

PRACTICAL FARMERS OF IOWA

Independent Auditors' Report
Financial Statements

September 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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 February 1, 2021, 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
February 1, 2021

PRACTICAL FARMERS OF IOWA
Statements of Financial Position
September 30, 2020 and 2019

		<u>2020</u>	<u>2019</u>
Assets			
Cash	\$	1,387,875	817,074
Certificates of deposit		159,667	156,787
Investments		162,308	129,731
Receivables from grantor agencies		578,566	462,134
Unconditional promises to give		539,243	225,548
Prepaid expenses		50,497	29,979
Property and equipment, less accumulated depreciation of \$98,673 and \$56,379		204,171	246,465
Beneficial interest in assets held by Community Foundation of Greater Des Moines		345,939	328,992
Total assets	\$	<u>3,428,266</u>	<u>2,396,710</u>
Liabilities and Net Assets			
Liabilities:			
Accounts payable	\$	267,954	3,896
Accrued payroll and taxes		133,279	130,921
Total liabilities		<u>401,233</u>	<u>134,817</u>
Net assets:			
Net Assets without donor restrictions:			
Board designated net assets (Note 8)		595,267	585,590
Undesignated		868,559	642,613
Net assets with donor restrictions		1,563,207	1,033,690
Total net assets		<u>3,027,033</u>	<u>2,261,893</u>
Total liabilities and net assets	\$	<u>3,428,266</u>	<u>2,396,710</u>

See accompanying notes to financial statements.

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

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue and Support:			
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>
Expenses:			
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>
Increase (decrease) in net assets	235,623	529,517	765,140
Net assets, beginning of year	<u>1,228,203</u>	<u>1,033,690</u>	<u>2,261,893</u>
Net assets end of year	<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
Statement of Activities
For the Year Ended September 30, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue and Support:			
Grants	\$ 1,143,614	335,308	1,478,922
Contributions - general	93,974	44,859	138,833
Membership dues	107,965	-	107,965
Conference and event sponsorships	101,166	-	101,166
Conference and event registrations	46,955	-	46,955
Investment income	17,659	1,270	18,929
Other income	7,988	-	7,988
Net assets released from restriction	1,286,076	(1,286,076)	-
Total revenues, gains, and other support	<u>2,805,397</u>	<u>(904,639)</u>	<u>1,900,758</u>
Expenses:			
Program	2,359,928	-	2,359,928
Management & general	178,331	-	178,331
Fundraising	131,699	-	131,699
Total expenses	<u>2,669,958</u>	<u>-</u>	<u>2,669,958</u>
Increase (decrease) in net assets	135,439	(904,639)	(769,200)
Net assets, beginning of year	<u>1,092,764</u>	<u>1,938,329</u>	<u>3,031,093</u>
Net assets end of year	<u>\$ 1,228,203</u>	<u>1,033,690</u>	<u>2,261,893</u>

See accompanying notes to financial statements.

PRACTICAL FARMERS OF IOWA
Statements of Cash Flows
For the Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 765,140	(769,200)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	42,294	40,488
Realized and unrealized (gains) and losses on investments	(49,524)	(9,236)
(Increase) decrease in:		
Grants receivable	(116,432)	25,466
Unconditional promises to give	(313,695)	868,914
Prepaid expenses	(20,518)	(1,387)
Increase (decrease) in:		
Accounts payable	264,058	(75,694)
Accrued payroll and taxes	2,358	13,362
Net cash provided (used) by operating activities	<u>573,681</u>	<u>92,713</u>
Cash flows from investing activities:		
Net purchase of fixed assets	-	(59,021)
Redemptions of certificates of deposits	46,200	52,964
Purchases of certificate of deposits	(49,080)	(55,860)
Net cash provided (used) by investing activities	<u>(2,880)</u>	<u>(61,917)</u>
Net increase in cash	570,801	30,796
Cash, beginning of year	<u>817,074</u>	<u>786,278</u>
Cash, end of year	<u>\$ 1,387,875</u>	<u>817,074</u>

See accompanying notes to financial statements.

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

	Program	Supporting Services		Total
		Management & General	Fundraising	
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
Statement of Functional Expenses
For the Year Ended September 30, 2019

	Program	Supporting Services		Total
		Management & General	Fundraising	
Salaries	\$ 964,496	103,020	83,842	1,151,358
Employee benefits and taxes	214,942	22,959	18,685	256,586
Contract services	728,338	11,065	800	740,203
Special events	106,909	8,655	1,722	117,286
Printing and copying	34,429	2,172	6,830	43,431
Postage and delivery	13,703	864	2,719	17,286
Supplies and equipment	68,551	3,808	3,808	76,167
Rent and occupancy	46,892	5,009	4,076	55,977
Telephone and internet	22,616	2,416	1,966	26,998
Travel and conferences	49,513	2,640	657	52,810
Publicity and advertising	18,492	-	-	18,492
Insurance	20,157	2,153	1,752	24,062
Board meeting expenses	8,519	690	137	9,346
Repairs and maintenance	6,954	386	386	7,726
Professional development	10,632	4,387	678	15,697
Sponsorships	3,876	1,599	247	5,722
Dues and subscriptions	2,125	877	136	3,138
Fees and service charges	4,867	2,008	310	7,185
Depreciation expense	33,917	3,623	2,948	40,488
	<u>\$ 2,359,928</u>	<u>178,331</u>	<u>131,699</u>	<u>2,669,958</u>

See accompanying notes to financial statements.

PRACTICAL FARMERS OF IOWA
Notes to Financial Statements
September 30, 2020 and 2019

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, 2020 and 2019

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 Agency shall direct distributions not more frequently than four times in any twelve-month period. Net income in excess of the distributions to Agency, administrative fees and direct expenses will be maintained in the Fund. If the Agency 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 Agency. 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 momentarily 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

New Accounting Pronouncement: In May 2014, FASB issued *ASU 2014-09 - Revenue from Contracts with Customers (Topic 606)*. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled for goods and services, by allocating a transaction price to identified performance obligations, and recognizing that revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The change became effective for the Organization on October 1, 2019. There was no material impact from adoption. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

PRACTICAL FARMERS OF IOWA
Notes to Financial Statements
September 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

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 consolidated 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.

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.

Reclassifications – Certain expenses in the previous year financial statements have been reclassified to conform with the presentation in the current year. The reclassifications had no effect on net assets.

Subsequent Events - Management has evaluated subsequent events through February 1, 2021, 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, 2020 and 2019:

		2020	2019
Beginning Farmer and Rancher Development	\$	41,159	34,938
Conservation Innovation Grant		322,706	208,700
Rural Business Development Grant		47,056	52,955
Sustainable Agriculture Research and Education		50,777	52,257
Natural Resources Conservation Service		11,404	33,977
Environmental Protection Agency		31,827	25,172
Center for Rural Affairs		26,398	25,628
Iowa Department of Agriculture and Land		40,100	26,325
Other		7,139	2,182
	\$	<u>578,566</u>	<u>462,134</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:

PRACTICAL FARMERS OF IOWA
Notes to Financial Statements
September 30, 2020 and 2019

Note 3 - Fair Value of Financial Statements (Continued)

- 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.

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, 2020 and 2019. 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, 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 August 31, 2020.

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:

PRACTICAL FARMERS OF IOWA
Notes to Financial Statements
September 30, 2020 and 2019

Note 3 - Fair Value of Financial Statements (Continued)

Type	Fair Value	Valuation Technique	Significant Unobservable inputs	Range
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.

Description	September 30, 2020
	Beneficial Interests
Beginning balance	\$ 328,992
Realized and unrealized gain 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>

The following table presents by level, within the fair value hierarchy, the assets at fair value as of September 30, 2019. Assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

Description	September 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 129,731	129,731	-	-
Beneficial interest in assets held by a community foundation	328,992	-	-	328,992
Total	<u>\$ 458,723</u>	<u>129,731</u>	<u>-</u>	<u>328,992</u>

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, 2019.

PRACTICAL FARMERS OF IOWA
Notes to Financial Statements
September 30, 2020 and 2019

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	\$328,992	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, 2019. 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, 2019</u> <u>Beneficial Interests</u>
Beginning balance	\$ 324,548
Realized and unrealized losses related to instruments held at the reporting date	(1,688)
Dividends	7,720
Fees	(1,588)
Ending balance	\$ <u>328,992</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>4,444</u>

Note 4 – Unconditional Promises to Give

Unconditional promises to give for the Organization for the years ended September 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 539,243	225,548
Total	\$ <u>539,243</u>	<u>225,548</u>

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

PRACTICAL FARMERS OF IOWA
Notes to Financial Statements
September 30, 2020 and 2019

Note 5 - Property and Equipment

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:

Asset Group	Original Cost	Accumulated Depreciation	Net Book Value
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
Total	\$ 302,844	98,673	204,171

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:

	2020	2019
Endowment - Corpus	\$ 55,614	55,614
Endowment - Earnings	42,056	38,413
Livestock Program	487,381	469,977
Beginner Farmer	10,538	5,168
Field Crops	940,723	439,060
Savings Incentive Program	26,895	25,458
Total	\$ 1,563,207	1,033,690

PRACTICAL FARMERS OF IOWA
Notes to Financial Statements
September 30, 2020 and 2019

Note 7 - Restrictions on Net Assets (Continued)

Net assets released from restrictions during the years ended September 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Walton Family Foundation agronomic crops	512,485	423,098
Cedar Tree Foundation	212,884	192,602
McKnight Foundation - General	166,841	192,188
Ceres Trust Foundation	191,680	165,939
Unilever	-	73,060
Pisces Foundation	-	46,755
Non-GMO Corn Seed develop	33,733	44,219
PepsiCo	65,587	34,004
National Wildlife Federation Agronomic Crops	-	30,874
Natural Resources Defense Council	13,862	25,888
Savings Incentive Program Cash	23,919	15,853
Organic Valley	-	12,521
Farm Aid	1,683	8,316
Clif Bar- Beginning Farmer	4,497	6,807
Sustainable Food Lab	8,447	6,338
Xerces Society	-	3,000
KWS0 Cereals/Albert Lea	2,253	2,848
Southern IA Forage & Livestock	3,191	1,126
Beginning Farmer Donations	-	640
ADM	6,628	-
Farm Credit	2,500	-
GLBW/MPFWG	8,163	-
Iowa Soybean – WFF Cover Crop	25,590	-
Oatly	19,848	-
Patagonia	7,917	-
Seven Sundays	3,390	-
Total	<u>\$ 1,315,098</u>	<u>1,286,076</u>

Note 8 – Board Designated Net Assets

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

	<u>2020</u>	<u>2019</u>
Designated for agency endowment	\$ 247,069	234,964
Designated for Farmland Contingency fund	10,018	4,396
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	73,725
Designated for youth curriculum	19,594	23,295
Total	<u>\$ 595,267</u>	<u>585,590</u>

PRACTICAL FARMERS OF IOWA
Notes to Financial Statements
September 30, 2020 and 2019

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.

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.

PRACTICAL FARMERS OF IOWA
Notes to Financial Statements
September 30, 2020 and 2019

Note 9 - Endowment Fund (Continued)

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

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
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	\$ 247,069	98,870	345,939

Endowment net asset composition by type of fund as of September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	\$ 234,965	-	234,965
Donor restricted contribution	-	94,027	94,027
Total	\$ 234,965	94,027	328,992

Changes in endowment net assets for the year ended September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ 231,792	92,756	324,548
Appreciation in fair value	3,173	1,271	4,444
Net assets, end of year	\$ 234,965	94,027	328,992

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 \$42,747 and \$34,855 to the Plan during the years ended September 30, 2020 and 2019, respectively.

PRACTICAL FARMERS OF IOWA
Notes to Financial Statements
September 30, 2020 and 2019

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 copier lease expires in December 2025. The future minimum rental payments for the leases are as follows:

Year Ending September 30:	
2021	\$ 14,504
2022	3,305
2023	3,305
2024	3,305
2025	826
	<u>\$ 25,245</u>

Rent expense is included in occupancy expenses and supplies and equipment expense on the statement of functional expenses. Expenses totaled \$44,796 and \$47,258 for the years ended September 30, 2020 and 2019, respectively.

PRACTICAL FARMERS OF IOWA
Notes to Financial Statements
September 30, 2020 and 2019

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, 2020.

Financial assets at year end:	
Cash	\$ 1,387,875
Certificates of deposit	159,667
Receivables from grantor agencies	578,566
Investments	162,308
Unconditional promises to give	539,243
Beneficial interest in assets held by Community Foundation	345,939
Total financial assets	<u>3,173,598</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	1,563,207
Board designated net assets	447,267
	<u>2,010,474</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,163,124</u>

PRACTICAL FARMERS OF IOWA

Supplementary Information

September 30, 2020 and 2019

PRACTICAL FARMERS OF IOWA
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

Federal Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor	Disbursements/ Expenditures
United States Environmental Protection Agency			
Gulf of Mexico Program	66.475	*	\$ <u>225,669</u>
Total United States Environmental Protection Agency			<u>225,669</u>
United States Department of Agriculture			
Specialty Crop Block Grant Program - Farm Bill	10.170		23,995
Sustainable Agriculture Research and Education	10.215	Regents of the University of Minnesota	105,744
Agriculture and Food Research Initiative	10.310		29,238
Beginning Farmer and Rancher Development Program	10.311	* Direct	172,132
Beginning Farmer and Rancher Development Program	10.311	* Center for Rural Affairs	54,800
Beginning Farmer and Rancher Development Program	10.311	* Renewing the Countryside	5,511
Rural Business Development Grant	10.351		70,378
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers & Ranchers	10.443		39,467
Environmental Quality Incentives Program	10.912	*	<u>466,676</u>
Total United States Department of Agriculture			<u>967,941</u>
Total Expenditures of Federal Awards			<u>\$ 1,193,610</u>

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

PRACTICAL FARMERS OF IOWA
Notes to Financial Statements
For the Year Ended September 30, 2020

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, 2020, 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 February 1, 2021.

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
February 1, 2021



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, 2020. 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, 2020.

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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
February 1, 2021

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

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. Beginning Farmer and Rancher Development Program, CFDA 10.311
 - b. Environmental Quality Incentives Program, CFDA 10.912
 - c. Gulf of Mexico Program, CFDA 66.475
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 2020.

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

None in 2019.