

**PRACTICAL FARMERS OF IOWA**

Independent Auditors' Report  
Financial Statements

September 30, 2021 and 2020

## PRACTICAL FARMERS OF IOWA

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## Independent Auditors' Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Practical Farmers of Iowa as of and for the years ended September 30, 2021 and 2020, which comprise the financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Burlington	Cedar Rapids	Centerville	Fairfield	Mt. Pleasant	Oskaloosa	Pella	West Des Moines
319.753.9877	319.393.2374	641.437.4296	641.472.6171	319.385.9718	641.672.2523	641.628.9411	515.657.5800

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Practical Farmers of Iowa, as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022, on our consideration of Practical Farmers of Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Practical Farmers of Iowa's internal control over financial reporting and compliance.

West Des Moines, Iowa  
January 31, 2022

**PRACTICAL FARMERS OF IOWA**  
**Statements of Financial Position**  
**September 30, 2021 and 2020**

		<b>2021</b>	<b>2020</b>
<b>Assets</b>			
Cash	\$	971,406	1,387,875
Certificates of deposit		49,511	159,667
Investments		558,129	162,308
Receivables from grantor agencies		505,274	578,566
Unconditional promises to give		847,444	539,243
Prepaid expenses		45,088	50,497
Property and equipment, less accumulated depreciation		227,223	204,171
Beneficial interest in assets held by Community Foundation of Greater Des Moines		425,164	345,939
		425,164	345,939
Total assets	\$	3,629,239	3,428,266
<b>Liabilities and Net Assets</b>			
<b>Liabilities:</b>			
Accounts payable	\$	100,890	267,954
Accrued payroll and taxes		155,095	133,279
		155,095	133,279
Total liabilities		255,985	401,233
<b>Net assets:</b>			
Net Assets without donor restrictions:			
Board designated net assets (Note 8)		796,560	595,267
Undesignated		855,055	868,559
Net assets with donor restrictions		1,721,639	1,563,207
Total net assets		3,373,254	3,027,033
Total liabilities and net assets	\$	3,629,239	3,428,266

See accompanying notes to financial statements.

**PRACTICAL FARMERS OF IOWA**  
**Statement of Activities**  
**For the Year Ended September 30, 2021**

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>Revenue and Support:</b>			
Grants	\$ 1,656,208	1,812,155	3,468,363
Contributions - general	124,827	40,958	165,785
Membership dues	135,504	-	135,504
Conference and event sponsorships	75,020	-	75,020
Conference and event registrations	22,016	-	22,016
Investment income	88,564	22,643	111,207
Other income	7,997	-	7,997
Net assets released from restriction	1,717,324	(1,717,324)	-
Total revenues, gains, and other support	<u>3,827,460</u>	<u>158,432</u>	<u>3,985,892</u>
<b>Expenses:</b>			
Program	3,230,379	-	3,230,379
Management & general	271,161	-	271,161
Fundraising	138,131	-	138,131
Total expenses	<u>3,639,671</u>	<u>-</u>	<u>3,639,671</u>
<b>Increase (decrease) in net assets</b>	187,789	158,432	346,221
<b>Net assets, beginning of year</b>	<u>1,463,826</u>	<u>1,563,207</u>	<u>3,027,033</u>
<b>Net assets end of year</b>	<u>\$ 1,651,615</u>	<u>1,721,639</u>	<u>3,373,254</u>

See accompanying notes to financial statements.

**PRACTICAL FARMERS OF IOWA**  
**Statement of Activities**  
**For the Year Ended September 30, 2020**

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>Revenue and Support:</b>			
Grants	\$ 1,521,146	1,806,038	3,327,184
Contributions - general	135,689	33,733	169,422
Membership dues	104,667	-	104,667
Conference and event sponsorships	88,049	-	88,049
Conference and event registrations	57,003	-	57,003
Investment income	32,296	4,844	37,140
Other income	11,529	-	11,529
Net assets released from restriction	1,315,098	(1,315,098)	-
Total revenues, gains, and other support	<u>3,265,477</u>	<u>529,517</u>	<u>3,794,994</u>
<b>Expenses:</b>			
Program	2,712,676	-	2,712,676
Management & general	186,320	-	186,320
Fundraising	130,858	-	130,858
Total expenses	<u>3,029,854</u>	<u>-</u>	<u>3,029,854</u>
<b>Increase (decrease) in net assets</b>	235,623	529,517	765,140
<b>Net assets, beginning of year</b>	<u>1,228,203</u>	<u>1,033,690</u>	<u>2,261,893</u>
<b>Net assets end of year</b>	<u>\$ 1,463,826</u>	<u>1,563,207</u>	<u>3,027,033</u>

See accompanying notes to financial statements.

**PRACTICAL FARMERS OF IOWA**  
**Statements of Cash Flows**  
**For the Years Ended September 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 346,221	765,140
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	37,587	42,294
Realized and unrealized (gains) and losses on investments	(111,207)	(49,524)
(Increase) decrease in:		
Grants receivable	73,292	(116,432)
Unconditional promises to give	(308,201)	(313,695)
Prepaid expenses	5,409	(20,518)
Increase (decrease) in:		
Accounts payable	(167,064)	264,058
Accrued payroll and taxes	21,816	2,358
Net cash provided (used) by operating activities	<u>(102,147)</u>	<u>573,681</u>
<b>Cash flows from investing activities:</b>		
Net purchase of investments	(363,839)	-
Net purchase of fixed assets	(60,639)	-
Redemptions of certificates of deposits	110,156	46,200
Purchases of certificate of deposits	-	(49,080)
Net cash provided (used) by investing activities	<u>(314,322)</u>	<u>(2,880)</u>
<b>Net increase (decrease) in cash</b>	(416,469)	570,801
<b>Cash, beginning of year</b>	<u>1,387,875</u>	<u>817,074</u>
<b>Cash, end of year</b>	<u>\$ 971,406</u>	<u>1,387,875</u>

See accompanying notes to financial statements.

**PRACTICAL FARMERS OF IOWA**  
**Statement of Functional Expenses**  
**For the Year Ended September 30, 2021**

	<b>Program</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>Management &amp; General</b>	<b>Fundraising</b>	
Salaries	\$ 1,124,632	152,312	90,472	1,367,416
Employee benefits and taxes	255,957	34,665	20,591	311,213
Contract services	1,288,877	39,224	2,403	1,330,504
Special events	49,641	5,427	90	55,158
Printing and copying	38,416	2,208	3,540	44,164
Postage and delivery	23,816	1,409	2,960	28,185
Supplies and equipment	146,725	8,006	5,395	160,126
Rent and occupancy	55,181	7,473	4,439	67,093
Telephone and internet	36,501	4,943	2,936	44,380
Travel and conferences	13,508	728	322	14,558
Publicity and advertising	95,644	-	-	95,644
Insurance	13,479	1,825	1,084	16,388
Board meeting expenses	4,463	605	359	5,427
Repairs and maintenance	9,699	519	165	10,383
Professional development	33,668	239	143	34,050
Sponsorships	5,531	749	445	6,725
Dues and subscriptions	3,728	505	300	4,533
Fees and service charges	-	6,137	-	6,137
Depreciation expense	30,913	4,187	2,487	37,587
	<u>\$ 3,230,379</u>	<u>271,161</u>	<u>138,131</u>	<u>3,639,671</u>

See accompanying notes to financial statements.

**PRACTICAL FARMERS OF IOWA**  
**Statement of Functional Expenses**  
**For the Year Ended September 30, 2020**

	<b>Program</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>Management &amp; General</b>	<b>Fundraising</b>	
Salaries	\$ 1,025,625	105,870	86,928	1,218,423
Employee benefits and taxes	236,901	24,454	20,079	281,434
Contract services	949,671	17,845	-	967,516
Special events	135,337	5,334	687	141,358
Printing and copying	31,918	1,864	3,493	37,275
Postage and delivery	12,084	706	1,322	14,112
Supplies and equipment	102,816	5,702	5,518	114,036
Rent and occupancy	46,212	4,770	3,917	54,899
Telephone and internet	29,335	3,028	2,486	34,849
Travel and conferences	30,026	1,581	15	31,622
Publicity and advertising	26,771	-	-	26,771
Insurance	23,411	2,417	1,984	27,812
Board meeting expenses	5,307	209	27	5,543
Repairs and maintenance	768	43	41	852
Professional development	8,421	3,556	542	12,519
Sponsorships	5,210	2,200	335	7,745
Dues and subscriptions	2,802	1,183	180	4,165
Fees and service charges	4,459	1,883	287	6,629
Depreciation expense	35,602	3,675	3,017	42,294
	\$ <u>2,712,676</u>	<u>186,320</u>	<u>130,858</u>	<u>3,029,854</u>

See accompanying notes to financial statements.

**PRACTICAL FARMERS OF IOWA**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

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**Note 1 - Summary of Significant Accounting Policies**

*Nature of Activities* - Practical Farmers of Iowa 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.

*Basis of Accounting* - The financial statements of Practical Farmers of Iowa have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

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

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

*Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions may be met by actions of the Organization and/or the passage of time.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Contributions are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

*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.

*Certificates of Deposits* - Certificates of deposits held by the Organization are recorded at historical cost and they have an original maturity date of less than one year.

*Investments* - The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. All gains and losses are included in the change in net assets in the accompanying Statement of Activities.

*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.

**PRACTICAL FARMERS OF IOWA**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

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**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 (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 31st of the previous year may be made each year. The Organization shall direct distributions not more frequently than four times in any twelve-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.

*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.

*Memberships* - The Organization records revenue from memberships as received because they are deemed to be contributions rather than exchange transactions.

*Use of 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.

*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	5-10 years
Vehicles	5 years

*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.

*Income Taxes* - The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**PRACTICAL FARMERS OF IOWA**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

*Functional Expense Allocations* - The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Directly identifiable expenses are charged to the appropriate program. Expenses related to more than one function (indirect) are allocated across programs on the basis of percentage of staff time spent in each program area.

*Subsequent Events* - Management has evaluated subsequent events through January 31, 2022, the date the financial statements were available to be issued.

**Note 2 - Receivables from Grantor Agencies**

Grants and contracts receivable are deemed to be fully collectible by management and are composed of the following amounts due at September 30, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Beginning Farmer and Rancher Development	\$ 52,284	41,159
Conservation Innovation Grant	267,923	322,706
Rural Business Development Grant	-	47,056
Sustainable Agriculture Research and Education	25,241	50,777
Natural Resources Conservation Service	17,017	11,404
Environmental Protection Agency	78,294	31,827
Center for Rural Affairs	28,881	26,398
Iowa Department of Agriculture and Land	12,299	40,100
Iowa State University Foundations	13,133	-
Other	10,202	7,139
	<u>\$ 505,274</u>	<u>578,566</u>

**Note 3 - Fair Value Measurement**

The Organization values its assets at fair value. Accounting guidance establishes 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 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

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

**PRACTICAL FARMERS OF IOWA**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

**Note 3 - Fair Value Measurement (Continued)**

*Mutual funds* are valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These are required to publish their daily net asset value ("NAV") and to transact at that price. The funds held by the Organization are deemed to be actively traded.

*Beneficial interest in assets held by a community foundation* is valued at the estimated pro-rata share of the community foundation's investment pool. This asset is classified within Level 3 of the valuation hierarchy for the years ended September 30, 2021 and 2020. Valuation approaches are reviewed on an ongoing basis by the community foundation's investment committee.

The following table presents by level, within the fair value hierarchy, the assets at fair value as of September 30, 2021. Assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

<b>Description</b>	<b>September 30, 2021</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Mutual funds	\$ 558,129	558,129	-	-
Beneficial interest in assets held by a community foundation	425,164	-	-	425,164
<b>Total</b>	<b>\$ 983,293</b>	<b>558,129</b>	<b>-</b>	<b>425,164</b>

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the year ended September 30, 2021.

*Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements*

The following table represents the Organization's level 3 types, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs:

<b>Type</b>	<b>Fair Value</b>	<b>Valuation Technique</b>	<b>Significant Unobservable inputs</b>	<b>Range</b>
Beneficial interest in assets held by a community foundation	\$425,164	Estimated pro-rata share of the community foundation's investment pool	Investments are part of the community foundation's investment pool and inputs to investments are not known to investors	Unknown

**PRACTICAL FARMERS OF IOWA**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

**Note 3 - Fair Value Measurement (Continued)**

*Level 3 Gains and Losses* - The table below set forth a summary of changes in the fair value of the Organization's Level 3 investments for the year ended September 30, 2021. The change in value of beneficial interest is included in the statements of activities and is related to assets still held at the statements of financial position date.

Description	September 30, 2021 Beneficial Interests
Beginning balance	\$ 345,939
Realized and unrealized gain related to instruments held at the reporting date	74,339
Dividends	6,889
Fees	(2,003)
Ending balance	\$ 425,164
Total amount of investment gains for the period included in earnings attributable to the change in realized and unrealized gains relating to assets still held at September 30, 2021	\$ 79,225

The following table presents by level, within the fair value hierarchy, the assets at fair value as of September 30, 2020. Assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

Description	September 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 162,308	162,308	-	-
Beneficial interest in assets held by a community foundation	345,939	-	-	345,939
Total	\$ 508,247	162,308	-	345,939

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the year ended September 30, 2020.

**PRACTICAL FARMERS OF IOWA**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

**Note 3 - Fair Value of Financial Statements (Continued)**

*Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements*

The following table represents the Organization's level 3 types, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs:

<u>Type</u>	<u>Fair Value</u>	<u>Valuation Technique</u>	<u>Significant Unobservable inputs</u>	<u>Range</u>
Beneficial interest in assets held by a community foundation	\$345,939	Estimated pro-rata share of the community foundation's investment pool	Investments are part of the community foundation's investment pool and inputs to investments are not known to investors	Unknown

*Level 3 Gains and Losses* - The table below set forth a summary of changes in the fair value of the Organization's Level 3 investments for the year ended September 30, 2020. The change in value of beneficial interest is included in the statements of activities and is related to assets still held at the statements of financial position date.

<u>Description</u>	<u>September 30, 2020</u>
Beginning balance	\$ 328,992
Realized and unrealized losses related to instruments held at the reporting date	11,418
Dividends	7,184
Fees	(1,655)
Ending balance	<u>\$ 345,939</u>
Total amount of investment gains for the period included in earnings attributable to the change in realized and unrealized gains relating to assets still held at September 30, 2020	<u>\$ 16,947</u>

**Note 4 – Unconditional Promises to Give**

Unconditional promises to give for the Organization for the years ended September 30, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 847,444	<u>539,243</u>

Promises to give in less than one year were not discounted.

**PRACTICAL FARMERS OF IOWA**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

**Note 5 - Property and Equipment**

Property and equipment are stated at net book value as of September 30, 2021. The original cost, accumulated depreciation and resulting net book value, by asset group, are as follows:

<b>Asset Group</b>	<b>Original Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Land	\$ 137,000	-	137,000
Buildings and improvements	11,000	2,750	8,250
Leasehold improvements	67,683	39,764	27,919
Equipment	147,800	93,746	54,054
<b>Total</b>	<b>\$ 363,483</b>	<b>136,260</b>	<b>227,223</b>

Property and equipment are stated at net book value as of September 30, 2020. The original cost, accumulated depreciation and resulting net book value, by asset group, are as follows:

<b>Asset Group</b>	<b>Original Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Land	\$ 137,000	-	137,000
Buildings and improvements	11,000	2,200	8,800
Leasehold improvements	38,966	33,554	5,412
Equipment	115,878	62,919	52,959
<b>Total</b>	<b>\$ 302,844</b>	<b>98,673</b>	<b>204,171</b>

**Note 6 - Contingent Liability**

The Organization is contingently liable to grantors for monies received until each grant has been closed by the grantor.

**Note 7 - Restrictions on Net Assets**

Net assets with donor restrictions are available for the following purposes:

	<b>2021</b>	<b>2020</b>
Endowment - Corpus	\$ 55,614	55,614
Endowment - Earnings	64,699	42,056
Livestock Program	531,739	487,381
Beginner Farmer	201,362	10,538
Field Crops	848,838	940,723
Savings Incentive Program	19,387	26,895
<b>Total</b>	<b>\$ 1,721,639</b>	<b>1,563,207</b>

**PRACTICAL FARMERS OF IOWA**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

**Note 7 - Restrictions on Net Assets (Continued)**

Net assets released from restrictions during the years ended September 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Beginner		
Farmer:		
Farm Aid	\$ 4,317	1,683
Clif Bar- Beginning Farmer	6,745	4,497
Farm Credit	-	2,500
Kellogg Foundation	4,064	-
RSF Social Finance PEER	13,500	-
Beginning Farmer Donations	50	-
Total Beginner Farmer	<u>28,676</u>	<u>8,680</u>
Field Crops:		
Ceres Trust Foundation	188,262	191,680
Unilever	187,712	-
Non-GMO Corn Seed develop	40,908	33,733
PepsiCo	142,887	65,587
Natural Resources Defense Council	15,250	13,862
Sustainable Food Lab	20,215	8,447
ADM	244	6,628
Iowa Soybean – WFF Cover Crop	36,030	25,590
Oatly	17,712	19,848
Patagonia	11,995	7,917
HSBC-MRCC	34,885	-
Lifeline Foods	5,049	-
Cargill	34,657	-
SCCF Mustard Seed Farm	6,000	-
Smithfield	38,240	-
Seven Sundays	6,644	3,390
Walton Family Foundation agronomic crops	513,368	512,485
Total Field Crops	<u>1,300,058</u>	<u>889,167</u>
Livestock Program:		
Cedar Tree Foundation	175,469	212,884
McKnight Foundation - General	140,053	166,841
KWS Cereals/Albert Lea	-	2,253
Southern IA Forage & Livestock	10,683	3,191
GLBW/MPFWG	-	8,163
Iowa Agriculture Water Alliance	5,736	-
Wildlife Conservation Society	48,701	-
Total Livestock Program	<u>380,642</u>	<u>393,332</u>
Savings Incentive Program:		
Savings Incentive Program Cash	7,948	23,919
Total Savings Incentive Program	<u>7,948</u>	<u>23,919</u>
Total	<u>\$ 1,717,324</u>	<u>1,315,098</u>

**PRACTICAL FARMERS OF IOWA**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

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**Note 8 – Board Designated Net Assets**

The board has designated the following net assets without donor restrictions for the following purposes:

	<u>2021</u>	<u>2020</u>
Designated for agency endowment	\$ 303,649	247,069
Designated for Farmland Contingency fund	6,739	10,018
Designated for land and building	148,000	148,000
Designated for savings incentive program	97,560	97,560
Designated for labor 4 learning program	3,650	3,650
Designated for Latino outreach program	69,376	69,376
Designated for youth curriculum	18,773	19,594
Designated for information infrastructure	148,813	-
Total	<u>\$ 796,560</u>	<u>595,267</u>

**Note 9 - 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**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

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**Note 9 - Endowment Fund (Continued)**

*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.

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, 2021:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated	\$ 303,649	-	303,649
Donor restricted contribution	-	121,515	121,515
Total	\$ 303,649	121,515	425,164

Changes in endowment net assets for the year ended September 30, 2021:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Net assets, beginning of year	\$ 247,069	98,870	345,939
Appreciation in fair value	56,580	22,645	79,225
Net assets, end of year	\$ 303,649	121,515	425,164

Endowment net asset composition by type of fund as of September 30, 2020:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated	\$ 247,069	-	247,069
Donor restricted contribution	-	98,870	98,870
Total	\$ 247,069	98,870	345,939

**PRACTICAL FARMERS OF IOWA**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

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**Note 9 - Endowment Fund (Continued)**

Changes in endowment net assets for the year ended September 30, 2020:

		<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Net assets, beginning of year	\$	234,965	94,027	328,992
Appreciation in fair value		12,104	4,843	16,947
Net assets, end of year	\$	<u>247,069</u>	<u>98,870</u>	<u>345,939</u>

**Note 10 – Defined Contribution Plan**

The Organization has a define 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 \$46,225 and \$42,747 to the Plan during the years ended September 30, 2021 and 2020, respectively.

**Note 11 – Concentration of Credit Risk**

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.

**Note 12 – Major Grantors**

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, Practical Farmers of Iowa may not continue as a going concern.

**Note 13 – Lease Obligations**

The Organization utilizes operating leases for office space and a copier. The office space lease expires in December 2022 while the copies lease expires in December 2025. The future minimum rental payments for the leases are as follows:

<b>Year Ending September 30:</b>	
2022	\$ 57,305
2023	16,805
2024	3,305
2025	<u>826</u>
	<u>\$ 78,241</u>

Rent expense is included in occupancy expenses and supplies and equipment expense on the statement of functional expenses. Expenses totaled \$52,466 and \$44,796 for the years ended September 30, 2021 and 2020, respectively.

**PRACTICAL FARMERS OF IOWA**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

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**Note 14 – Availability and Liquidity**

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The following represents Practical Farmers of Iowa’s financial assets at September 30, 2021 and 2020.

Financial assets at year end:	2021	2020
Cash	\$ 971,406	1,387,875
Certificates of deposit	49,511	159,667
Receivables from grantor agencies	505,274	578,566
Investments	558,129	162,308
Unconditional promises to give	847,444	539,243
Beneficial interest in assets held by Community Foundation	425,164	345,939
Total financial assets	3,356,928	3,173,598
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,721,639	1,563,207
Board designated net assets	648,560	447,267
Total amounts not available to be used within one year	2,370,199	2,010,474
Financial assets available to meet general expenditures over the next twelve months	\$ 986,729	1,163,124

**PRACTICAL FARMERS OF IOWA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2021**

<b>Federal Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Grantor</b>	<b>Disbursements/ Expenditures</b>
<b>United States Environmental Protection Agency</b>			
Gulf of Mexico Program	66.475		\$ <u>515,194</u>
<b>Total United States Environmental Protection Agency</b>			<u>515,194</u>
<b>United States Department of Agriculture</b>			
Farmers Market and Local Food Promotion Program			24,385
	10.175		
Soil and Water Conservation - Conservation Collaboration Grants	10.902	Center for Rural Affairs	17,072
Specialty Crop Block Grant Program - Farm Bill	10.170		23,997
Sustainable Agriculture Research and Education	10.215	Regents of the University of Minnesota	86,708
Agriculture and Food Research Initiative	10.310		31,881
Beginning Farmer and Rancher Development Program	10.311	Direct	198,192
Beginning Farmer and Rancher Development Program	10.311	Center for Rural Affairs	21,856
Beginning Farmer and Rancher Development Program	10.311	Renewing the Countryside	481
Rural Business Development Grant	10.351		1,662
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers & Ranchers	10.443		74,178
Environmental Quality Incentives Program	10.912	*	<u>511,421</u>
<b>Total United States Department of Agriculture</b>			<u>991,833</u>
<b><i>Total Expenditures of Federal Awards</i></b>			<u><u>\$ 1,507,027</u></u>

\*This program is a major program as defined by OMB Uniform Guidance.

**PRACTICAL FARMERS OF IOWA**

Supplementary Information

September 30, 2021 and 2020

**PRACTICAL FARMERS OF IOWA**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2021**

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**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal award activity of Practical Farmers of Iowa and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Practical Farmers of Iowa it is not intended to and does not present the financial position, changes in net assets, or cash flows of Practical Farmers of Iowa.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures are reported on the schedule on the accrual basis of accounting. Such expenditures are recognized following the cost principles obtained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

**Note 3 – Indirect Cost Rate**

The Organization has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Practical Farmers of Iowa, which comprise the statement of financial position as of September 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated January 31, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Practical Farmers of Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Practical Farmers of Iowa's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was no designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Burlington	Cedar Rapids	Centerville	Fairfield	Mt. Pleasant	Oskaloosa	Pella	West Des Moines
319.753.9877	319.393.2374	641.437.4296	641.472.6171	319.385.9718	641.672.2523	641.628.9411	515.657.5800

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*TDT CPAs and Advisors, P.C.*

West Des Moines, Iowa  
January 31, 2022



Independent Auditors' Report on Compliance for  
Each Major Program and on Internal Control Over Compliance  
Required by the Uniform Guidance

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

**Report on Compliance for Each Major Federal Program**

We have audited Practical Farmers of Iowa's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended September 30, 2021. Practical Farmers of Iowa's major federal programs were identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for Practical Farmers of Iowa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the Organization's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Practical Farmers of Iowa complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2021.

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Burlington	Cedar Rapids	Centerville	Fairfield	Mt. Pleasant	Oskaloosa	Pella	West Des Moines
319.753.9877	319.393.2374	641.437.4296	641.472.6171	319.385.9718	641.672.2523	641.628.9411	515.657.5800

## **Report on Internal Control Over Compliance**

Management of Practical Farmers of Iowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Practical Farmers of Iowa's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*TDT CPAs and Advisors, P.C.*

West Des Moines, Iowa  
January 31, 2022

**PRACTICAL FARMERS OF IOWA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2020**

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**Part I:** Summary of independent auditors' results:

1. An unmodified opinion was issued on the financial statements.
2. The audit of the financial statements identified no significant deficiencies and no material weaknesses in internal control over financial reporting. However, material weaknesses or significant deficiencies may exist that have not been identified.
3. The audit did not disclose any non-compliance that is material to the financial statements.
4. No significant deficiencies or material weaknesses in internal control were disclosed during the audit of compliance over major programs. Material weaknesses or significant deficiencies may exist that have not been identified.
5. Auditor issued an unmodified opinion on compliance of major programs.
6. There were no compliance findings relative to the major federal award programs.
7. The following programs were considered to be a major program:
  - a. Environmental Quality Incentives Program, CFDA 10.912
8. The threshold between a Type A and Type B program was \$750,000.
9. Practical Farmers of Iowa did qualify as a low-risk auditee.

**Part II:** Finding(s) related to the financial statements in accordance with generally accepted government auditing standards:

**None in 2021**

**PRACTICAL FARMERS OF IOWA**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended September 30, 2019**

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**None in 2020.**