RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

Pittsboro, North Carolina

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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RURAL ADVANCEMENT FOUNDATION INTERNATIONAL

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BLACKMAN & SLOOP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rural Advancement Foundation International - USA
Pittsboro, North Carolina

Opinion

We have audited the accompanying financial statements of Rural Advancement Foundation International - USA (a nonprofit organization) which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rural Advancement Foundation International - USA as of December 31, 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 and the standards appliable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Rural Advancement Foundation International - USA 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.

Responsibility of Management 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, 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 Rural Advancement Foundation International - USA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rural Advancement Foundation International - USA's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rural Advancement Foundation International - USA'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities by program and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 schedule of activities by program and schedule of expenditures of federal awards 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 September 26, 2023, on our consideration of Rural Advancement Foundation International - USA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Rural Advancement Foundation International - USA's 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 the Rural Advancement Foundation International - USA's internal control over financial reporting and compliance.

Blackman & Sloop

Chapel Hill, North Carolina
September 26, 2023

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

STATEMENTS OF FINANCIAL POSITION

EXHIBIT A

December 31, 2022 and 2021

ASSETS

	2022	2021
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,015,142	$ 1,753,268
Grants and contracts receivable, current portion	852,304	1,226,157
Other receivables	13,013	17,206
Investments	6,540	7,066
Prepaid expenses	13,553	38,223
TOTAL CURRENT ASSETS	2,900,552	3,041,920
PROPERTY AND EQUIPMENT:		
Land	168,229	168,229
Building	913,420	913,420
Building improvements	12,709	12,709
Office equipment	6,724	4,541
Computer equipment	1,600	1,600
	1,102,682	1,100,499
Less: accumulated depreciation	(517,481)	(495,942)
NET PROPERTY AND EQUIPMENT	585,201	604,557
OTHER ASSETS:		
Grants and contracts receivable, net of current portion	454,373	934,520
Security deposits	35,887	17,500
Right of use asset - operating leases, net amortization of $3,280	5,011	-
TOTAL OTHER ASSETS	495,271	952,020
TOTAL ASSETS	$ 3,981,024	$ 4,598,497

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

STATEMENTS OF FINANCIAL POSITION

EXHIBIT A

December 31, 2022 and 2021

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 174,825	$ 79,765
Accrued wages and benefits	79,317	59,717
Notes payable, current portion	101,622	9,000
Operating lease liability, current	3,491	-
TOTAL CURRENT LIABILITIES	359,255	148,482
LONG-TERM LIABILITIES:		
Security deposit	150	150
Notes payable, noncurrent portion	25,294	91,093
Operating lease liability, net of current portion	1,520	-
TOTAL LONG-TERM LIABILITIES	26,964	91,243
TOTAL LIABILITIES	386,219	239,725
NET ASSETS:		
Without donor restrictions	1,851,180	1,521,064
With donor restrictions	1,743,625	2,837,708
TOTAL NET ASSETS	3,594,805	4,358,772
TOTAL LIABILITIES AND NET ASSETS	$ 3,981,024	$ 4,598,497

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Years Ended December 31, 2022 and 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE:				
Private foundations	$ 835,000	$ 468,481	$ 1,303,481	$ 3,085,454
Government grants and contracts	775,317	-	775,317	322,095
Individual contributions	160,502	6,801	167,303	186,225
Member dues	-	161,393	161,393	167,000
Other income	11,851	-	11,851	1,800
Net investment income	909	-	909	919
	1,783,579	636,675	2,420,254	3,763,493
Net assets released from restrictions	1,730,758	(1,730,758)	-	-
TOTAL SUPPORT AND REVENUE	3,514,337	(1,094,083)	2,420,254	3,763,493
EXPENSES:				
Program services:				
Program services	2,205,433	-	2,205,433	1,925,696
Fiscal sponsorships	425,183	-	425,183	292,434
Total program services	2,630,616	-	2,630,616	2,218,130
Supporting services:				
Management and general	425,253	-	425,253	329,193
Fundraising	128,352	-	128,352	92,100
Total supporting services	553,605	-	553,605	421,293
TOTAL FUNCTIONAL EXPENSES	3,184,221	-	3,184,221	2,639,423
Bad debt expense	-	-	-	1,000
TOTAL EXPENSES	3,184,221	-	3,184,221	2,640,423
CHANGES IN NET ASSETS	330,116	(1,094,083)	(763,967)	1,123,070
NET ASSETS - BEGINNING OF YEAR	1,521,064	2,837,708	4,358,772	3,235,702
NET ASSETS - END OF YEAR	$ 1,851,180	$ 1,743,625	$ 3,594,805	$ 4,358,772

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Years Ended December 31, 2022 and 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Private foundations	$ 757,134	$ 2,328,320	$ 3,085,454
Government grants and contracts	322,095	-	322,095
Individual contributions	167,869	18,356	186,225
Member dues	-	167,000	167,000
Other income	1,800	-	1,800
Net investment income	919	-	919
	1,249,817	2,513,676	3,763,493
Net assets released from restrictions	1,882,872	(1,882,872)	-
TOTAL SUPPORT AND REVENUE	3,132,689	630,804	3,763,493
EXPENSES:			
Program services:			
Program services	1,925,696	-	1,925,696
Fiscal sponsorships	292,434	-	292,434
Total program services	2,218,130	-	2,218,130
Supporting services:			
Management and general	329,193	-	329,193
Fundraising	92,100	-	92,100
Total Supporting Services	421,293	-	421,293
TOTAL FUNCTIONAL EXPENSES	2,639,423	-	2,639,423
Bad debt expense	1,000	-	1,000
TOTAL EXPENSES	2,640,423	-	2,640,423
CHANGES IN NET ASSETS	492,266	630,804	1,123,070
NET ASSETS - BEGINNING OF YEAR	1,028,798	2,206,904	3,235,702
NET ASSETS - END OF YEAR	$ 1,521,064	$ 2,837,708	$ 4,358,772

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

STATEMENTS OF CASH FLOWS

EXHIBIT C

For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (763,967)	$ 1,123,070
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	25,243	25,121
Unrealized loss (gain) on investments	619	(756)
Gain on the disposal of assets	(225)	-
Write-off of uncollectible accounts	-	(1,000)
Increase (decrease) in cash arising from changes in assets and liabilities:		
Grants and contracts receivable	854,000	(1,276,432)
Other receivables	4,193	(6,475)
Prepaid expenses	24,670	(26,510)
Security deposits	(18,387)	-
Accounts payable and accrued expenses	95,060	19,012
Accrued wages and benefits	19,600	395
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	240,806	(143,575)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(143)	(134)
Sale of investments	50	50
Proceeds from sale of property and equipment	225	-
Purchase of property and equipment	(5,887)	-
NET CASH USED IN INVESTING ACTIVITIES	(5,755)	(84)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(9,952)	(9,753)
Advance receipts on notes payable	36,775	-
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	26,823	(9,753)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	261,874	(153,412)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,753,268	1,906,680
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,015,142	$ 1,753,268
SUPPLEMENTAL INFORMATION:		
Cash paid during the year for interest	$ 3,915	$ 4,011

The accompanying Notes to Financial Statements are an integral part of these financial statements.

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT D

For the Years Ended December 31, 2022 and 2021

	Programs	Programs Fiscal Sponsorships	Programs Total	Management and General	Fundraising	2022 Total	2021 Total
Salaries	$ 1,006,312	$ -	$ 1,006,312	$ 151,775	$ 75,165	$ 1,233,252	$ 892,137
Employee benefits	224,353	-	224,353	38,070	18,499	280,922	192,770
Payroll taxes	66,729	-	66,729	23,137	5,064	94,930	71,645
Total salaries and related expenses	1,297,394	-	1,297,394	212,982	98,728	1,609,104	1,156,552
Awards and grants	541,404	112,031	653,435	-	-	653,435	645,388
Contract services	55,997	258,903	314,900	14,640	390	329,930	382,880
Operations	89,490	6,260	95,750	56,260	25,980	177,990	116,801
Travel expenses	56,956	14,960	71,916	5,682	111	77,709	22,164
Program expenses, technical assistance	76,471	-	76,471	102	-	76,573	68,675
Facilities and equipment	24,228	-	24,228	46,878	1,913	73,019	49,972
Accounting and legal fees	439	5,895	6,334	64,558	-	70,892	70,917
Memberships and dues	30,427	425	30,852	1,676	20	32,548	41,636
Meeting expenses	27,462	1,400	28,862	2,961	-	31,823	17,242
Lobbying contractor	-	25,134	25,134	-	-	25,134	45,042
Other personnel expenses	4,883	75	4,958	16,797	89	21,844	17,477
Miscellaneous expenses	282	100	382	2,717	1,121	4,220	4,677
Bad debt expense	-	-	-	-	-	-	1,000
Total other expenses	908,039	425,183	1,333,222	212,271	29,624	1,575,117	1,483,871
Total expenses	2,205,433	425,183	2,630,616	425,253	128,352	3,184,221	2,640,423
Less: bad debt expense	-	-	-	-	-	-	(1,000)
Total functional expenses	$ 2,205,433	$ 425,183	$ 2,630,616	$ 425,253	$ 128,352	$ 3,184,221	$ 2,639,423

The accompanying Notes to Financial Statements are an integral part of these financials statements.

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT D

For the Years Ended December 31, 2022 and 2021

	Programs	Programs Fiscal Sponsorships	Programs Total	Management and General	Fundraising	2021 Total
Salaries	$ 706,829	$ -	$ 706,829	$ 125,575	$ 59,733	$ 892,137
Employee benefits	177,376	-	177,376	-	15,394	192,770
Payroll taxes	49,943	-	49,943	17,451	4,251	71,645
Total salaries and related expenses	934,148	-	934,148	143,026	79,378	1,156,552
Awards and grants	637,888	7,500	645,388	-	-	645,388
Contract services	139,327	224,189	363,516	18,754	610	382,880
Operations	52,864	5,181	58,045	53,420	5,336	116,801
Travel expenses	19,557	1,605	21,162	1,002	-	22,164
Program expenses, technical assistance	64,925	3,750	68,675	-	-	68,675
Facilities and equipment	22,699	-	22,699	25,309	1,964	49,972
Accounting and legal fees	-	-	-	70,917	-	70,917
Memberships and dues	36,683	813	37,496	640	3,500	41,636
Meeting expenses	12,513	4,200	16,713	529	-	17,242
Lobbying contractor	-	45,042	45,042	-	-	45,042
Other personnel expenses	4,401	-	4,401	12,893	183	17,477
Miscellaneous expenses	691	154	845	2,703	1,129	4,677
Bad debt expense	-	1,000	1,000	-	-	1,000
Total other expenses	991,548	293,434	1,284,982	186,167	12,722	1,483,871
Total expenses	1,925,696	293,434	2,219,130	329,193	92,100	2,640,423
Less: bad debt expense	-	(1,000)	(1,000)	-	-	(1,000)
Total functional expenses	$ 1,925,696	$ 292,434	$ 2,218,130	$ 329,193	$ 92,100	$ 2,639,423

The accompanying Notes to Financial Statements are an integral part of these financials statements.

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION

Rural Advancement Foundation International-USA ("RAFI-USA"), is a nonprofit organization that challenges the root causes of unjust food systems, supporting and advocating for economically, racially, and ecologically just farm communities. Activities of RAFI-USA are organized as follows: Agricultural Enterprise Development, Come to the Table, Farm Advocacy, Challenging Corporate Power, Just Foods, and Fiscal Sponsorships. RAFI-USA is supported primarily through grants, and donor contributions, and is dependent on such support for operations to continue.

Rural Advancement Institute (RAI), a supporting organization of Rural Advancement Foundation International-USA, was incorporated in 2002 to exclusively operate for the benefit of, to perform the functions of, and to carry out the purposes of RAFI-USA. RAI had no activity for the years ended December 31, 2022 and 2021.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Program Services.

Agricultural Enterprise Development

Agricultural Enterprise Development supports farmers and rural communities in developing new and innovative sources of agricultural income through cost-share grants. These small capital investments help preserve existing jobs and businesses, leverage new investment, and create new jobs and income for North Carolina's farmers and rural communities. The farm-based enterprises supported through this program represent a wide variety of lessons and experiences relevant to thousands within the state'
s agricultural industry. To date, the program has disbursed more than $6 million to more than 600 farmers and collaborative farmer groups throughout North Carolina.

The Expanding Farmers Market Access ("EFMA") project coordinates two food access incentive programs, Fresh Bucks and Double Bucks, at 23 North Carolina farmers markets, mobile markets, and Co-op groceries to improve food access and inclusivity for community members, as well as, provide small farmers new sales outlets. EFMA provides technical assistance to market managers and works to develop, coordinate, and expand direct producer-to-consumer markets that make locally produced foods more available and accessible and support farmers and food Entrepreneurs of Color.

The Farmers of Color Network ("FOCN") aims to more intentionally support Black, Indigenous, and People of Color ("BIPOC") farmers in the southeast with the goals of improving their economic viability, keeping their land, and gaining generational investment. In 2022, FOCN expanded service reach to Puerto Rico and the U.S. Virgin Islands. FOCN provides farmer-led technical assistance, market access opportunities, webinars, farm tours, networking events, and gatherings to highlight ancestral traditions and knowledge. Resources for resilient farms project provides plain-language information, farmer trainings, and one-on-one assistance for USDA programs that would support greater farm resilience for farmers' operations, especially within RAFI-USA's FOCN.

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Description of Program Services (continued).

In 2020, FOCN entered into the Sustainable Agriculture Research & Education ("SARE") project, navigating farm financial & mental health crises, in partnership with North Carolina State University, the land loss prevention project, the North Carolina Agromedicine Institute, and the National Center for Appropriate Technology. SARE aims to reduce the loss of farms and lives by researching and testing culturally responsive information and information delivery that addresses the combined financial, land tenure, and mental health issues faced by farm families in severe financial distress.

Come to the Table

Come to the Table is a multi-faceted program that empowers faith communities to participate in the creation of a just food system through collaboration, capacity building, and advocacy. The program works with faith communities, hunger relief advocates and farmers and delivers conferences and events, technical assistance, training focused on building equity in the food system, collaborative networks and resources, and school for food justice, faith, and storytelling.

Farm Advocacy

Farm Advocacy provides assistance, develops tools and resources, and promotes policies that help farmers attain greater financial stability and encourage thriving and sustainable small and mid-scale family farms. The program educates farmers about managing risk and equips them to navigate federal farm programs. The program provides individual counseling and assistance to farmers facing financial crisis and who stand to lose their farms without immediate support.

Challenging Corporate Power

Challenging Corporate Power works to hold corporations and government accountable to curb the adverse effects of livestock concentration and build alternative, inclusive livestock economies that equitably distribute profits across farmers, rural communities, and consumers. The fiscally sponsored project, Campaign for Contract Agriculture Reform ("CCAR") is included as part of this program. CCAR is a national alliance of organizations working to provide a voice for farmers and ranchers involved in contract agriculture, as well as the communities in which they live.

Just Foods

From promoting meaningful standards for organic agriculture, to pioneering new standards for social justice in the food system, Just Foods projects seek to make fair, sustainable farming a viable choice. Protecting agricultural genetic diversity is also essential to the viability of family farms. Therefore, Just Foods advocates for funding for classical breeding programs and supports publicly-held seeds and breeds. Within the Just Foods program are the projects: Southern Farmers Seed Cooperative and NC Seed Stewards.

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Description of Program Services (Continued).

Strategic Programing

RAFI-USA develops policy recommendations and public comments and advocates on both the legislative and regulatory levels that are essential for creating a fairer, more just agriculture and food system that works for all. Policy work is directly informed by stakeholders and the lessons learned as farm advocacy, technical assistance and other services are provided to farmers and community members.

Fiscal Sponsorships

RAFI-USA provides fiscal sponsorship services to help facilitate the mission-related work of partner initiatives that lack the legal status or administrative capacity necessary to receive grants or donations. RAFI-USA serves as fiscal sponsor for the following groups:

Durham Farmers Market's Double Bucks Program:
Double Bucks is an incentive program at the Durham Farmers Market that provides up to $10 in matching funds per customer for purchases made with SNAP benefits.

Campaign for Contract Agricultural Reform ("CCAR"):
CCAR is a national alliance of organizations working to provide a voice for members and ranchers involved in contract agriculture, as well as the communities in which they live.

National Organic Coalition ("NOC"):
NOC is a national alliance of organizations working to provide a "Washington voice" for farmers, ranchers, environmentalists, consumers and industry members involved in organic agriculture. The NOC fiscal sponsorship ended during the year ending December 31, 2022. All remaining funds will be transferred to another fiscal sponsor in 2023.

B. Basis of Accounting.

RAFI-USA's financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred.

RAFI-USA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets outside of the fiscal year in which they are received. When a donor 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 statements of activities and changes in net assets as net assets released from restrictions.

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Cash and Cash Equivalents.

Cash and cash equivalents consist of monies on deposit at financial institutions and other highly liquid investments with initial maturities of three months or less. At times, RAFI-USA places deposits with high-quality financial institutions that may be in excess of federally insured amounts. RAFI-USA has not experienced any financial loss related to such deposits.

D. Grants and Contracts Receivable.

Grants and contracts receivable that are expected to be collected within one year are recorded at net realizable value. Grants and contracts receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

RAFI-USA provides an allowance for uncollectible accounts equal to the estimated losses that are expected to be incurred in their collection. The allowance is based on historical collection experience and a review by management of the current status of the existing receivables. As of December 31, 2022 and 2021, all receivables are deemed collectible by management.

E. Investments.

Investments in marketable securities are stated at fair value based on readily available published fair values. Net investment return/(loss) is reported in the statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

F. Property and Equipment.

Property and equipment are stated at cost for purchased assets and at fair value on the date of the gift for donated assets. Property and equipment are capitalized if the life is expected to be greater than one year and if the cost exceeds $3,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets which range from three to thirty years for equipment, furniture and fixtures, buildings and building improvements.

Expenditures for repairs and maintenance are charged to expense as incurred. The cost of major renewals and betterments are capitalized and depreciated over their estimated useful lives. The cost and related accumulated depreciation of property and equipment are removed from the accounts upon disposition and any resulting gain or loss is reflected in the statements of activities and changes in net assets.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Leases.

RAFI-USA determines if an arrangement is a lease at inception and reassesses if there are changes in terms and conditions of the contract. Operating leases are included in right-of-use assets, operating leases, and operating lease liabilities on the statement of financial position. Lease assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of RAFI-USA's leases do not provide an implicit rate, RAFI-USA uses its incremental borrowing rate based on information available at commencement date in determining the present value of future payments.

H. Net Assets.

Net assets, support and revenue, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for various reserves, projects, and commitments.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

I. Advertising and Marketing.

Advertising and marketing costs are expensed as incurred and totaled $14,580 and $1,298, for the years ended December 31, 2022 and 2021, respectively.

J. Income Taxes.

Rural Advancement Foundation International - USA is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(3) of the Internal Revenue Code. RAFI-USA is required to file a Return of Organization Exempt from Income Tax (Form 990) annually with the IRS.

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Revenue Recognition.

RAFI-USA is primarily funded by grants and contributions from individuals, private foundations and federal government sources. These grants and contributions are recognized when cash, securities or other assets, an unconditional promise to give, a grant award letter, or notification of a beneficial interest is received.

Conditional contributions, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met. Consequently, conditional contributions totaling $1,277,167 and $837,055, at December 31, 2022 and 2021, respectively, have not been recognized in the accompanying statements of activities and changes in net assets. These contributions will be recognized as qualifying expenses are incurred.

RAFI-USA receives membership dues in exchange for membership benefits and receives fees for providing administrative services to fiscally sponsored organizations. Related revenue is recognized over the membership period and as the administrative service is provided. Revenue from consulting services to peer organizations and program services contracts which are deemed to be exchange transactions are recognized as revenue without donor restrictions as performance obligations are completed either over time or at a point in time. Deferred revenue from exchange transactions results when cash receipts exceed revenue recognized.

L. Estimates.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates, and those could be material.

M. Contributed Nonfinancial Assets.

Contributed nonfinancial assets include donated facilities, donated professional services, and donated goods which are recorded at either the net present value or fair value of the rental and at fair value for the goods or services received. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, management and general, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP.

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. New Accounting Pronouncements.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities and changes in net assets. The new standard was effective January 1, 2022. RAFI-USA adopted this ASU using the effective date transition method. RAFI-USA elected the following practical expedients upon transition: 1) no need to reassess whether any expired or existing contracts are or contain leases, 2) no need to reassess the lease classification for any expired or existing leases, and 3) no need to reassess initial direct costs for any exiting leases.

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The main provision of this ASU is to increase transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. RAFI-USA adopted this ASU effective January 1, 2022, on a retrospective basis. There were no changes to previously issued financial statements due to the adoption of this standard.

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

NOTES TO FINANCIAL STATEMENTS

LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position, comprise the following at December 31:

	2022	2021
Liquid current financial assets:		
Cash and cash equivalents	$ 2,015,143	$ 1,753,268
Grants and contracts receivable - current	865,317	1,243,363
Investments	6,540	7,066
	2,887,000	3,003,697
Less amounts unavailable for general expenditures within one year, due to:		
Restrictions by donors for purpose or time	(1,219,252)	(1,635,061)
Restrictions by board designations	(1,036,062)	(20,482)
	(2,255,314)	(1,655,543)
Financial assets available to meet cash needs for general expenditures within one year	$ 631,686	$ 1,348,154

RAFI-USA manages its liquid resources by focusing on fundraising efforts through grant writing and obtaining contributions, to ensure the entity has adequate contributions and revenue to cover programs that are being conducted. Management prepares detailed budgets and has been active in managing costs to ensure RAFI-USA remains liquid. However, board designations of $1,036,062 noted above would be released if considered necessary. Additionally, RAFI-USA has a $75,000 line of credit which could be drawn upon if needed.

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

NOTES TO FINANCIAL STATEMENTS

GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of the following at December 31:

	2022	2021
The Duke Endowment	$ 771,833	$ 1,329,029
US Department of Agriculture	337,640	85,736
Z Smith Reynolds Foundation	136,540	206,710
SARE Program/University of Georgia	44,701	55,246
Other	15,963	83,956
W. K. Kellogg Foundation	-	225,000
The Schmidt Family Foundation/11th Hour Project	-	175,000
	$ 1,306,677	$ 2,160,677

	2022	2021
Receivable in less than one year	$ 852,304	$ 1,226,157
Receivable in one to five years	478,000	957,000
Total gross grants receivable	1,330,304	2,183,157
Discount at a rate of 5.2% and 1.6%, respectively	(23,627)	(22,480)
Net present value of grants receivable	$ 1,306,677	$ 2,160,677

Grants and contracts receivable are presented on the statements of financial position under the following captions:

	2022	2021
Current assets:		
Grants and contracts receivable, current portion	$ 852,304	$ 1,226,157
Other assets:		
Grants and contracts receivable, net current portion	454,373	934,520
Total grants receivable	$ 1,306,677	$ 2,160,677

RAFI-USA has been informed of other intentions to give totaling $750,000 to be received through August 2025, to be used to support general expenditures. In accordance with ASU 2018-08, certain promises to give that are receivable through donor advised funds are not recognized until funds are received.

FAIR VALUE OF ASSETS

U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of RAFI-USA. Unobservable inputs reflect the RAFI-USA's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets as of the reporting date.

Level 2 - Valuations based on inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, are valued at prices for similar assets or liabilities in markets that are not active, or determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the asset. Fair value for these assets is determined using valuation methodologies that consider a range of factors, including but not limited to the price at which the asset was acquired, the nature of the asset, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the asset. The inputs into the determination of fair value require significant management judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these assets existed.

RAFI-USA's investments consists of equities and total $6,123 and $6,742, at December 31, 2022 and 2021, respectively, and are classified as Level 1 for both years. Investments held include cash and cash equivalents totaling $417 and $324, at December 31, 2022 and 2021, respectively.

There were no changes during the years ending December 31, 2022 and 2021, to RAFI-USA's valuation techniques used to measure asset values on a recurring basis.

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

NOTES TO FINANCIAL STATEMENTS

NET ASSETS WITHOUT DONOR RESTRICTIONS

Board-designated net assets consist of net assets without donor restrictions which the board has designated for various reserves, projects, and commitments. Since all board-designated net assets result from an internal designation, they are not considered net assets with donor restrictions, but are classified and reported as net assets without donor restrictions.

Board designated net assets consist of the following at December 31:

	2022	2021
Contract Agriculture	$ 545,723	$ -
Policy	293,456	-
Strategic	110,151	-
Just Foods	59,638	3,024
Farmers of Color Network	27,094	7,458
Farm Advocacy	-	10,000
Board designated net assets	$ 1,036,062	$ 20,482

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31:

	2022	2021
Purpose Restricted:		
Come to the Table	$ 1,179,506	$ 1,527,492
Agricultural enterprise development	337,474	569,373
Just Foods	60,938	61,069
Hurricane recovery	11,412	-
Fiscal sponsorship	10,720	202,413
Farm advocacy	7,035	56,500
Program communications	-	13,500
Contract agriculture	-	1,422
	1,607,085	2,431,768
Time Restricted:		
Unrestricted grants receivable	136,540	405,940
Total net assets with donor restrictions	$ 1,743,625	$ 2,837,708

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

NOTES TO FINANCIAL STATEMENTS

REVENUE FROM CONTRACTS WITH CUSTOMERS

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. RAFI-USA's contracts have obligations that are fulfilled at a single point in time and over a period of time.

Performance Obligations Satisfied At a Point in Time

RAFI-USA receives revenue for various program consulting services, a biennial conference, and administration service fees. Revenue is recognized when the service has been performed or the conference occurs. Revenue recognized at a point in time totaled $11,852 and $1,800, at December 31, 2022 and 2021, respectively. There are no contract assets or contract liabilities related to these performance obligations at December 31, 2022 and 2021.

Performance Obligations Satisfied Over a Period of Time

RAFI-USA receives revenue for memberships which cover multiple accounting periods. Revenue is recognized ratably over the membership term. Membership revenue totaled $161,393 and $167,000, at December 31, 2022 and 2021, respectively. Receivables related to these performance obligations totaled $3,250 and $0, at December 31, 2022 and 2021, respectively. There are no contract liabilities related to these performance obligations.

General

Revenue earned will vary depending on the economy. Some programs are supported by grants, and contributions from the community. Revenue from consulting services and biennial conference will depend on the needs and participation of the community. Revenue from administration service fees and membership fees depend on the amount of fiscal sponsorships.

RETIREMENT PLANS

RAFI-USA has a 401(k) plan which covers all employees at the time of hire. RAFI-USA can make a discretionary contribution as determined by the Board of Directors annually for employees who have worked a minimum of 26 weeks or are employed on the last day of the year. Contributions by RAFI-USA totaled $34,676 and $25,541, for the years ended December 31, 2022 and 2021, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits, payroll taxes, and professional fees, which are allocated on the basis of time and effort.

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

NOTES TO FINANCIAL STATEMENTS

RIGHT OF USE ASSET AND OPERATING LEASE LIABILITY

RAFI-USA entered into a lease agreement for a copier in May 2019 for a 60-month period, with monthly payments of $307, expiring May 2024. Total lease expense for the years ended December 31, 2022 and 2021, totaled $3,686 each year.

RAFI-USA's copier lease is determined to be an operating lease. The right of use asset and accumulated amortization totaled $5,011 and $3,280, at December 31, 2022, respectively. The operating lease liability totaled $5,011 at December 31, 2022. Cash paid for amounts included in the measurement of the lease liability and operating lease expense totaled $3,686 for the year ended December 31, 2022. The weighted average remaining lease term is 1.42 years and the weighted average discount rate is 6.25%.

Minimum future rental payments under the lease agreements are as follows:

Year Ending December 31,	Operating
2023	$ 3,686
2024	1,536
Total future minimum lease payments	5,222
Less present value discount	(211)
Total lease liability	$ 5,011
Reported as of December 31, 2022:	
Current lease liability	$ 3,491
Noncurrent lease liability	1,520
Total lease liability	$ 5,011

ACCRUED COMPENSATION

Effective January 2, 2020, after seven years of consecutive service, all regular, full-time employees are eligible to receive a bonus for long-term service equivalent to $1,000 per year of service. Thereafter, employees are eligible to receive subsequent bonuses every three consecutive, uninterrupted service years equivalent to $1,000 per year of service. Long-term service bonuses are classified as accrued wages and benefits in the statements of financial position based on the timing of the employees' estimated time off or payout.

Accrued compensation totaled $16,509 and $12,444, for the years ended December 31, 2022 and 2021, respectively, and is included in accrued wages and benefits on the statements of financial position.

LINE OF CREDIT

At December 31, 2022, RAFI-USA has available up to $75,000 on a secured line of credit from a commercial lender at an interest rate of prime plus 1% with a maturity date of July 2023. At December 31, 2022 and 2021, there were no outstanding draws on the line of credit.

NOTES PAYABLE

In 2016, RAFI-USA modified an existing note of $300,000 secured by real estate to monthly principal payments of $1,062, and one final payment of the remaining principal and accrued interest balance in July 2023, with a fixed interest rate of 3.8%. The outstanding balance at December 31, 2022 and 2021, was $91,050, and $100,093, respectively.

In 2022, RAFI-USA entered into a new note of $36,774. The note matures in 2025 and has a fixed interest rate of 6.25%. The outstanding balance at December 31, 2022, was $36,774.

The future scheduled maturities of long-term debt are as follows:

Year Ending December 31,		
2023	$	101,622
2024		12,246
2025		13,048
	$	126,916

CONCENTRATIONS

Approximately 95% of RAFI-USA's grants and contracts receivable, net are from three funding sources and 65% of grants, contracts, contributions, and membership dues revenue are from four funding sources at December 31, 2022. Approximately 72% of RAFI-USA's grants and contracts receivable, net and 52% of grants, contracts, contributions, and membership dues revenue are from two funding sources at December 31, 2021.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2021 financial statements in order to conform to 2022 presentation. Such reclassifications had no effect on net assets.

COMMITMENTS AND CONTINGENCIES

The Organization is the recipient of federal grants for specific purposes that are subject to review and final audit by the grantor agency. Such review and audit could lead to requests for reimbursement to the grantor agency for expenditures disallowed under the compliance terms of the grant. Management believes that any required refunds are unlikely, and in any event, would be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies due to questioned costs.

SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition or disclosure through September 26, 2023, which was the date that the financial statements were available to be issued. No events were noted that require disclosure.

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2022

Federal/State Grantor/ Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Agency or Pass-through Number	Total Expenditures	Expenditures to Subrecipients
FEDERAL EXPENDITURES:				
U.S. Department of Agriculture				
Alternative Market Technical Assistance	10.175	AM200100XXXXG151	$ 134,822	$ -
CSA Market Technical Assistance for Socially Disadvantaged Farmers and Rural Churches	10.175	21FMPPNC1057-00	30,658	-
Subtotal			165,480	-
Conservation Resources for Resilient Farms	10.902	NR223A750003C066	168,038	42,584
Fresh Bucks EBT Incentive Program	10.331	2018-70025-28171	107,269	-
CFAP-2 For Farmers of Color Initiative	10.147	FSA21CPT0011944	74,280	-
Passed through University of Georgia				
Navigating Financial and Mental Health Crisis	10.215	2019-38640-29878	139,799	53,112
Passed through North Carolina State University				
Cover Crops: The Cornerstone of Water Management in the Face of Increasing Demand and a Changing Climate	10.310	2018-0530-07	71,986	-
Does Organic Farming Promote Soil Microbial Communities with High Nitrogen Use Efficiency in Acidic Southeastern US Soils?	10.307	2018-51106-28773	5,804	-
Rapid Return on Investment: Defining Rates of Soil Health Improvement During Organic Transition in the Southeast	10.307	2020-51106-32417	10,679	-
Subtotal			16,483	-
Passed through National Young Farmers Coalition				
American Rescue Plan Technical Assistance Investment Program National Young Farmers Coalition	10.234	2022-70416-37195	49,574	-
Passed through University of Tennessee				
Farm and Ranch Stress Assistance Network: Southern Region	10.500	2020-70028-32730	10,067	-
Total U.S. Department of Agriculture			802,976	95,696
TOTAL FEDERAL EXPENDITURES			$ 802,976	$ 95,696

NOTES TO SCHEDULE OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Rural Advancement Foundation International - USA under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Because the Schedule presents only a selected portion of the operations of Rural Advancement Foundation International - USA it is not intended and does not present the financial position, changes in net assets, or cash flows of the Rural Advancement Foundation International - USA.

Rural Advancement Foundation International - USA has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

BLACKMAN & SLOOP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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*

Board of Directors
Rural Advancement Foundation International - USA
Pittsboro, North Carolina

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 Rural Advancement Foundation International - USA, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rural Advancement Foundation International - USA's internal control over financial reporting ("internal control") as a basis for designing 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 Rural Advancement Foundation International - USA's internal control. Accordingly, we do not express an opinion on the effectiveness of Rural Advancement Foundation International - USA 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 not 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 or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rural Advancement Foundation International - USA's financial statements are free of material misstatements, 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003.

Rural Advancement Foundation International - USA Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Rural Advancement Foundation International - USA's responses to the findings in our audit and described in the accompanying schedule of findings and questioned costs. Rural Advancement Foundation International - USA's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 results of that testing, and not to provide an opinion on the effectiveness of Rural Advancement Foundation International - USA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rural Advancement Foundation International - USA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blackman & Sloop

Chapel Hill, North Carolina
September 26, 2023

BLACKMAN & SLOOP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Rural Advancement Foundation International - USA
Pittsboro, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rural Advancement Foundation International - USA's compliance with the types of compliance requirements identified as subject to audit in the O*MB Compliance Supplement* that could have a direct and material effect on each Rural Advancement Foundation International - USA's major federal program for the year ended December 31, 2022. Rural Advancement Foundation International - USA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Rural Advancement Foundation International - USA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Rural Advancement Foundation International - USA, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Rural Advancement Foundation International - USA's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Rural Advancement Foundation International - USA's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Rural Advancement Foundation International - USA's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Rural Advancement Foundation International - USA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Rural Advancement Foundation International - USA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Rural Advancement Foundation International - USA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Rural Advancement Foundation International - USA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and quested costs as items 2022-001 through 2022-003 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Rural Advancement Foundation International - USA's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Rural Advancement Foundation International - USA's responses to the noncompliance findings or to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Rural Advancement Foundation International - USA's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Blackman & Sloop

Chapel Hill, North Carolina
September 26, 2023

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2022

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Rural Advancement Foundation International - USA.

2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the "Independent Auditor's 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.*"

3. Instances of noncompliance, which would be required to be reported in accordance with *Government Auditing Standards,* were disclosed during the audit.

4. Significant deficiencies relating to the audit of each major federal award program are reported in the "Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance."

5. The auditor's report on compliance for each major federal award program for Rural Advancement Foundation International - USA, expresses an unmodified opinion on its major federal programs.

6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.5516(a) are reported in this schedule.

7. Sustainable Agriculture Research and Education Program (Assistance Listing 10.215), Food Insecurity Nutrition Incentive Grants Program (Assistance Listing 10.331), and Soil and Water Conservation Program (Assistance Listing 10.902) were tested as major programs.

8. The threshold for distinguishing Type A and B programs was $750,000.

9. Rural Advancement Foundation International - USA, did not qualify as a low-risk auditee.

B. Findings - Financial Statements Audit

None.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

2022-001 Suspension and Debarment: Ensure Recipients of Federal Monies are not Suspended or Debarred.

Federal Program Information: Sustainable Agriculture Research and Education Program (Assistance Listing 10.215), Food Insecurity Nutrition Incentive Grants Program (Assistance Listing 10.331), and Soil and Water Conservation Program (Assistance Listing 10.902).

Condition and Criteria: Federal guidelines require all entities to ensure they are not entering into a covered transaction with another entity or individual that has been debarred, suspended, or otherwise excluded from receiving federal funds. The Organization did not have policies and procedures to ensure compliance with this federal requirement throughout the entire year.

Prior Year Audit Finding: N/A

Cause and Effect: The Organization did not have suspension and debarment policies and procedures in place for the entire year to ensure compliance with federal guidelines. This could have resulted in possible federal dollars being paid to a suspended or debarred entity or individual and resulted in the potential loss of funding.

Context: The audit finding represents a systemic problem. No instances of noncompliance were noted. The sampling was a statistically valid sample.

Questioned Costs: None.

Recommendation: The Organization has experienced an increase in federal funding across multiple different programs during the current year. As the funding sources have increased and are likely to continue, it is imperative that the Organization implement and maintain policies and procedures to ensure compliance with all federal guidelines. Due to the increase in funding and changes in operations and programs, the Organization did revise its overall financial policies and procedures in August 2022, and specifically implemented a verification policy to ensure recipients of federal funds are eligible to receive federal funds. To maintain compliance with this federal regulation and all other federal regulations, we recommend for the policies and procedures to be reviewed on a regular basis to ensure there are no changes in federal requirements and that the policies and procedures are still adequate for the staffing and operations of the Organization.

Management's Response: Beginning in August 2022, we implemented a verification policy to ensure that recipients of federal funds are eligible to receive federal funds. We also checked our payees for the previous three years to ensure that no previous recipients were disbarred. We have also included this verification policy in our newest version of the financial policies.

2022-002 Procurement: Implement Procurement Policy Guidelines.

Federal Program Information: Sustainable Agriculture Research and Education Program (Assistance Listing 10.215), Food Insecurity Nutrition Incentive Grants Program (Assistance Listing 10.331), and Soil and Water Conservation Program (Assistance Listing 10.902).

2022-002 Procurement: Implement Procurement Policy Guidelines (Continued).

Condition and Criteria: Federal guidelines require all entities to have written procedures for procurement transactions that ensure clear and accurate description of the technical requirements for material, products, or services. The procurement policy must define the number of quotes to obtain and the manner in which quotes should be obtained. Federal guidelines define three types of procurements: micro-purchases, items less than $10,000 which require no extensive documentation of procurement history; small purchases, items not to exceed $250,000 which require price and rate quotes from multiple qualified sources, and purchases greater than $250,000, for which the Organization must obtain sealed bids or competitive proposals. The Organization's procurement policy does not require extensive documentation history for any purchases.

Prior Year Audit Finding: N/A

Cause and Effect: The Organization's procurement policy does not comply with the applicable Federal requirements to provide open and full competition, nor does it address the requirements of the micro-purchase threshold or small purchase procedures. This has resulted in improper supporting documentation for all purchases greater than the micro-purchase threshold of $10,000.

Context: For the year ended December 31, 2022, there was one procurement identified that exceeded the micro-purchase threshold totaling $24,533. The audit finding represents a systemic problem. The sampling was a statistically valid sample.

Questioned Costs: None.

Recommendation: We recommend the Organization update the procurement policy to be in compliance with the procurement Uniform Guidance guidelines.

Management's Response: Management is in agreement that the Organization's policy does not properly reflect the Uniform Guidelines standards for procurement. Management will review the Organization's policies and revise them as soon as possible to be in accordance with federal regulations.

2022-003 Period of Performance: Improve Internal Control Procedures over Grant Closeout.

Federal Program Information: Sustainable Agriculture Research and Education Program (Assistance Listing 10.215).

Condition and Criteria: Entities may only charge to the federal award allowable costs incurred during the period of performance and for any costs incurred before the federal awarding agency or passthrough entity made the federal award that was authorized by the federal awarding agency or passthrough entity. One of the Organization's subawardees charged expenses to the grant that were incurred after the termination period of the grant.

Prior Year Audit Finding: N/A

2022-003 Period of Performance: Improve Internal Control Procedures over Grant Closeout (Continued).

Cause and Effect: The Organization's internal controls did not identify expenses charged to the grant by a subawardee that were incurred after the termination of the grant. This resulted in the Organization charging expenses to the grant that were outside of the grant's period of performance. This could result in the Organization having to return the funds to the awarding federal agency and the loss of potential future federal funding.

Context: The Organization's grant terminated on September 30, 2022. One subawardee charged expenses to the federal grant that were incurred between October 1st-15th, 2022 totaling $4,188, which is outside of the grant's period of performance. The audit finding represents an isolated problem. The sampling was a statistically valid sample.

Questioned Costs: None.

Recommendation: We recommend the Organization reiterate the internal control policies and procedures to all program staff relating to the monthly review of expenditures to ensure everyone is aware of and following the federal guidelines. The Organization should also implement additional grant closeout review procedures to ensure all period of performance guidelines have been appropriately followed.

Management's Response: Management is in agreement that the Organization's internal controls did not identify the incorrect charges to the grant. Management will reiterate the Organization's policies with all program staff and implement additional grant closeout procedures to ensure all federal guidelines are being followed.

ADDITIONAL FINANCIAL INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

SCHEDULES OF ACTIVITIES BY PROGRAM

SCHEDULE 1

For The Years Ended December 31, 2022 and 2021

	2022							
	Agricultural Enterprise Development	Come to the Table	Farm Advocacy	Challenging Corporate Power	Just Foods	Strategic Programming	Fiscal Sponsorships	Total Program Services
Salaries	$ 313,767	$ 198,329	$ 145,626	$ 105,948	$ 84,346	$ 158,296	$ -	$ 1,006,312
Employee benefits	64,555	46,423	31,933	24,901	20,624	35,917	-	224,353
Payroll taxes	18,208	12,884	11,390	8,459	5,912	9,876	-	66,729
Total salaries and related expenses	396,530	257,636	188,949	139,308	110,882	204,089	-	1,297,394
Awards and grants	437,171	41,000	21,702	-	-	41,531	112,031	653,435
Contract services	26,259	10,567	5,313	3,317	130	10,411	258,903	314,900
Operations	39,520	16,100	6,554	10,399	4,591	12,326	6,260	95,750
Travel expenses	17,326	11,132	7,833	2,435	189	18,041	14,960	71,916
Program expenses, technical assistance	72,821	2,600	350	250	-	450	-	76,471
Facilities and equipment	6,891	4,944	3,660	2,749	2,146	3,838	-	24,228
Accounting and legal fees	-	-	-	-	-	439	5,894	6,333
Memberships and dues	557	313	537	27,500	20	1,500	425	30,852
Meeting expenses	4,710	17,890	1,150	1,300	-	2,412	1,400	28,862
Lobbying contractor	-	-	-	-	-	-	25,134	25,134
Other personnel expenses	1,150	1,000	210	1,575	-	948	75	4,958
Miscellaneous expenses	85	197	-	-	-	-	100	382
Total other expenses	606,490	105,743	47,309	49,525	7,076	91,896	425,182	1,333,221
Total program expenses	$ 1,003,020	$ 363,379	$ 236,258	$ 188,833	$ 117,958	$ 295,985	$ 425,182	$ 2,630,615

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

SCHEDULES OF ACTIVITIES BY PROGRAM

SCHEDULE 1

For The Years Ended December 31, 2022 and 2021

	2021						
	Agricultural Enterprise Development	Come to the Table	Farm Advocacy	Challenging Corporate Power	Just Foods	Fiscal Sponsorships	Total Program Services
Salaries	$ 254,566	$ 160,039	$ 124,651	$ 102,099	$ 65,474	$ -	$ 706,829
Employee benefits	63,373	40,834	31,044	25,825	16,300	-	177,376
Payroll taxes	17,643	11,046	9,653	7,033	4,568	-	49,943
Total salaries and related expenses	335,582	211,919	165,348	134,957	86,342	-	934,148
Awards and grants	552,782	42,300	42,306	-	500	7,500	645,388
Contract services	9,081	69,280	47,369	13,597	-	224,189	363,516
Operations	21,165	17,067	4,679	8,399	1,554	5,181	58,045
Travel expenses	11,843	4,482	2,035	843	354	1,605	21,162
Program expenses, technical assistance	61,320	3,605	-	-	-	3,750	68,675
Facilities and equipment	8,536	4,908	3,898	3,198	2,159	-	22,699
Memberships and dues	-	250	-	26,433	10,000	813	37,496
Meeting expenses	5,368	3,645	1,500	-	2,000	4,200	16,713
Lobbying contractor	-	-	-	-	-	45,042	45,042
Other personnel expenses	133	2,528	-	1,740	-	-	4,401
Miscellaneous expenses	691	-	-	-	-	154	845
Bad debt expense	-	-	-	-	-	1,000	1,000
Total other expenses	670,919	148,065	101,787	54,210	16,567	293,434	1,284,982
	1,006,501	359,984	267,135	189,167	102,909	293,434	2,219,130
Less: bad debt expense	-	-	-	-	-	(1,000)	(1,000)
Total program expenses	$ 1,006,501	$ 359,984	$ 267,135	$ 189,167	$ 102,909	$ 292,434	$ 2,218,130