

FARM RESCUE
(A nonprofit organization)

FINANCIAL STATEMENTS
Years Ended June 30, 2024 and 2023
(With Independent Auditors' Report)

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5
Statements of cash flows	6
Notes to financial statements	7 - 13

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of **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, 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 financials statements referred to above present fairly, in all material respects, the financial position of **Farm Rescue** as of June 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. 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 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 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 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.
- 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 presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise 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.

Schauer & Associates, PC

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

May 6, 2025

Farm Rescue
STATEMENTS OF FINANCIAL POSITION
ASSETS

	June 30	
	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	\$ 966,573	\$ 1,160,701
Accounts receivable		50,000
Accounts receivable, related party	36,965	
Pledges receivable	24,999	122,417
Prepaid expense	17,300	53,458
Total Current Assets	<u>1,045,837</u>	<u>1,386,576</u>
INVESTMENTS	<u>498,528</u>	<u>466,032</u>
PROPERTY AND EQUIPMENT, at cost		
Equipment	93,233	93,233
Vehicles	7,210,984	6,256,072
	<u>7,304,217</u>	<u>6,349,305</u>
Less accumulated depreciation	3,226,640	2,434,607
Net Property and Equipment	<u>4,077,577</u>	<u>3,914,698</u>
TOTAL ASSETS	<u>\$ 5,621,942</u>	<u>\$ 5,767,306</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 135,030	\$ 140,850
Notes payable, bank	400,190	
Accounts payable	15,951	25,136
Equipment contract payable		33,624
Deferred income		50,000
Total Current Liabilities	<u>551,171</u>	<u>249,610</u>
LONG-TERM DEBT,		
less current maturities	<u>420,536</u>	<u>545,982</u>
TOTAL LIABILITIES	<u>971,707</u>	<u>795,592</u>
NET ASSETS		
Without donor restrictions	<u>4,650,235</u>	<u>4,971,714</u>
Total Net Assets	<u>4,650,235</u>	<u>4,971,714</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,621,942</u>	<u>\$ 5,767,306</u>

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

Farm Rescue
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES						
REVENUES AND OTHER SUPPORT						
Grants	\$ 112,200	\$ 10,000	\$ 122,200	\$ 154,500	\$ 55,000	\$ 209,500
Contributions	798,311		798,311	421,408		421,408
Sponsorships	1,201,376		1,201,376	2,023,538		2,023,538
Program income	119,946		119,946	83,355		83,355
Fundraising income	137,706		137,706	322,421		322,421
Gain on sale of assets	174,277		174,277	428,365		428,365
Investment return	46,890		46,890	29,742		29,742
Miscellaneous income	6,059		6,059	24,432		24,432
Net assets released from restrictions	10,000	(10,000)		55,000	(55,000)	
Total Revenue and Other Support	2,606,765		2,606,765	3,542,761		3,542,761
EXPENSES						
Program expenses	2,635,030		2,635,030	2,087,628		2,087,628
Supporting Services						
Management and general	123,692		123,692	161,795		161,795
Fundraising	169,522		169,522	204,868		204,868
Total Support Services	293,214		293,214	366,663		366,663
Total Expenses	2,928,244		2,928,244	2,454,291		2,454,291
Change in net assets	(321,479)		(321,479)	1,088,470		1,088,470
NET ASSETS, beginning of year	4,971,714		4,971,714	3,883,244		3,883,244
NET ASSETS, end of year	\$ 4,650,235	\$	\$ 4,650,235	\$ 4,971,714	\$	\$ 4,971,714

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

Farm Rescue
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2024 and 2023

	2024			2023		
	Program Services	Supporting Services		Program Services	Supporting Services	
		Management and General	Fundraising	Management and General	Fundraising	Total
Compensation and related expense						
Salaries	\$ 425,001	\$ 68,815	\$ 126,938	\$ 277,368	\$ 159,902	\$ 538,199
Payroll taxes	34,349	5,562	10,259	22,677	13,074	44,003
Retirement	6,674	1,802	2,341	4,816	2,688	10,532
	<u>466,024</u>	<u>76,179</u>	<u>139,538</u>	<u>304,861</u>	<u>175,664</u>	<u>592,734</u>
Advertising and marketing	86,166			108,923		108,923
Apparel	18,516			10,188		10,188
Bad debt	29,500					
Bank charges		5,169		4,836		4,836
Contract services	29,068			9,630		9,630
Decals and banners	34,211			35,205		35,205
Depreciation	948,611	1,482		814,287	1,976	816,263
Equipment expenses	410,457			270,866		270,866
Field and farm show supplies	49,171			20,441		20,441
Fuel	118,046			95,333		95,333
Fundraising expense			5,839		4,552	4,552
Insurance, liability	170,476			126,746		126,746
Interest	15,581			23,154		23,154
Internet	30,803	3,850	3,850	65,382	8,173	81,728
Legal and accounting		13,942		13,780		13,780
Licenses and fees			17,360		14,013	14,013
Lodging	130,170			100,733		100,733
Meals	21,030			14,920		14,920
Mileage/transportation		9,579			6,051	6,051
Miscellaneous	6,119	704	6,823	4,389	(1,783)	2,606
Office Supplies		5,447		8,384		8,384
Postage, mailing	12,909	1,614	1,614	9,866	1,233	12,332
Printing, videography	17,756	3,133	20,889	23,740	4,189	27,929
Rent		1,933		2,100		2,100
Telephone, communications	11,224	660	1,321	10,483	1,233	12,333
Training				30		30
Vehicle Expense	21,504			33,365		33,365
Workforce safety	7,688			5,116		5,116
	<u>\$ 2,635,030</u>	<u>\$ 123,692</u>	<u>\$ 169,522</u>	<u>\$ 2,087,628</u>	<u>\$ 204,868</u>	<u>\$ 2,454,291</u>

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

Farm Rescue
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (321,479)	\$ 1,088,470
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	950,093	816,263
Gain on sale of equipment	(174,277)	(428,365)
Noncash interest and dividends	(13,214)	(8,006)
Realized and unrealized gains on investment	(17,627)	(8,893)
(Increase) decrease in assets		
Accounts receivable and pledges receivable	110,453	(149,308)
Prepaid expense	36,158	17,349
Increase (decrease) in liabilities		
Accounts payable	(9,185)	3,806
Equipment contract payable	(33,624)	33,624
Deferred revenue	(50,000)	(50,000)
Total Adjustments	798,777	226,470
Net Cash Provided by Operating Activities	477,298	1,314,940
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	174,277	812,500
Refund of deposit on equipment		14,000
Redemption of investments	25,762	
Purchase of investments	(27,416)	
Purchase of equipment and vehicles	(1,112,973)	(1,723,700)
Net Cash Used in Investing Activities	(940,350)	(897,200)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of note payable	400,190	
Payments on notes payable	(131,266)	(293,696)
Net Cash Used in Financing Activities	268,924	(293,696)
Net increase in cash and cash equivalents	(194,128)	124,044
Cash and cash equivalents beginning of year	1,160,701	1,036,657
CASH AND CASH EQUIVALENTS END OF YEAR	\$ 966,573	\$ 1,160,701

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

SUPPLEMENTAL DISCLOSURES

Schedule of noncash investing activities:

Long-term debt incurred for purchase of equipment

<u>2024</u>	<u>2023</u>
<u>\$</u>	<u>\$ 257,979</u>
<u>\$</u>	<u>\$ 257,979</u>

Farm Rescue
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2024 and 2023

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 81% and 75% of the Organization's support for the years ended June 30, 2024 and 2023, 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, 2024 and 2023

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, 2024 and 2023, the Organization's uninsured cash balance totaled \$257,819 and \$484,420, 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 \$950,093 in 2024 and \$816,263 in 2023.

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, 2024 and 2023

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 \$11,050 and \$28,316 in 2024 and 2023, 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 \$40 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, 2024 and 2023

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 2024 and 2023, advertising expense was \$86,166 and \$108,923, respectively.

3. Investments

The following is a summary of investments at June 30, 2024 and 2023 :

	2024	2023
Brokerage cash account	\$ 57	\$ 57
Certificates of deposit over three months	3,286	4,305
Stock index fund	405,878	379,821
Equities and options	89,364	81,849
	<u>\$ 498,528</u>	<u>\$ 466,032</u>

Farm Rescue
NOTES TO FINANCIAL STATEMENTS - continued
Years Ended June 30, 2024 and 2023

3. Investments - continued

As of June 30, 2024 and 2023, all investments were considered Level 1 investments.

Investment return is summarized as follows:

	2024	2023
Interest income and dividends	\$ 26,255	\$ 20,849
Realized gain	2,990	
Unrealized gain	17,645	8,893
Investment return	<u>\$ 46,890</u>	<u>\$ 29,742</u>

4. Accounts Receivable, Related Party

Accounts receivable, related party at June 30, 2024 and 2023, are as follows:

	2024	2023
Bill Gross, President	<u>\$ 36,965</u>	<u>\$</u>
	<u>\$ 36,965</u>	<u>\$</u>

Farm Rescue had been reimbursing Bill Gross, president of the Board of Directors, for expenses incurred to obtain and maintain the Farm Rescue domain registrations. An agreement was reached for Bill Gross to gift all domain ownership to the Organization. The agreement included a clause that Bill Gross would refund the funds that were paid out during the June 30, 2024 fiscal year. The funds were received by Farm Rescue on November 19, 2024.

5. 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, 2024 and 2023 was \$10,817 and \$10,532, respectively.

6. Notes Payable, Bank

The Organization opened a revolving line of credit with a bank on March 8, 2024. The total amount available under this line is \$500,190 and is secured by business assets. The interest rate as of June 30, 2024 was 3.990%. The line of credit matures on March 8, 2025, with the entire unpaid outstanding balance of principal and interest due at that time. At June 30, 2024, the balance on the line of credit was \$400,190.

Farm Rescue
NOTES TO FINANCIAL STATEMENTS - continued
Years Ended June 30, 2024 and 2023

7. Long-Term Debt

Long-term debt at June 30, 2024 and 2023 consists of the following:

	<u>2024</u>	<u>2023</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	\$ 82,704	\$ 122,064
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	227,659	269,226
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	37,563	37,563
1.50% note payable, dated August 29, 2022, due in five annual installments of \$53,942.30 on August 29, 2023 and each successive year to August 29, 2027, plus interest, secured by John Deere 9R59 4WD Tractor	207,640	257,979
	<u>555,566</u>	<u>686,832</u>
Less current portion	135,030	140,850
	<u>\$ 420,536</u>	<u>\$ 545,982</u>

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

2025	\$ 135,030
2026	155,969
2027	116,987
2028	99,631
2029	47,949

Farm Rescue
NOTES TO FINANCIAL STATEMENTS - continued
Years Ended June 30, 2024 and 2023

8. 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 \$1,500,000). 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, 2024 and 2023:

	2024	2023
Financial assets at year end		
Cash and cash equivalents	\$ 966,573	\$ 1,160,701
Accounts receivable		50,000
Accounts receivable, related party	36,965	
Pledges receivable	24,999	122,417
Prepaid expense	17,300	53,458
Investments	498,528	466,032
Total Financial Assets	1,544,365	1,852,608
Financial assets available to meet general expenditures over the next twelve months	\$ 1,544,365	\$ 1,852,608

9. Subsequent Events

Farm Rescue has evaluated subsequent events through May 6, 2025, which is the date the financial statements were available to be issued.

Prior to the report issuance date, an employment claim was filed against Farm Rescue by a former employee. The Board retained both an employment attorney as well as a tax attorney to review the claim. After a thorough review by both attorneys, the claim was withdrawn with no wrong doing by Farm Rescue found. According to outside counsel, if another claim was ever elevated, the actions the Board has taken to address the complaint and to refine governance would meet and exceed oversight expectations.