

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

Pittsboro, North Carolina

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022



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INDEPENDENT AUDITOR'S REPORT

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

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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, 2023 and 2022, 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, 2023 and 2022, 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 applicable 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.

BALANCE & STRATEGY ADVISORS, CPAS LLP

Phone/919.942.8700 • Fax/919.968.4766 • Toll Free/877.854.7530

The Exchange West at Meadowmont • 1414 Raleigh Road, Suite 300 • Chapel Hill, North Carolina 27517

www.b-sadvisors.com • email: cpa@b-sadvisors.com

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 schedules of activities by program and schedule of expenditures of federal awards are 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 May 23, 2024, 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.

Balance & Strategy

Chapel Hill, North Carolina
May 23, 2024

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

EXHIBIT A

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ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,784,288	\$ 2,015,142
Grants and contracts receivable, current portion	1,498,890	852,304
Other receivables	1,615	13,013
Investments	30,516	6,540
Prepaid expenses	90,762	13,553
TOTAL CURRENT ASSETS	<u>3,406,071</u>	<u>2,900,552</u>
PROPERTY AND EQUIPMENT:		
Land	168,229	168,229
Building	913,420	913,420
Building improvements	51,079	12,709
Office equipment	6,723	6,724
Computer equipment	3,197	1,600
	<u>1,142,648</u>	<u>1,102,682</u>
Less: accumulated depreciation	<u>(547,016)</u>	<u>(517,481)</u>
NET PROPERTY AND EQUIPMENT	<u>595,632</u>	<u>585,201</u>
OTHER ASSETS:		
Grants and contracts receivable, net of current portion	283,553	454,373
Security deposits	17,500	35,887
Right of use asset - operating leases	1,520	5,011
TOTAL OTHER ASSETS	<u>302,573</u>	<u>495,271</u>
TOTAL ASSETS	<u><u>\$ 4,304,276</u></u>	<u><u>\$ 3,981,024</u></u>

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

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

EXHIBIT A

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LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 148,209	\$ 174,825
Accrued wages and benefits	94,989	79,317
Deferred revenue	35,000	-
Notes payable, current portion	21,484	101,622
Operating lease liability, current	<u>1,520</u>	<u>3,491</u>
TOTAL CURRENT LIABILITIES	<u>301,202</u>	<u>359,255</u>
LONG-TERM LIABILITIES:		
Security deposit	150	150
Notes payable, noncurrent portion	85,907	25,294
Operating lease liability, net of current portion	<u>-</u>	<u>1,520</u>
TOTAL LONG-TERM LIABILITIES	<u>86,057</u>	<u>26,964</u>
TOTAL LIABILITIES	<u>387,259</u>	<u>386,219</u>
NET ASSETS:		
Without donor restrictions	1,894,285	1,851,180
With donor restrictions	<u>2,022,732</u>	<u>1,743,625</u>
TOTAL NET ASSETS	<u>3,917,017</u>	<u>3,594,805</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,304,276</u></u>	<u><u>\$ 3,981,024</u></u>

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

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Years Ended December 31, 2023 and 2022

Page 1 of 2

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE:				
Private foundations	\$ 823,900	\$ 1,573,645	\$ 2,397,545	\$ 1,303,481
Government grants and contracts	1,130,826	-	1,130,826	775,317
Individual contributions	121,652	31,816	153,468	167,303
Member dues	-	49,670	49,670	161,393
Other income	5,621	-	5,621	11,851
Net investment income	21,251	-	21,251	909
	<u>2,103,250</u>	<u>1,655,131</u>	<u>3,758,381</u>	<u>2,420,254</u>
Net assets released from restrictions	<u>1,376,024</u>	<u>(1,376,024)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>3,479,274</u>	<u>279,107</u>	<u>3,758,381</u>	<u>2,420,254</u>
EXPENSES:				
Program services:				
Program services	2,664,438	-	2,664,438	2,205,433
Fiscal sponsorships	64,339	-	64,339	425,183
Total program services	<u>2,728,777</u>	<u>-</u>	<u>2,728,777</u>	<u>2,630,616</u>
Supporting services:				
Management and general	575,307	-	575,307	425,253
Fundraising	132,085	-	132,085	128,352
Total supporting services	<u>707,392</u>	<u>-</u>	<u>707,392</u>	<u>553,605</u>
TOTAL FUNCTIONAL EXPENSES	<u>3,436,169</u>	<u>-</u>	<u>3,436,169</u>	<u>3,184,221</u>
CHANGES IN NET ASSETS	<u>43,105</u>	<u>279,107</u>	<u>322,212</u>	<u>(763,967)</u>
NET ASSETS - BEGINNING OF YEAR	<u>1,851,180</u>	<u>1,743,625</u>	<u>3,594,805</u>	<u>4,358,772</u>
NET ASSETS - END OF YEAR	<u>\$ 1,894,285</u>	<u>\$ 2,022,732</u>	<u>\$ 3,917,017</u>	<u>\$ 3,594,805</u>

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

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Years Ended December 31, 2023 and 2022

Page 2 of 2

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Private foundations	\$ 835,000	\$ 468,481	\$ 1,303,481
Government grants and contracts	775,317	-	775,317
Individual contributions	160,502	6,801	167,303
Member dues	-	161,393	161,393
Other income	11,851	-	11,851
Net investment income	909	-	909
	<u>1,783,579</u>	<u>636,675</u>	<u>2,420,254</u>
Net assets released from restrictions	<u>1,730,758</u>	<u>(1,730,758)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>3,514,337</u>	<u>(1,094,083)</u>	<u>2,420,254</u>
EXPENSES:			
Program services:			
Program services	2,205,433	-	2,205,433
Fiscal sponsorships	425,183	-	425,183
Total program services	<u>2,630,616</u>	<u>-</u>	<u>2,630,616</u>
Supporting services:			
Management and general	425,253	-	425,253
Fundraising	128,352	-	128,352
Total supporting services	<u>553,605</u>	<u>-</u>	<u>553,605</u>
TOTAL FUNCTIONAL EXPENSES	<u>3,184,221</u>	<u>-</u>	<u>3,184,221</u>
CHANGES IN NET ASSETS	330,116	(1,094,083)	(763,967)
NET ASSETS - BEGINNING OF YEAR	<u>1,521,064</u>	<u>2,837,708</u>	<u>4,358,772</u>
NET ASSETS - END OF YEAR	<u>\$ 1,851,180</u>	<u>\$ 1,743,625</u>	<u>\$ 3,594,805</u>

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

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

STATEMENTS OF CASH FLOWS

EXHIBIT C

For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 322,212	\$ (763,967)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	31,135	25,243
Unrealized (gain) loss on investments	(1,152)	619
Gain on the disposal of assets	-	(225)
Stock donations	(22,725)	-
Changes in assets and liabilities:		
Grants and contracts receivable	(475,766)	854,000
Other receivables	11,398	4,193
Prepaid expenses	(77,209)	24,670
Security deposits	18,387	(18,387)
Accounts payable and accrued expenses	(26,616)	95,060
Accrued wages and benefits	15,672	19,600
Deferred revenue	35,000	-
NET CASH FLOWS (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(169,664)</u>	<u>240,806</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(149)	(143)
Sale of investments	50	50
Proceeds from sale of property and equipment	-	225
Purchase of property and equipment	(41,566)	(5,887)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>(41,665)</u>	<u>(5,755)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(108,247)	(9,952)
Advance receipts on notes payable	88,722	36,775
NET CASH FLOWS (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(19,525)</u>	<u>26,823</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(230,854)</u>	<u>261,874</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,015,142</u>	<u>1,753,268</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,784,288</u></u>	<u><u>\$ 2,015,142</u></u>
SUPPLEMENTAL INFORMATION:		
Cash paid during the year for interest	\$ 7,027	\$ 3,915
Stock donations	<u><u>\$ 22,725</u></u>	<u><u>\$ -</u></u>

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, 2023 and 2022

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	Programs			Management and General	Fundraising	2023	2022
	Programs	Fiscal Sponsorships	Programs Total			Total	Total
Salaries	\$ 1,304,116	\$ -	\$ 1,304,116	\$ 226,433	\$ 92,498	\$ 1,623,047	\$ 1,233,252
Employee benefits	294,977	-	294,977	46,134	21,461	362,572	280,922
Payroll taxes	86,236	-	86,236	36,481	6,169	128,886	94,930
Total salaries and related expenses	1,685,329	-	1,685,329	309,048	120,128	2,114,505	1,609,104
Awards and grants	491,585	10,767	502,352	-	-	502,352	653,435
Operations	114,212	-	114,212	72,120	7,736	194,068	177,990
Travel expenses	146,223	-	146,223	17,128	3	163,354	77,709
Contract services	62,573	45,964	108,537	30,784	200	139,521	329,930
Accounting and legal fees	-	-	-	78,080	-	78,080	70,892
Facilities and equipment	24,792	-	24,792	40,107	1,782	66,681	73,019
Program expenses, technical assistance	52,998	-	52,998	-	-	52,998	76,573
Memberships and dues	35,574	-	35,574	3,264	35	38,873	32,548
Meeting expenses	28,512	-	28,512	4,013	-	32,525	31,823
Lobbying contractor	15,692	7,586	23,278	-	-	23,278	25,134
Other personnel expenses	6,894	-	6,894	14,609	213	21,716	21,844
Miscellaneous expenses	54	22	76	6,154	1,988	8,218	4,220
Total other expenses	979,109	64,339	1,043,448	266,259	11,957	1,321,664	1,575,117
Total functional expenses	<u>\$ 2,664,438</u>	<u>\$ 64,339</u>	<u>\$ 2,728,777</u>	<u>\$ 575,307</u>	<u>\$ 132,085</u>	<u>\$ 3,436,169</u>	<u>\$ 3,184,221</u>

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, 2023 and 2022

Page 2 of 2

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

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

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

NOTES TO FINANCIAL STATEMENTS

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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, Strategic Programming, 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 year ended December 31, 2022 and lost its 501(c)(3) status as a charitable organization in July 2023 due to inactivity.

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.

In 2017, RAFI-USA founded the Farmers of Color Network (“FOCN”) to more intentionally support black, indigenous, resources, 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 its 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.

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

NOTES TO FINANCIAL STATEMENTS

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Description of Program Services (continued).

RAFI-USA provides multiple services to small and mid-scale farmers to improve farm viability. RAFI-USA's 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 Farmers of Color Network. Other supports to farmers include the climate smart certification project and more.

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.

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

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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. RAFI-USA's policy work is directly informed by stakeholders and the lessons they learn as they provide farm advocacy, technical assistance and other services 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 dollar for dollar matching funds for purchases made with SNAP, WIC FMNP, and senior FMNP benefits. The Durham Farmers Market ended their fiscal sponsorship with RAFI-USA in December 2023.

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.

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**

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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.

Receivables are stated at their estimated collectible amounts and comprise amounts billed and currently due from customers. RAFI-USA extends credit to customers in the normal course of business. Collections from customers are continuously monitored and an allowance for credit losses is maintained based on historical experience adjusted for current conditions and reasonable forecasts taking into account geographical and industry specific economic factors. RAFI-USA also considers any specific customer collection issues. At origination, RAFI-USA evaluates credit risk based on a variety of credit quality factors including prior payment experience, customer financial information, credit ratings, probabilities of default, industry trends and other internal metrics. On a continuing basis, data for each major customer is regularly reviewed based on past-due status to evaluate the adequacy of the allowance for credit losses; actual write-offs are charged against the allowance. However, due to the nature of receivables and vendors as of December 31, 2023 and 2022, no allowance was deemed necessary by management.

E. Investments.

Investments in marketable securities are stated at fair value based on readily available published fair values. Net investment return 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.

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA**NOTES TO FINANCIAL STATEMENTS**

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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 statements 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 \$4,079 and \$14,580, for the years ended December 31, 2023 and 2022, 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**

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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 \$5,881,967 and \$1,277,167, at December 31, 2023 and 2022, 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 differences 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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. New Accounting Pronouncements.

In June 2016, the Financial Standards Accounting Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses*. The standard requires credit impairment to be recognized as an allowance for credit losses, rather than as a direct write-down of the financial asset. This standard was effective January 1, 2023.

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:

	<u>2023</u>	<u>2022</u>
Liquid current financial assets:		
Cash and cash equivalents	\$ 1,784,288	\$ 2,015,143
Grants and contracts receivable - current	1,498,890	852,304
Other receivables	1,615	13,013
Investments	<u>30,516</u>	<u>6,540</u>
	<u>3,315,309</u>	<u>2,887,000</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restrictions by donors for purpose or time	(1,669,178)	(1,219,252)
Restrictions by board designations	<u>(1,225,098)</u>	<u>(1,036,062)</u>
	<u>(2,894,276)</u>	<u>(2,255,314)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 421,033</u>	<u>\$ 631,686</u>

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 \$1,225,098 noted above would be released if considered necessary.

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

NOTES TO FINANCIAL STATEMENTS

Page 8 of 14

GRANTS AND CONTRACTS RECEIVABLE

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

	2023	2022
W. K. Kellogg Foundation	\$ 608,554	\$ -
The Duke Endowment	523,000	771,833
US Department of Agriculture	454,878	337,640
Farm and Ranch Stress Assistance Network	68,648	-
Z Smith Reynolds Foundation	70,000	136,540
Other	57,363	15,963
SARE Program/University of Georgia	-	44,701
	<u>\$ 1,782,443</u>	<u>\$ 1,306,677</u>
	2023	2022
Receivable in less than one year	\$ 1,498,889	\$ 852,304
Receivable in one to five years	300,000	478,000
Total gross grants receivable	1,798,889	1,330,304
Discount at a rate of 5.8% and 5.2%, respectively	(16,446)	(23,627)
Net present value of grants receivable	<u>\$ 1,782,443</u>	<u>\$ 1,306,677</u>

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

	2023	2022
Current assets:		
Grants and contracts receivable, current portion	\$ 1,498,889	\$ 852,304
Other assets:		
Grants and contracts receivable, net current portion	283,554	454,373
Total grants receivable	<u>\$ 1,782,443</u>	<u>\$ 1,306,677</u>

RAFI-USA has been informed of other intentions to give totaling \$375,000 to be received from Grace Communications Foundation 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.

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

NOTES TO FINANCIAL STATEMENTS

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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.

The following tables summarize the assets of RAFI-USA for which fair values are determined on a recurring basis as of December 31, 2023 and 2022. As required by U.S. GAAP, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. There were no changes during the years ending December 31, 2023 and 2022, to RAFI-USA's valuation techniques used to measure asset values on a recurring basis.

	2023			
	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Cash	\$ 516	\$ -	\$ -	\$ 516
Equities	25,722	-	-	25,722
Exchange traded funds	4,278	-	-	4,278
	<u>\$ 30,516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,516</u>

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

NOTES TO FINANCIAL STATEMENTS

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FAIR VALUE OF ASSETS (CONTINUED)

	2022			
	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Cash	\$ 417	\$ -	\$ -	\$ 417
Equities	6,123	-	-	6,123
Exchange traded funds	-	-	-	-
	<u>\$ 6,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,540</u>

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, 2023 and 2022, totaled \$3,686 each year.

The operating lease liability totaled \$1,520 and \$5,011, at December 31, 2023 and 2022, respectively. Cash paid for amounts included in the measurement of the lease liability and operating lease expense totaled \$3,686 for both years. The weighted average remaining lease term is 0.42 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, 2024	Operating
Total future minimum lease payments	\$ 1,536
Less present value discount	(16)
Total lease liability	<u>\$ 1,520</u>
Reported as of December 31, 2023:	
Current lease liability	\$ 1,520
Noncurrent lease liability	-
Total lease liability	<u>\$ 1,520</u>

Subsequent to year-end, RAFI-USA entered into a new lease agreement for a another copier, with monthly payments of \$256, starting on January 2024, for a 60-month period expiring December 2029.

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

NOTES TO FINANCIAL STATEMENTS

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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 \$20,129 and \$16,509, for the years ended December 31, 2023 and 2022, respectively, and is included in accrued wages and benefits on the statements of financial position.

LINE OF CREDIT

RAFI-USA had 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. Upon termination of the line of credit in July 2023, it was converted into a note payable.

NOTES PAYABLE

In 2023, RAFI-USA modified an existing note of \$300,000 secured by real estate to monthly principal payments of \$1,178, with a fixed interest rate of 6.1%. The note terminates on March 31, 2031. The outstanding balance at December 31, 2023 and 2022, was \$83,137 and \$91,050, 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, 2023 and 2022, was \$24,254 and \$35,866, respectively.

The future scheduled maturities of notes payable are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 21,484
2025	21,830
2026	10,467
2027	11,133
2028	11,834
Thereafter	30,643
	<u>\$ 107,391</u>

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

NOTES TO FINANCIAL STATEMENTS

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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:

	<u>2023</u>	<u>2022</u>
Policy	\$ 574,239	\$ 293,456
Contract Agriculture	355,008	545,723
Operating Reserve	100,000	-
Just Foods	62,056	59,638
Strategic	50,681	110,151
Farm Advocacy	44,108	-
Farmers of Color Network	<u>39,006</u>	<u>27,094</u>
Board designated net assets	<u><u>\$ 1,225,098</u></u>	<u><u>\$ 1,036,062</u></u>

NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Purpose Restricted:		
Agricultural enterprise development	\$ 973,256	\$ 337,474
Come to the Table	891,890	1,179,506
Just Foods	41,019	60,938
Farm advocacy	31,685	7,035
Hurricane recovery	11,412	11,412
Fiscal sponsorship	<u>3,470</u>	<u>10,720</u>
	1,952,732	1,607,085
Time Restricted:		
Unrestricted grants receivable	<u>70,000</u>	<u>136,540</u>
Total net assets with donor restrictions	<u><u>\$ 2,022,732</u></u>	<u><u>\$ 1,743,625</u></u>

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA**NOTES TO FINANCIAL STATEMENTS**

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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 \$5,621 and \$11,851, at December 31, 2023 and 2022, respectively. There are no contract assets related to these performance obligations at December 31, 2023 and 2022. Deferred revenue totaled \$35,000 and \$0, related to performance obligations satisfied at a point in time at December 31, 2023 and 2022, respectively.

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 \$49,670 and \$161,393, at December 31, 2023 and 2022, respectively. Receivables related to these performance obligations totaled \$0 and \$3,250, at December 31, 2023 and 2022, 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 \$45,718 and \$34,676, for the years ended December 31, 2023 and 2022, 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**

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CONCENTRATIONS

Approximately 86% of RAFI-USA's grants and contracts receivable, net and 57% of grants, contracts, contributions, and membership dues revenue are from three funding sources at December 31, 2023. 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.

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 May 23, 2024, 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, 2023

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	\$ 171,998	\$ -
CSA Market Technical Assistance for Socially Disadvantaged Farmers and Rural Churches	10.175	21FMPPNC1057-00	76,911	-
Subtotal			248,909	-
Conservation Resources for Resilient Farms	10.902	NR223A750003C066	213,271	88,949
Building the Capacity of Faith and Community-Based Organizations to Address Farm Stress and Develop the Next Generation of Agriculture and Food System Leaders	10.902	C20232	8,662	-
Subtotal			221,933	88,949
Fresh Bucks EBT Incentive Program	10.331	2018-70025-28171	7,166	-
Beyond Yield: A Comprehensive Evaluation of Enhanced Efficiency Fertilizers for Reducing Nitrous Oxide Emissions and Ammonia Volatilization in Corn Systems	10.331	NR223A750013G008	4,967	-
Subtotal			12,133	-
CFAP-2 For Farmers of Color Initiative	10.147	FSA23CPT0013667	19,895	-
Delivering Emergency Assistance	10.975	FSA23CPT0012919	85,104	-
Passed through Florida Organic Growers Transition to Organic Partnership Programs	10.163	AM23NOP00000C002	24,565	-
Passed through A Greener World Partnerships for Climate-Smart Commodities	10.937	NR233A750004G080	81,234	-
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	30,538	-
Rapid Return on Investment: Defining Rates of Soil Health Improvement During Organic Transition in the Southeast	10.307	2020-51106-32417	1,321	-
Passed through National Young Farmers Coalition American Rescue Plan Technical Assistance Investment Program National Young Farmers Coalition	10.234	2022-70416-37195	89,261	-
Passed through University of Tennessee Farm and Ranch Stress Assistance Network: Southern Region Total U.S. Department of Agriculture	10.500	R125310413	142,619	-
			957,512	88,949
TOTAL FEDERAL EXPENDITURES			\$ 957,512	\$ 88,949

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, 2023. 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.



**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**

Page 1 of 2

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, 2023, 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 May 23, 2024.

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.

BALANCE & STRATEGY ADVISORS, CPAS LLP

Phone/919.942.8700 • Fax/919.968.4766 • Toll Free/877.854.7530

The Exchange West at Meadowmont • 1414 Raleigh Road, Suite 300 • Chapel Hill, North Carolina 27517

www.b-sadvisors.com • email: cpa@b-sadvisors.com

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Balance & Strategy

Chapel Hill, North Carolina
May 23, 2024



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

Page 1 of 3

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 *OMB 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, 2023. 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, 2023.

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.

BALANCE & STRATEGY ADVISORS, CPAs LLP

Phone/919.942.8700 • Fax/919.968.4766 • Toll Free/877.854.7530

The Exchange West at Meadowmont • 1414 Raleigh Road, Suite 300 • Chapel Hill, North Carolina 27517

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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.

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 a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

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.

Balance & Strategy

Chapel Hill, North Carolina
May 23, 2024

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

Year Ended December 31, 2023

Page 1 of 2

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. No 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. Farmers Market and Local Food Promotion Program (Assistance Listing 10.175) 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

2023-001 Procurement: Implement Procurement Policy Guidelines.

Federal Program Information: Farmers Market and Local Food Promotion Program (Assistance Listing 10.175 and Soil and Water Conservation Program (Assistance Listing 10.902)

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 did not have a procurement policy in place to cover the full fiscal year.

Prior Year Audit Finding: 2022-002

Cause and Effect: The Organization's procurement policy was not adopted until December 2023. This has resulted in improper supporting documentation for all purchases greater than the micro-purchase threshold of \$10,000 prior to that date.

Context: For the year ended December 31, 2023, there was no purchases procurement identified that exceeded the micro-purchase threshold.

Questioned Costs: None.

Recommendation: The Organization adopted the procurement policy in December 2023. 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: Management is in agreement that the Organization's policy did not properly reflect the Uniform Guidelines standards for procurement since the policy did not cover the full fiscal year. Management has implemented the policy effective December 2023 and will review and update the policy on a regular basis.

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

SCHEDULE PRIOR AUDIT FINDINGS

Year Ended December 31, 2022

Page 1 of 3

Prior Year Findings – Major Federal Award Program 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.

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

Current Status: The Organization's policies and procedures related to verification that recipients are eligible to receive funds was in place for 2023. We do not consider it necessary to carry this finding to the current year.

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).

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.

Current Status: The Organization adopted a procurement policy that meets Uniform Guidelines standards in December 2023. Given that the policy was not in place for the full year, we will carry this finding to the current year.

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

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.

Current Status: There were no issues identified relating to period of performance in the current year. This finding will not be carried forward.

ADDITIONAL FINANCIAL INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

SCHEDULES OF ACTIVITIES BY PROGRAM

SCHEDULE 1

For The Years Ended December 31, 2023 and 2022

Page 1 of 2

	2023							
	Agricultural Enterprise Development	Come to the Table	Farm Advocacy	Challenging Corporate Power	Just Foods	Strategic Programming	Fiscal Sponsorships	Total Program Services
Salaries	\$ 362,784	\$ 289,945	\$ 448,711	\$ 72,424	\$ 85,085	\$ 45,167	\$ -	\$ 1,304,116
Employee benefits	83,244	66,891	98,451	16,713	19,334	10,344	-	294,977
Payroll taxes	24,047	19,079	29,661	4,809	5,674	2,966	-	86,236
Total salaries and related expenses	470,075	375,915	576,823	93,946	110,093	58,477	-	1,685,329
Awards and grants	259,973	49,925	163,670	-	-	18,017	10,767	502,352
Contract services	11,625	7,689	28,574	702	547	13,436	45,964	108,537
Operations	31,818	27,835	31,541	13,089	6,207	3,722	-	114,212
Travel expenses	48,436	18,404	38,597	12,377	2,470	25,939	-	146,223
Facilities and equipment	6,804	5,648	8,379	1,415	1,667	879	-	24,792
Program expenses, technical assistance	49,590	2,312	-	-	-	1,096	-	52,998
Memberships and dues	830	117	161	31,925	1,038	1,503	-	35,574
Meeting expenses	14,951	6,756	2,178	2,787	1,044	796	-	28,512
Lobbying contractor	5,304	2,934	5,053	926	722	753	7,586	23,278
Other personnel expenses	981	503	2,691	40	32	2,647	-	6,894
Miscellaneous expenses	-	49	5	-	-	-	22	76
Total other expenses	430,312	122,172	280,849	63,261	13,727	68,788	64,339	1,043,448
Total program expenses	<u>\$ 900,387</u>	<u>\$ 498,087</u>	<u>\$ 857,672</u>	<u>\$ 157,207</u>	<u>\$ 123,820</u>	<u>\$ 127,265</u>	<u>\$ 64,339</u>	<u>\$ 2,728,777</u>

See independent auditor's report.

RURAL ADVANCEMENT FOUNDATION INTERNATIONAL - USA

SCHEDULES OF ACTIVITIES BY PROGRAM

SCHEDULE 1

For The Years Ended December 31, 2023 and 2022

Page 2 of 2

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
Accounting and legal fees	-	-	-	-	-	440	5,894	6,334
Facilities and equipment	6,891	4,944	3,660	2,749	2,146	3,838	-	24,228
Program expenses, technical assistance	72,821	2,600	350	250	-	450	-	76,471
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	91,897	425,182	1,333,222
Total program expenses	<u>\$ 1,003,020</u>	<u>\$ 363,379</u>	<u>\$ 236,258</u>	<u>\$ 188,833</u>	<u>\$ 117,958</u>	<u>\$ 295,986</u>	<u>\$ 425,182</u>	<u>\$ 2,630,616</u>

See independent auditor's report.