Foundation	32,671	68,553
Ceres Foundation	6,870	47,833
Restricted for use in horticulture program		
Ceres Foundation	39,592	-
Restricted for use in youth program		
Wallace Genetic Foundation	17,182	-
Restricted for use in public policy program		
McKnight Foundation	12,310	-
National Fish and Wildlife Foundation	-	2,685
Restricted for use in non-GMO seed development program	11,400	-
Restricted for use in livestock program		
Leopold Center	2,060	-
Iowa Pork Producers Association	1,021	-
Restricted for use in food distribution program		
Blooming Prairie Foundation	-	20,572
	<u>\$ 177,980</u>	<u>\$ 284,759</u>
Temporarily restricted net assets	<u>\$ 177,980</u>	<u>\$ 284,759</u>

**NOTE 8 – OPERATING LEASES**

PFI rents office space under an operating lease that terminates in April 2013 and requires monthly payments of \$1,130, plus annual increases in future years. Rent expense was \$12,860 and \$9,530 for the years ended September 30, 2009 and 2008. Future minimum lease payments are \$14,060, \$15,010, \$15,860, and \$9,660 for the years ending September 30, 2010 through 2013.

PFI also leases a copier under an operating lease that terminates in February 2014 and requires monthly payments of \$159. Lease expense was \$2,051 and \$1,860 for the years ended September 30, 2009 and 2008. Future minimum payments under this lease are \$1,908 for the years ending September 30, 2010 through 2013, and \$477 for the year ending September 30, 2014.

**PRACTICAL FARMERS OF IOWA**  
**SCHEDULES OF FUNCTIONAL EXPENSES**  
Years ended September 30, 2009 and 2008

2009	Program Services	Supporting Activities		Total Expenses
		Management and General	Fundraising	
Personnel	\$ 235,105	\$ 27,836	\$ 22,793	\$ 285,734
Contracted services	158,514	18,013	-	176,527
Events	39,593	-	-	39,593
Occupancy	12,056	1,427	1,169	14,652
Travel and conferences	33,945	2,313	-	36,258
Printing and postage	16,629	1,969	1,612	20,210
Supplies and equipment	22,622	700	574	23,896
Telephone	3,580	424	347	4,351
Depreciation	1,825	216	177	2,218
Publicity	5,020	-	-	5,020
Sponsorship	2,202	-	-	2,202
Other	8,798	2,527	866	12,191
<b>Total expenses</b>	<b>\$ 539,889</b>	<b>\$ 55,425</b>	<b>\$ 27,538</b>	<b>\$ 622,852</b>

2008	Program Services	Supporting Activities		Total Expenses
		Management and General	Fundraising	
Personnel	\$ 220,309	\$ 34,219	\$ 10,937	\$ 265,465
Contracted services	117,622	18,134	-	135,756
Grants	515,412	-	-	515,412
Events	36,047	-	-	36,047
Occupancy	9,064	1,408	450	10,922
Travel and conferences	26,481	3,309	-	29,790
Printing and postage	20,459	3,178	1,016	24,653
Supplies and equipment	20,595	1,349	431	22,375
Telephone	7,029	1,092	349	8,470
Cost of sales	3,773	-	-	3,773
Depreciation	2,323	361	115	2,799
Publicity	1,575	-	525	2,100
Sponsorship	540	-	-	540
Bad debt	-	6,250	-	6,250
Other	6,496	1,011	323	7,830
<b>Total expenses</b>	<b>\$ 987,725</b>	<b>\$ 70,311</b>	<b>\$ 14,146</b>	<b>\$ 1,072,182</b>

See accountant's review report