

PRACTICAL FARMERS OF IOWA
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023



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**PRACTICAL FARMERS OF IOWA
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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, 2024 and 2023, 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, 2024 and 2023, 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

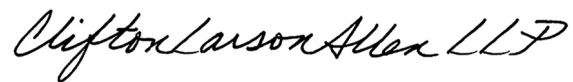
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
June 18, 2025

**PRACTICAL FARMERS OF IOWA
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,040,591	\$ 767,347
Grants Receivable	4,077,885	1,143,806
Unconditional Promises to Give	1,587,353	2,528,008
Accounts Receivable, Net	566,396	393,581
Investments	4,444,922	3,084,476
Prepaid Expenses	26,589	10,502
Property and Equipment, Net	183,103	206,130
Right-of-Use Assets - Operating, Net	174,095	-
Beneficial Interest in Assets Held by a Community Foundation	507,528	410,841
	<u>507,528</u>	<u>410,841</u>
Total Assets	<u>\$ 13,608,462</u>	<u>\$ 8,544,691</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 602,337	\$ 34,482
Accrued Payroll and Taxes	186,349	152,595
Lease Liability - Operating	174,095	-
Deferred Revenue	35,253	570,610
Total Liabilities	<u>998,034</u>	<u>757,687</u>
NET ASSETS		
Net Assets Without Donor Restrictions:		
Board-Designated for Endowment	396,855	258,732
Undesignated	2,231,015	2,981,578
Total Net Assets Without Donor Restrictions	<u>2,627,870</u>	<u>3,240,310</u>
Net Assets With Donor Restrictions	9,982,558	4,546,694
Total Net Assets	<u>12,610,428</u>	<u>7,787,004</u>
Total Liabilities and Net Assets	<u>\$ 13,608,462</u>	<u>\$ 8,544,691</u>

See accompanying Notes to Financial Statements.

**PRACTICAL FARMERS OF IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2024**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants	\$ 1,847,345	\$ 8,470,297	\$ 10,317,642
Fee for Service Revenue	7,586,149	-	7,586,149
Contributions	133,587	-	133,587
Membership Dues	109,250	-	109,250
Conference and Event Sponsorships	157,524	-	157,524
Conference and Event Registrations	80,535	-	80,535
Investment Return	349,619	-	349,619
Other Income	9,163	-	9,163
Net Assets Released from Restriction	3,034,433	(3,034,433)	-
Total Revenue and Support	13,307,605	5,435,864	18,743,469
EXPENSES			
Program	12,232,532	-	12,232,532
Management and General	1,552,951	-	1,552,951
Fundraising	134,562	-	134,562
Total Expenses	13,920,045	-	13,920,045
CHANGE IN NET ASSETS	(612,440)	5,435,864	4,823,424
Net Assets - Beginning of Year	3,240,310	4,546,694	7,787,004
NET ASSETS - END OF YEAR	<u>\$ 2,627,870</u>	<u>\$ 9,982,558</u>	<u>\$ 12,610,428</u>

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
REVENUE AND SUPPORT			
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	8,932,180	2,645,295	11,577,475
EXPENSES			
Program	6,112,746	-	6,112,746
Management and General	1,266,074	-	1,266,074
Fundraising	160,171	-	160,171
Total Expenses	7,538,991	-	7,538,991
CHANGE IN NET ASSETS	1,393,189	2,645,295	4,038,484
Net Assets - Beginning of Year	1,847,121	1,901,399	3,748,520
NET ASSETS - END OF YEAR	<u>\$ 3,240,310</u>	<u>\$ 4,546,694</u>	<u>\$ 7,787,004</u>

See accompanying Notes to Financial Statements.

**PRACTICAL FARMERS OF IOWA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2024**

	Program	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 2,036,192	\$ 727,679	\$ 97,856	\$ 2,861,727
Employee Benefits and Taxes	436,654	149,009	17,786	603,449
Contract Services	8,766,492	241,044	2,187	9,009,723
Printing and Copying	68,293	4,129	1,287	73,709
Postage and Delivery	10,466	24,486	4,665	39,617
Supplies and Equipment	84,594	185,455	5,646	275,695
Rent and Occupancy	-	35,739	-	35,739
Travel and Conferences	87,326	6,015	346	93,687
Publicity and Advertising	317,592	5,094	-	322,686
Insurance	12,274	22,352	288	34,914
Meetings	253,208	31,358	151	284,717
Repairs and Maintenance	-	15,139	-	15,139
Professional Development	9,827	18,168	87	28,082
Sponsorships	28,135	6,415	-	34,550
Dues and Subscriptions	4,754	4,128	-	8,882
Fees and Service Charges	28,018	43,840	-	71,858
Bad Debt Expense	-	1,200	-	1,200
Depreciation and Amortization	88,707	31,701	4,263	124,671
Total Functional Expenses	<u>\$ 12,232,532</u>	<u>\$ 1,552,951</u>	<u>\$ 134,562</u>	<u>\$ 13,920,045</u>

See accompanying Notes to Financial Statements.

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

	Program	Management and General	Fundraising	Total
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 and Amortization	28,577	6,918	1,736	37,230
	<u>\$ 6,112,746</u>	<u>\$ 1,266,074</u>	<u>\$ 160,171</u>	<u>\$ 7,538,991</u>
Total Functional Expenses	<u>\$ 6,112,746</u>	<u>\$ 1,266,074</u>	<u>\$ 160,171</u>	<u>\$ 7,538,991</u>

See accompanying Notes to Financial Statements.

**PRACTICAL FARMERS OF IOWA
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,823,424	\$ 4,038,484
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	124,671	37,230
Realized Losses (Gains) on Investments	3,062	(19,741)
Unrealized Losses (Gains) on Investments	(164,496)	(20,574)
Change in Beneficial Interest in Assets		
Held by a Community Foundation	(96,687)	(48,569)
Increase (Decrease) in Assets:		
Accounts and Grants Receivable	(3,106,894)	(793,094)
Unconditional Promises to Give	940,655	(1,208,008)
Prepaid Expenses	(16,087)	(1,127)
(Increase) Decrease in Liabilities:		
Accounts Payable	567,855	(91,040)
Accrued Payroll and Taxes	33,754	16,277
Lease Liability	(96,617)	-
Deferred Revenue	(535,357)	341,398
Net Cash Provided by Operating Activities	<u>2,477,283</u>	<u>2,251,236</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(5,085,630)	(6,469,316)
Proceeds from Sale of Investments	3,886,618	4,944,167
Purchase of Property and Equipment	(5,027)	8,999
Net Cash Used by Investing Activities	<u>(1,204,039)</u>	<u>(1,516,150)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,273,244	735,086
Cash and Cash Equivalents - Beginning of Year	<u>767,347</u>	<u>32,261</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,040,591</u></u>	<u><u>\$ 767,347</u></u>

See accompanying Notes to Financial Statements.

**PRACTICAL FARMERS OF IOWA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023**

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 statements 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>2024</u>	<u>2023</u>	<u>2022</u>
Accounts Receivable	\$ 566,396	\$ 393,581	\$ 87,593

**PRACTICAL FARMERS OF IOWA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023**

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, 2024 AND 2023**

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, 2024 AND 2023**

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:

	2024	2023	2022
Deferred Revenue	\$ 35,253	\$ 570,610	\$ 229,212

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, 2024 AND 2023**

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

At the beginning of 2024, the Organization adopted FASB ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modified the measurement of expected credit losses. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Organization's financial statements.

Subsequent Events

Management has evaluated subsequent events through June 18, 2025, 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:

	2024	2023
Cash and Cash Equivalents	\$ 2,040,591	\$ 767,347
Grants Receivable	4,077,885	1,143,806
Unconditional Promises to Give	1,587,353	2,528,008
Accounts Receivable	566,396	393,581
Investments	3,115,892	1,805,637
Financial Assets	11,388,117	6,638,379
Less: Net Assets With Donor Restrictions	(9,982,558)	(4,546,694)
Total	<u>\$ 1,405,559</u>	<u>\$ 2,091,685</u>

PRACTICAL FARMERS OF IOWA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 3 RECEIVABLES

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

	2024	2023
Within One Year	\$ 5,909,960	\$ 2,822,376
In One to Five Years	375,000	1,296,345
Total	6,284,960	4,118,721
Less: Discount to Net Present Value of 3%	(53,326)	(53,326)
Total	<u>\$ 6,231,634</u>	<u>\$ 4,065,395</u>

NOTE 4 INVESTMENTS

Investments consist of the following as of September 30:

	2024	2023
Money Market	\$ 2,880,181	\$ 507,206
Exchange Traded Funds	49,014	35,900
Mutual Funds	662,456	600,115
Brokered Certificates of Deposit	853,271	1,941,255
Total	<u>\$ 4,444,922</u>	<u>\$ 3,084,476</u>

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

	2024	2023
Interest and Dividends	\$ 96,346	\$ 26,915
Realized Gain	(3,062)	19,741
Unrealized Gain (Loss)	164,496	20,574
Investment Management Fee	(4,848)	(2,913)
Change in Beneficial Interest in Assets Held by Community Foundation	96,687	48,569
Total	<u>\$ 349,619</u>	<u>\$ 112,886</u>

PRACTICAL FARMERS OF IOWA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

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 the estimated market value if sold by the Organization at year-end.

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

PRACTICAL FARMERS OF IOWA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

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:

	2024			
	Level 1	Level 2	Level 3	Total
Exchange Traded Funds	\$ 49,014	\$ -	\$ -	\$ 49,014
Mutual Funds	662,456	-	-	662,456
Brokered Certificates of Deposit	-	853,271	-	853,271
Beneficial Interest in Assets Held by a Community Foundation	-	-	507,528	507,528
Total	<u>\$ 711,470</u>	<u>\$ 853,271</u>	<u>\$ 507,528</u>	<u>\$ 2,072,269</u>

	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	<u>\$ 636,015</u>	<u>\$ 1,941,255</u>	<u>\$ 410,841</u>	<u>\$ 2,988,111</u>

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:

	2024	2023
Net Assets - Beginning of Year	\$ 410,841	\$ 362,272
Change in Beneficial Interest in Assets Held by a Community Foundation	96,687	48,569
Net Assets - End of Year	<u>\$ 507,528</u>	<u>\$ 410,841</u>

**PRACTICAL FARMERS OF IOWA
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NOTE 5 FAIR VALUE MEASUREMENT (CONTINUED)

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

Type	2024		
	Fair Value	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest in Assets Held by a Community Foundation	<u>\$ 507,528</u>	Prorata Share of Pool	Value of Underlying Assets
Type	2023		
	Fair Value	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest in Assets Held by a Community Foundation	<u>\$ 410,841</u>	Prorata Share of Pool	Value of Underlying Assets

NOTE 6 PROPERTY AND EQUIPMENT

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

	2024	2023
Land	\$ 128,000	\$ 128,000
Buildings and Improvements	11,000	11,000
Leasehold Improvements	67,683	67,683
Equipment	215,654	210,627
Subtotal	422,337	417,310
Less: Accumulated Depreciation	(239,234)	(211,180)
Property and Equipment, Net	<u>\$ 183,103</u>	<u>\$ 206,130</u>

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, 2024 and 2023 is \$507,528 and \$410,841, respectively. During the years ended September 30, 2024 and 2023, the Organization received no distributions from these funds.

**PRACTICAL FARMERS OF IOWA
NOTES TO FINANCIAL STATEMENTS
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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, 2024 and 2023.

NOTE 9 RESTRICTIONS ON NET ASSETS

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

	2024	2023
Endowment - Corpus	\$ 55,614	\$ 55,614
Endowment - Earnings	55,059	61,807
Time	-	312,083
Livestock Program	50,857	246,577
Horticulture Program	2,072,507	348,724
Field Crops	6,053,184	3,350,163
Beginning Farmer	777,956	24,700
Habitat	917,381	130,000
Savings Incentive Program	-	17,026
Total	<u>\$ 9,982,558</u>	<u>\$ 4,546,694</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:

	2024	2023
Satisfaction of Purpose Restrictions	\$ 2,722,350	\$ 465,689
Expiration of Time Restrictions	312,083	815,667
Total	<u>\$ 3,034,433</u>	<u>\$ 1,281,356</u>

**PRACTICAL FARMERS OF IOWA
NOTES TO FINANCIAL STATEMENTS
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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
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023**

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:

2024		
	Without Donor Restrictions	With Donor Restrictions
Board-Designated	\$ 396,855	\$ -
Donor-Restricted	-	110,673
Total	\$ 396,855	\$ 110,673
		Total Value
		\$ 507,528
2023		
	Without Donor Restrictions	With Donor Restrictions
Board-Designated	\$ 293,420	\$ -
Donor-Restricted	-	117,421
Total	\$ 293,420	\$ 117,421
		Total Value
		\$ 410,841

**PRACTICAL FARMERS OF IOWA
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 ENDOWMENT FUND (CONTINUED)

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

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total Value
Net Assets - Beginning of Year	\$ 293,420	\$ 117,421	\$ 410,841
Change in Beneficial Interest in Assets Held by a Community Foundation	103,435	(6,748)	96,687
Net Assets - End of Year	<u>\$ 396,855</u>	<u>\$ 110,673</u>	<u>\$ 507,528</u>
	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>

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 \$74,461 and \$42,930 to the Plan during the years ended September 30, 2024 and 2023, 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.

**PRACTICAL FARMERS OF IOWA
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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:

	2024	
	Revenue	Percentage
Foundation A	\$ 3,512,580	34 %
Foundation B	1,805,000	17
Foundation C	1,000,000	10

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

NOTE 13 LEASES

The Organization leases office facilities and a printer for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2029. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

The following tables provides quantitative information concerning the Organization's leases as of and for the year ended September 30, 2024:

Lease Cost:

Operating Lease Cost	<u>\$ 96,529</u>
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Other Lease Information:

Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	\$ 96,529
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities:	264,534
Weighted-Average Remaining Lease Term - Operating Leases	1.6 Years
Weighted-Average Discount Rate - Operating Leases	4.02%

**PRACTICAL FARMERS OF IOWA
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SEPTEMBER 30, 2024 AND 2023**

NOTE 13 LEASES (CONTINUED)

The future minimum lease payments expected for these leases as of September 30, 2024 are as follows:

<u>Year Ending September 30,</u>	<u>Operating</u>
2025	\$ 130,868
2026	36,368
2027	4,868
2028	4,868
2029	2,842
Undiscounted Cash Flows	179,814
Less: Imputed Interest	(5,719)
Total Present Value	<u>\$ 174,095</u>
Short-Term Lease Liabilities	\$ 126,592
Long-Term Lease Liabilities	47,503
Total Lease Liabilities	<u>\$ 174,095</u>

For the year ended September 30, 2023, there was a short-term office space lease expiring December 2023 that required monthly payments of \$5,000. Rent expense is included in rent and occupancy expenses on the statement of functional expenses for the year ended September 30, 2023.

NOTE 14 ADVERTISING

The Organization uses advertising to promote its programs among the audience it serves. Advertising costs totaled \$322,686 and \$140,936 for the years ended September 30, 2024 and 2023, respectively.