

FARM RESCUE
(A nonprofit organization)

FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021
(With Independent Auditors' Report)

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Farm Rescue

Opinion

We have audited the accompanying financial statements of **Farm Rescue** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financials statements referred to above present fairly, in all material respects, the financial position of **Farm Rescue** as of June 30, 2022 and 2021, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Farm Rescue** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 **Farm Rescue's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's report that indicates 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 generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtaining 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 **Farm Rescue**'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 presentations of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raises substantial doubt about **Farm Rescue**'s ability to continue as a going concern for a reasonable period of time.

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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming and opinion on the financial statements as a whole. The schedules of program expenses, supporting services – management and general expense, and supporting services – fundraising expenses on pages 13-14 are presented for purposes of additional analysis and are 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.

SCHAUER & ASSOCIATES, P.C.

SCHAUER & ASSOCIATES, P.C.
Certified Public Accountants
Jamestown, North Dakota

May 15, 2023

Farm Rescue
STATEMENTS OF FINANCIAL POSITION
ASSETS

	June 30	
	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,036,657	\$ 667,132
Accounts receivable	12,650	5,849
Pledges receivable	10,459	6,862
Prepaid expense	70,807	35,425
Total Current Assets	1,130,573	715,268
INVESTMENTS	449,133	1,305,358
PROPERTY AND EQUIPMENT, at cost		
Equipment	93,233	93,233
Deposit on equipment	926,454	
Vehicles	4,213,120	3,487,318
	5,232,807	3,580,551
Less accumulated depreciation	2,085,390	1,535,140
Net Property and Equipment	3,147,417	2,045,411
TOTAL ASSETS	\$ 4,727,123	\$ 4,066,037
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 103,626	\$ 37,921
Accounts payable	21,330	18,710
Equipment contract payable		314,133
Deferred income	100,000	
Total Current Liabilities	224,956	370,764
LONG-TERM DEBT,		
less current maturities	618,923	311,979
TOTAL LIABILITIES	843,879	682,743
NET ASSETS		
Without donor restrictions	3,883,244	3,383,294
Total Net Assets	3,883,244	3,383,294
TOTAL LIABILITIES AND NET ASSETS	\$ 4,727,123	\$ 4,066,037

The accompanying notes are an integral part of these financial statements.

Farm Rescue
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES						
REVENUES AND OTHER SUPPORT						
Grants	\$ 159,999	\$ 878,000	\$ 1,037,999	\$ 13,500	\$ 122,332	\$ 135,832
Contributions	666,629		666,629	1,217,690		1,217,690
Sponsorships	754,515		754,515	755,154		755,154
Program income	62,600		62,600	50,085		50,085
Fundraising income	140,394		140,394	182,957		182,957
Gain on sale of assets	11,523		11,523	58,948		58,948
Investment return	(39,205)		(39,205)	49,501		49,501
Miscellaneous income	5,419		5,419	67,435		67,435
Net assets released from restrictions	878,000	(878,000)		122,332	(122,332)	
Total Revenue and Other Support	<u>2,639,874</u>		<u>2,639,874</u>	<u>2,517,602</u>		<u>2,517,602</u>
EXPENSES						
Program expenses	<u>1,748,306</u>		<u>1,748,306</u>	<u>1,453,554</u>		<u>1,453,554</u>
Supporting Services						
Management and general	144,601		144,601	170,585		170,585
Fundraising	247,017		247,017	105,555		105,555
Total Support Services	<u>391,618</u>		<u>391,618</u>	<u>276,140</u>		<u>276,140</u>
Total Expenses	<u>2,139,924</u>		<u>2,139,924</u>	<u>1,729,694</u>		<u>1,729,694</u>
Change in net assets	<u>499,950</u>		<u>499,950</u>	<u>787,908</u>		<u>787,908</u>
NET ASSETS, beginning of year	<u>3,383,294</u>		<u>3,383,294</u>	<u>2,595,386</u>		<u>2,595,386</u>
NET ASSETS, end of year	<u>\$ 3,883,244</u>	<u>\$</u>	<u>\$ 3,883,244</u>	<u>\$ 3,383,294</u>	<u>\$</u>	<u>\$ 3,383,294</u>

The accompanying notes are an integral part of these financial statements.

Farm Rescue
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 499,950	\$ 787,908
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	585,371	441,632
Gain on sale of equipment	(11,523)	(58,948)
Noncash investment income	(17,456)	
Noncash loan forgiveness		(61,200)
Unrealized loss (gain) on investments	63,650	(20,051)
(Increase) decrease in assets		
Accounts receivable and pledges receivable	(10,398)	180,445
Prepaid expense	(35,382)	6,754
Increase (decrease) in liabilities		
Accounts payable	2,620	(12,072)
Accrued liabilities		(455)
Deferred revenue	100,000	
Total Adjustments	676,882	476,105
Net Cash Provided by Operating Activities	1,176,832	1,264,013
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificate of deposits		(205,000)
Proceeds from sale of assets	11,523	244,570
Redemption of investments	810,029	
Purchase of investments		(1,000,000)
Purchase of equipment and vehicles	(1,590,938)	(497,007)
Net Cash Used in Investing Activities	(769,386)	(1,457,437)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of note payable		149,900
Payments on notes payable	(37,921)	(135,948)
Net Cash Provided By (Used in) Financing Activities	(37,921)	13,952
Net (decrease) increase in cash and cash equivalents	369,525	(179,472)
Cash and cash equivalents beginning of year	667,132	846,604
Cash and cash equivalents end of year	\$ 1,036,657	\$ 667,132

The accompanying notes are an integral part of these financial statements.

	<u>2022</u>	<u>2021</u>
SUPPLEMENTAL DISCLOSURES		
Schedule of noncash investing activities:		
Long-term debt incurred for purchase of equipment	\$ 410,570	\$ 200,000
Equipment contract payable incurred for purchase of equipment		<u>310,531</u>
	<u>\$ 410,570</u>	<u>\$ 510,531</u>

Farm Rescue
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

1. Description of the Organization

Farm Rescue is a nonprofit organization whose defined mission is to help family farmers bridge crises so they may have an opportunity to continue viable operations. The Organization's support principally comes from grants and contributions. Approximately 93% and 87% of the Organization's support for the years ended June 30, 2022 and 2021, respectively, came from grants, sponsorships and contributions.

2. Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of **Farm Rescue** have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which require **Farm Rescue** to report information regarding its financial position and activities according to the following net asset classifications.

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 **Farm Rescue'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 will be met by actions of **Farm Rescue** or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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.

B. Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to **Farm Rescue's** ongoing planting and harvesting services and interest and dividends earned on investments. Nonoperating activities are activities considered to be more of an unusual or nonrecurring nature.

C. Cash and Cash Equivalents.

Farm Rescue's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Farm Rescue
NOTES TO FINANCIAL STATEMENTS - continued
Years Ended June 30, 2022 and 2021

2. Summary of Significant Accounting Policies - continued

D. Concentrations of Credit Risk

Financial instruments that potentially subject **Farm Rescue** to concentrations of credit risk consist principally of cash and cash equivalents and investments. **Farm Rescue** maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation/National Credit Union Administration up to \$250,000. At June 30, 2022 and 2021, the Organization's uninsured cash balance totaled \$204,408 and \$77,224, respectively. **Farm Rescue's** cash and cash equivalents have been placed with high credit quality financial institutions. **Farm Rescue** has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

E. Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using straight line. The useful lives range from three to seven years. **Farm Rescue's** policy is to capitalize all acquisitions and betterments acquired for greater than \$500 and expense normal repairs and maintenance as incurred. **Farm Rescue's** management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered. Upon disposal of fixed properties, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in income.

Depreciation expense aggregated \$585,371 in 2022 and \$441,632 in 2021.

F. Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities. Investment return is reported in the statement of activities and consists of interest and dividend income and realized and unrealized capital gains and losses.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and recorded in the statement of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

G. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs).

Farm Rescue
NOTES TO FINANCIAL STATEMENTS - continued
Years Ended June 30, 2022 and 2021

2. Summary of Significant Accounting Policies - continued

G. Fair Value Measurements - continued

Farm Rescue groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Other observable inputs, either directly or indirectly including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

H. Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

I. In-kind Donations

Donations of property and equipment are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statement of activities.

Farm Rescue receives the use of tractors, planters, combines, transport equipment and trucks from various sponsors. The value of this equipment if paid for by **Farm Rescue** would be approximately \$137,000 and \$109,000 in 2022 and 2021, respectively. Several volunteers have made significant contributions of their time during planting, haying and harvesting season in furtherance of **Farm Rescue**'s mission. They are reimbursed their meal expenses up to a maximum of \$30 per day. These services were not reflected in the accompanying statement of activities because they do not meet the necessary criteria for recognition under US GAAP.

Farm Rescue
NOTES TO FINANCIAL STATEMENTS - continued
Years Ended June 30, 2022 and 2021

2. Summary of Significant Accounting Policies - continued

J. Functional Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function have been allocated among program and supporting services.

K. Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

L. Income Taxes

Farm Rescue is exempt from income taxes under IRC Section 501 (c) (3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. **Farm Rescue** has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. **Farm Rescue** has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

M. Advertising

The Organization uses advertising to promote its program among the audience it serves. The cost of advertising is expensed as incurred. During 2022 and 2021, advertising expense was \$61,355 and \$103,473, respectively.

Farm Rescue
NOTES TO FINANCIAL STATEMENTS - continued
Years Ended June 30, 2022 and 2021

3. Availability and Liquidity

Farm Rescue strives to have a minimum of twelve months of general operating funds in reserve. (Twelve months of general operating funds is approximately \$1,000,000). As part of its liquidity plan, excess cash is invested in certificates of deposit.

The following represents **Farm Rescue**'s financial assets at June 30, 2022 and 2021:

	2022	2021
Financial assets at year end		
Cash and cash equivalents	\$ 1,036,657	\$ 667,132
Accounts receivable	12,650	5,849
Pledges receivable	10,459	6,862
Prepaid expense	70,807	35,425
Investments	449,133	1,305,358
Total Financial Assets	1,579,706	2,020,626
Financial assets available to meet general expenditures over the next twelve months	\$ 1,579,706	\$ 2,020,626

4. Investments

The following is a summary of investments at June 30, 2022 and 2021 :

	2022	2021
Brokerage cash account	\$ 57	\$ 57
Certificates of deposit over three months	11,857	285,958
Stock index fund	361,469	456,247
Equities and options	75,750	78,130
Bond index fund		484,966
	\$ 449,133	\$ 1,305,358

As of June 30, 2022, all investments were considered Level 1 investments.

Investment return is summarized as follows:

	2022	2021
Interest income and dividends	\$ 20,277	\$ 20,421
Realized gain (loss)	(63,651)	28,567
Unrealized gain	4,169	513
Investment return	\$ (39,205)	\$ 49,501

Farm Rescue
NOTES TO FINANCIAL STATEMENTS - continued
Years Ended June 30, 2022 and 2021

5. Long-Term Debt

Long-term debt at June 30, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
2.75% note payable, dated November 13, 2020, due in five annual installments of \$43,360.89 on November 14, 2021 and each successive year to November 13, 2025, plus interest, secured by John Deere DB60 Planter	\$ 162,079	\$ 200,000
2.75% note payable, dated June 30, 2020, due in three hundred sixty monthly installments of \$641.00 on July 1, 2022 and each successive month to June 30, 2052, plus interest, secured by all tangible and intangible personal property	149,900	149,900
2.75% note payable, dated August 4, 2021, due in seven annual installments of \$43,376.69 on August 4, 2022 and each successive year to November 4, 2028, plus interest, secured by John Deere 8R41 Row-Crop Tractor	310,531	
2.90% note payable, dated October 22, 2021, due in five annual installments of \$21,782.62 on October 22, 2022 and each successive year to October 22, 2026, plus interest, secured by John Deere S790 Combine	<u>100,039</u>	
	722,549	349,900
Less current portion	<u>103,626</u>	<u>37,921</u>
	<u>\$ 618,923</u>	<u>\$ 311,979</u>

Maturities on long-term debt that are subject to mandatory redemption are as follows:

2023	\$ 103,626
2024	105,118
2025	108,039
2026	110,968
2027	70,108
Remainder	224,690

Farm Rescue
NOTES TO FINANCIAL STATEMENTS - continued
Years Ended June 30, 2022 and 2021

6. Retirement Plans

Farm Rescue is enrolled in a SIMPLE IRA retirement plan. Employees who earned at least \$5,000 in compensation during any of the two preceding calendar years and were reasonably expected to earn \$5,000 in compensation in the current calendar year are eligible. The Organization matches up to 3 percent of the gross salary for participating employees. Employer contributions are immediately 100% vested. Pension expense for the years ended June 30, 2022 and 2021 was \$10,146 and \$6,506, respectively.

7. Subsequent Events

Farm Rescue has evaluated subsequent events through May 15, 2023, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Farm Rescue
SUPPLEMENTARY INFORMATION
Years Ended June 30, 2022 and 2021

PROGRAM EXPENSES

	2022	2021
Salaries	\$ 241,186	\$ 229,149
Payroll taxes	19,447	18,611
Retirement	3,957	5,011
Workforce safety	2,485	1,129
Field and farm show supplies	18,329	48,864
Equipment expenses	347,264	309,743
Vehicle expenses	16,759	11,032
Contract services	2,070	15,294
Apparel	20,767	16,108
Meals	12,733	10,047
Lodging	89,364	48,399
Fuel	98,940	42,731
Supplies		1,349
Telephone, communications	9,490	9,820
Internet	55,140	27,093
Postage, mailing	8,735	5,356
Printing, videography	8,100	10,752
Insurance, liability	108,684	77,900
Advertising and marketing	61,355	103,473
Decals and banners	34,740	19,059
Miscellaneous	3,867	4,415
Depreciation	579,429	434,194
Interest	5,465	4,025
TOTAL PROGRAM EXPENSES	\$ 1,748,306	\$ 1,453,554

SUPPORTING SERVICES
MANAGEMENT AND GENERAL EXPENSES

Salaries	\$ 73,444	\$ 58,931
Payroll taxes	5,922	4,786
Retirement	2,260	334
Telephone, communications	558	1,733
Internet	6,893	27,093
Postage, mailing	1,092	5,356
Licenses and fees		21,656
Legal and accounting	13,245	15,968
Office supplies	7,314	6,553
Mileage/transportation	3,493	1,059
Banquet	13,131	
Rent	1,746	1,690
Printing	1,429	1,897
Bank charges	7,267	6,640
Depreciation	5,942	7,438
Miscellaneous	865	9,451
TOTAL MANAGEMENT AND GENERAL EXPENSES	\$ 144,601	\$ 170,585

Farm Rescue
SUPPLEMENTARY INFORMATION - continued
Years Ended June 30, 2022 and 2021

SUPPORTING SERVICES
FUNDRAISING EXPENSES

	<u>2022</u>	<u>2021</u>
Salaries	\$ 199,973	\$ 91,327
Payroll taxes	16,124	7,418
Retirement	3,929	1,161
Telephone, communications	1,116	
Internet	6,892	
Postage, mailing	1,092	
Licenses and fees	11,999	
Fundraising expense	<u>5,892</u>	<u>5,649</u>
TOTAL FUNDRAISING EXPENSES	<u><u>\$ 247,017</u></u>	<u><u>\$ 105,555</u></u>