

**INSTITUTE FOR AGRICULTURE AND TRADE POLICY
AND SUBSIDIARY**

(A Non-Profit Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020



INDEPENDENT AUDITORS' REPORT

To the Board of Directors

INSTITUTE FOR AGRICULTURE AND TRADE POLICY AND SUBSIDIARY

Opinion

We have audited the consolidated financial statements of Institute for Agriculture and Trade Policy (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Prior Period Financial Statements

The consolidated financial statements of the Organization as of December 31, 2020 were audited by other auditors whose report dated June 18, 2021 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 the Organization'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 the Organization'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.

Mayer Hoffman McCann P.C.

Minneapolis, Minnesota
June 15, 2022

INSTITUTE FOR AGRICULTURE AND TRADE POLICY AND SUBSIDIARY

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 409,232	\$ 234,567
Accounts receivable	600	5,600
Grants receivable, current portion	82,918	258,955
Prepaid expenses	<u>29,598</u>	<u>26,276</u>
TOTAL CURRENT ASSETS	<u>522,348</u>	<u>525,398</u>
PROPERTY AND EQUIPMENT		
Land and buildings	272,999	272,999
Buildings and leasehold improvements	129,065	129,065
Equipment	66,799	60,122
Less accumulated depreciation	<u>(335,125)</u>	<u>(327,690)</u>
NET PROPERTY AND EQUIPMENT	<u>133,738</u>	<u>134,496</u>
OTHER ASSETS		
Cash restricted for long-term purposes	98,000	73,600
Grants receivable, net of current portion and discount	68,117	78,117
Unemployment trust reserve	71,981	-
Investments	<u>855,750</u>	<u>741,329</u>
TOTAL OTHER ASSETS	<u>1,093,848</u>	<u>893,046</u>
TOTAL ASSETS	<u>\$ 1,749,934</u>	<u>\$ 1,552,940</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 39,946	\$ 13,691
Accrued expenses	47,372	53,122
Fiscal agent payable	<u>158,491</u>	<u>45,500</u>
TOTAL CURRENT LIABILITIES	<u>245,809</u>	<u>112,313</u>
<u>NET ASSETS</u>		
NET ASSETS		
Without donor restrictions:		
Undesignated	190,973	96,620
Board designated	<u>733,884</u>	<u>688,828</u>
	924,857	785,448
With donor restrictions	<u>579,268</u>	<u>655,179</u>
TOTAL NET ASSETS	<u>1,504,125</u>	<u>1,440,627</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,749,934</u>	<u>\$ 1,552,940</u>

See Notes to Financial Statements

INSTITUTE FOR AGRICULTURE AND TRADE POLICY AND SUBSIDIARY

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>PUBLIC SUPPORT AND REVENUE</u>						
Public support, contributions and grants	\$ 471,858	\$ 796,705	\$ 1,268,563	\$ 416,717	\$ 468,921	\$ 885,638
Paycheck protection program income	198,553	-	198,553	219,100	-	219,100
Administrative fees	14,500	-	14,500	6,680	-	6,680
Honoraria and publications	1,849	-	1,849	661	-	661
Net investment return	83,532	30,895	114,427	72,224	13,773	85,997
Miscellaneous	56,193	-	56,193	958	-	958
Net assets released from restrictions	903,511	(903,511)	-	590,583	(590,583)	-
TOTAL PUBLIC SUPPORT AND REVENUE	1,729,996	(75,911)	1,654,085	1,306,923	(107,889)	1,199,034
<u>EXPENSES</u>						
PROGRAM SERVICES						
Programs services	1,087,506	-	1,087,506	1,098,925	-	1,098,925
Supporting services:						
Management and general	307,770	-	307,770	251,570	-	251,570
Fund raising	195,311	-	195,311	108,837	-	108,837
TOTAL EXPENSES	1,590,587	-	1,590,587	1,459,332	-	1,459,332
CHANGE IN NET ASSETS FROM CONTINUING OPERATIONS	139,409	(75,911)	63,498	(152,409)	(107,889)	(260,298)
CHANGE IN NET ASSETS FROM DISCONTINUED OPERATIONS	-	-	-	(1,415)	-	(1,415)
CHANGE IN NET ASSETS	139,409	(75,911)	63,498	(153,824)	(107,889)	(261,713)
NET ASSETS, BEGINNING OF YEAR	785,448	655,179	1,440,627	939,272	763,068	1,702,340
NET ASSETS, END OF YEAR	\$ 924,857	\$ 579,268	\$ 1,504,125	\$ 785,448	\$ 655,179	\$ 1,440,627

See Notes to Financial Statements

INSTITUTE FOR AGRICULTURE AND TRADE POLICY AND SUBSIDIARY

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Supporting Services				Total
	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
Salaries, taxes and benefits	\$ 886,303	\$ 157,071	\$ 133,148	\$ 290,219	\$ 1,176,522
Contracted services	88,432	39,737	47,130	86,867	175,299
Travel	2,210	5,040	141	5,181	7,391
Conferences and meetings	482	408	-	408	890
Legal and accounting fees	-	89,087	-	89,087	89,087
Building and grounds	41,749	3,407	3,121	6,528	48,277
Office expense	15,573	1,902	2,730	4,632	20,205
Information technology	11,375	739	4,253	4,992	16,367
Insurance, membership and other	26,100	7,294	1,962	9,256	35,356
Depreciation	15,282	3,085	2,826	5,911	21,193
	<u>\$ 1,087,506</u>	<u>\$ 307,770</u>	<u>\$ 195,311</u>	<u>\$ 503,081</u>	<u>\$ 1,590,587</u>

See Notes to Financial Statements

INSTITUTE FOR AGRICULTURE AND TRADE POLICY AND SUBSIDIARY

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	Total Program Services	Supporting Services			Total Continuing Operations	Total Discontinued Operations	Total
		Management and General	Fund Raising	Total Supporting Services			
Salaries, taxes and benefits	\$ 909,214	\$ 136,710	\$ 76,141	\$ 212,851	\$ 1,122,065	\$ -	\$ 1,122,065
Contracted services	68,724	30,691	19,380	50,071	118,795	-	118,795
Travel	2,209	-	-	-	2,209	-	2,209
Conferences and meetings	203	-	-	-	203	-	203
Legal and accounting fees	-	67,026	-	67,026	67,026	1,415	68,441
Building and grounds	46,203	3,983	2,273	6,256	52,459	-	52,459
Office expense	12,319	1,928	4,011	5,939	18,258	-	18,258
Information technology	14,627	1,059	4,180	5,239	19,866	-	19,866
Insurance, membership and other	28,783	7,324	1,226	8,550	37,333	-	37,333
Depreciation	16,643	2,849	1,626	4,475	21,118	-	21,118
Total expenses	\$ 1,098,925	\$ 251,570	\$ 108,837	\$ 360,407	\$ 1,459,332	\$ 1,415	\$ 1,460,747

See Notes to Financial Statements

INSTITUTE FOR AGRICULTURE AND TRADE POLICY AND SUBSIDIARY

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 63,498	\$ (261,713)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	21,193	21,118
Unrealized (gain) loss on investments	(104,804)	29,097
Reinvested dividends and interest	(9,617)	(7,778)
Changes in operating assets and liabilities:		
Accounts receivable	5,000	(4,287)
Grants receivable	106,037	(22,806)
Prepaid expenses	(3,322)	5,441
Unemployment trust reserve	(71,981)	-
Accounts payable	26,255	1,262
Accrued expenses	(5,750)	(9,233)
Fiscal agent payable	112,991	45,500
	<u>139,500</u>	<u>(203,399)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(20,435)</u>	<u>(12,610)</u>
	<u>(20,435)</u>	<u>(12,610)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of contributions received for endowment	<u>80,000</u>	<u>-</u>
	<u>80,000</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	199,065	(216,009)
CASH AND CASH EQUIVALENTS		
BEGINNING OF YEAR	<u>308,167</u>	<u>524,176</u>
END OF YEAR	<u>\$ 507,232</u>	<u>\$ 308,167</u>
Supplemental disclosure of cash flow information		
	<u>2021</u>	<u>2020</u>
Components of cash and cash equivalents		
Cash and cash equivalents	\$ 409,232	\$ 234,567
Cash restricted for long-term purposes	98,000	73,600
	<u>\$ 507,232</u>	<u>\$ 308,167</u>

See Notes to Financial Statements

INSTITUTE FOR AGRICULTURE AND TRADE POLICY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Organization – The Institute for Agriculture and Trade Policy (IATP) was organized under the provisions of Chapter 317, Minnesota Statutes, as a not-for-profit corporation on February 10, 1987. IATP works locally and globally at the intersection of policy and practice to ensure fair and sustainable food, farm and trade systems.

IATP formed a not-for-profit corporation, IATPAction, in July 2003 to encourage United States citizens to engage in the democratic process and exercise their right to vote.

Principles of consolidation - The consolidated financial statements include the accounts of IATP and its affiliate, IATPAction (collectively referred to as the Organization). Significant intercompany accounts and transactions have been eliminated.

Description of programs:

IATP is a policy advocacy think tank that works at the intersection of food and economic systems. Our programmatic work is organized in interconnected core areas according to content, relationships with partners and the associated policy decision-makers. Those areas are Resilient Community Food Systems, A Just Transition for Agriculture, and Fair and Sustainable Trade. In 2021, IATP continued to advance our mission despite the extraordinary challenges induced by the pandemic.

Resilient Community Food Systems: IATP is committed to building community-based food systems in Minnesota that give all people access to sufficient, safe, culturally appropriate, and nutritious food while also developing local food supply chains that allow small to mid-scale farmers to access a variety of new markets, especially farmers from historically excluded Black, Indigenous and People of Color (BIPOC) communities. IATP is helping to revitalize local economies, give farmers stable and predictable income through the buying power of institutions, like school districts and hospitals, and supply fresh and healthy local food to students and communities. Our FY2021 accomplishments include support and evaluation of a new pilot state-level Farm to School grant; Expansion of the Minnesota Farm to Early Care Network; Working in partnership with the Hmong American Farmers Association to create and test a Farm to Early Care model; Working in coalition to build and advocate for state and federal policy objectives that strengthen community-based food systems, particularly focusing on rebuilding systems to eliminate hunger, expand access to healthy foods and support farmers post COVID-19.

A Just Transition for Agriculture: IATP has fought against the harms of exploitive factory farm systems for decades. We are committed to food and farm systems that serve independent family farmers and workers, rural communities, and human and ecosystem health. In 2021 we moved forward a proposal to account for climate change in the environmental review process for new or expanding feedlots in Minnesota; We worked with allies to file a legal petition calling for the EPA to regulate methane emissions of the factory farm industry under the Clean Air Act and we continued to highlight the problems of corporate concentration in agriculture; We advocated to incorporate innovative ideas like Climate Hubs, boost on-farm solar and wind energy, and improve systems for local food in the Build Back Better package; IATP provided original research on emissions from fertilizers and the vastly greater demand for conservation programs; We developed accessible materials on climate change and agriculture for the UNFCCC climate summit CPO26 in November.

INSTITUTE FOR AGRICULTURE AND TRADE POLICY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Description of programs (continued):

Fair and Sustainable Trade: IATP is committed to trade relationships that support and protect independent farmers, farm workers, rural communities, and the planet. This means transforming trade negotiations to integrate them into other areas of social and environmental policy and ensure they are accountable and transparent. Our trade work is in coalition with U.S. and international partners, opposing the expansion of harmful trade deals and advancing fair trade alternatives. In FY2021, we wrote and published articles, briefing notes, factsheets, and commentaries, as well as presented in webinars and public lectures. We defended Canada's dairy supply management from a trade challenge; We worked with many partners in the Disparity to Parity project, bringing together farmers, scholars, activists and policy analysts; We convened organizations from the global North and South to examine new proposals for Carbon Border Adjustment Measures; We published www.greennewtrade.org as an online tool.

Income tax status - IATP is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and applicable state law. IATP has been classified as a publicly-supported organization and not a private foundation as defined by the IRC. IATPAction is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code and applicable state law. IATPAction has been classified as a publicly-supported organization and not a private foundation as defined by the IRC.

The Organization reviews and assesses its tax positions taken or expected to be taken in tax returns. Based on this assessment the Organization determines whether it is more likely than not that the position would be sustained upon examination by tax authorities. The Organization's assessment has not identified any significant positions that it believes would not be sustained under examination.

The Organization has identified its tax status as a tax exempt entity as its only significant tax position and has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction.

The Organization files Form 990 in the U.S. federal jurisdiction and the State of Minnesota. The Organization is generally no longer subject to examination by the Internal Revenue Service three years after the date of filing, including extensions.

Financial statement presentation - The Organization reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly net assets of the organization and changes therein are classified and reported as follows:

- Net assets without donor restrictions – Net assets available for general use and not subject to donor-imposed restrictions. These may be used at the discretion of the Organization's management and board of directors. Designated amounts represent those revenues which the Board has set aside for a particular purpose.

INSTITUTE FOR AGRICULTURE AND TRADE POLICY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Financial statement presentation (continued) –

- Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or by actions of the Organization. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Going concern – Management assesses the Organization’s ability to continue as a going concern and provides related disclosures in certain circumstances. Substantial doubt about an entity’s ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. Management has determined there is not substantial doubt about the Organization’s ability to continue as a going concern.

Contributions and grants - The Organization recognizes contributions and grants as revenue when they are received or unconditionally pledged.

Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers. The Organization records conditional contributions received in advance of conditions being met as refundable advances.

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

Revenue from government grant and contract agreements, which are generally considered to be conditional non-exchange transactions are recognized when qualifying expenditures are incurred and conditions under the agreements are met.

Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the determination is made.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

INSTITUTE FOR AGRICULTURE AND TRADE POLICY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Cash and cash equivalents - The Organization considers cash in demand deposit accounts and temporary investments purchased with an original maturity of three months or less to be cash equivalents. Cash and money market funds held as a portion of the Organization's investments portfolio, are classified as long-term assets and are not considered to be cash equivalents for purposes of the statement of cash flows. The Organization maintains cash balances which were derived from donor restricted endowment contributions in perpetuity. As such, these balances are classified separately as noncurrent assets. The Organization maintains its cash and cash equivalents with high credit quality financial institutions. From time to time, the Organization's balances in its bank accounts may exceed Federal Deposit Insurance Corporation limits. The Organization periodically evaluates the risk of exceeding insurance levels and may transfer funds as it deems appropriate. The Organization has not experienced any losses with regards to balances in excess of insured limits or as a result of other concentrations of credit risk.

Investments - Investments are reported at fair value. Fair value is 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. See Note 5 for discussions of fair value measurements.

Net investment return (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Purchases and sales of investments are reflected on a trade date basis. Realized gains or losses on sales of investments are based on the cost of specifically identified investments. Changes in unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Fair value measurement – US GAAP defines fair value and establishes a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. Fair value is 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.

The fair value hierarchy is broken down into three levels of inputs that market participants would use in valuing the asset or liability, which can be summarized as follows:

- Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Quoted prices for similar assets or liabilities
- Level 3 - Valuations based on inputs that are unobservable, therefore requiring management's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

INSTITUTE FOR AGRICULTURE AND TRADE POLICY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Accounts receivable – Accounts receivable are stated at net realizable value. Bad debts are provided on the reserve method based on historical experience and management's evaluation of outstanding receivables at the end of each year. When all collection efforts have been exhausted, the accounts are written off against the related allowance. An allowance for doubtful accounts has not been provided for since management expects all accounts receivables to be collected.

Grants receivable – Contributions are recognized when the donor makes a grant that is, in substance, unconditional. Grants receivable represent amounts committed by donors that have not been received by the Organization. An allowance for doubtful accounts has not been provided for since management expects all grant receivables to be collected.

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their estimated future cash flows, discounted using risk-adjusted interest rates to the years in which the promises are to be received. Promises to give receivable that are expected to be collected in more than one year are discounted at a rate of 2.6%.

Insurance – The Organization uses a combination of insurance and self-insurance mechanisms, including participation in an unemployment trust, to provide for liabilities for certain risks. Reserve balances attributable to the Organization in the unemployment services trust were \$71,981 and \$0 at December 31, 2021 and 2020, respectively.

Property and equipment - The Organization capitalizes all expenditures of property and equipment with a useful life of greater than one year, and a cost in excess of \$1,500 for equipment and \$2,500 for building improvements. Property and equipment are recorded at cost or, in the case of contributed property, at the fair value at the date of contribution. If donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

Expenditures for renewals and improvements are capitalized while the cost of maintenance and repairs is charged to expense as incurred. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation is computed using the straight-line method over estimated useful lives of three to forty years.

Fiscal agency – The Organization receives cash from donors for which it is acting as a fiscal agent, which have not been fully disbursed. As such, these funds have been treated as current liabilities.

INSTITUTE FOR AGRICULTURE AND TRADE POLICY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Functional allocation of expenses - The statements of functional expenses present the natural classification detail of expenses by function. Expenses which apply to more than one function are allocated among the functions to which they apply. The allocation of salary expense is based on the annual budget and managements estimate. Other expenses are allocated by time and effort as a percentage of salary and contracted services expense devoted to that function unless a more direct basis is apparent.

New accounting pronouncements - In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, "Leases (Topic 842)". ASU 2016-02 requires lessees to recognize a right-of-use asset and lease liability on the statement of financial position and disclose key information about leasing arrangements. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current U.S. GAAP. ASU 2016-02 is effective for annual periods beginning after December 15, 2021. The Organization is in the process of assessing the impact this standard will have on its financial statements.

Subsequent events policy - Subsequent events have been evaluated through June 15, 2022, which is the date the financial statements were available to be issued.

(2) Risks & uncertainties

On March 11, 2020 the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. The operations of the Organization may be impacted by the pandemic and could result in changes in the Organization's ability to provide services in its program areas. The extent of any future impact of COVID-19 on our programs and operations will depend on certain developments, including the duration and spread of the outbreak, government mandates and tax relief policies, impact on our donors, employees, and vendors, all of which are uncertain and cannot be predicted. Other financial impacts could occur. Such potential impacts are unknown at this time.

INSTITUTE FOR AGRICULTURE AND TRADE POLICY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

(3) Liquidity and availability

The following represents the Organization's financial assets available for general expenditure at December 31:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 409,232	\$ 234,567
Accounts receivable	600	5,600
Grants receivable	152,918	338,955
Cash restricted for long-term purposes	98,000	73,600
Investments	<u>855,750</u>	<u>741,329</u>
Total financial assets	<u>1,516,500</u>	<u>1,394,051</u>
Less amounts not available to be used within one year:		
Cash restricted for long-term purposes	98,000	73,600
Long term grants receivable	70,000	80,000
Endowment investments	121,870	52,501
Less amount expected to be appropriated for expenditure	(51,200)	(55,600)
Net assets with donor restrictions subject to expenditure for specified purpose or passage of time	359,394	449,078
Less net assets with restrictions to be met in less than a year:		
Purpose	(120,999)	(119,393)
Time	(168,395)	(249,681)
Net assets designated by the board	<u>733,884</u>	<u>688,828</u>
Total	<u>1,042,554</u>	<u>919,333</u>
Financial assets available for general expenditure within one year	<u>\$ 473,946</u>	<u>\$ 474,718</u>

The Organization is substantially supported by restricted contributions. Because donors' restrictions require resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet its responsibilities to its donors. Thus, financial assets may not be available for general expenditure within a single year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

INSTITUTE FOR AGRICULTURE AND TRADE POLICY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

(4) Grants receivable

Unconditional grants receivable at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Enhance the competitiveness of Minnesota's specialty crop industries	\$ 37,087	\$ 82,657
Protect, maintain and improve the health of all Minnesotans	2,750	-
Assist in the fueling of advocates initiative	-	10,000
Assist members in engaging effectively to accelerate regenerative agriculture in the Midwest	-	3,500
Total	<u>\$ 39,837</u>	<u>\$ 96,157</u>

(5) Fair value measurements

Fair values of assets measured on a recurring basis at December 31, 2021 and 2020 are as follows:

	<u>Fair value measurements at reporting date using</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
December 31, 2021				
Money market funds	\$ 252,905	\$ 252,905	\$ -	\$ -
US equities	355,075	355,075	-	-
International equities	<u>247,770</u>	<u>247,770</u>	-	-
Total assets measured at fair value	<u>\$ 855,750</u>	<u>\$ 855,750</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2020				
Money market funds	\$ 225,639	\$ 225,639	\$ -	\$ -
US equities	458,089	458,089	-	-
International equities	<u>57,601</u>	<u>57,601</u>	-	-
Total assets measured at fair value	<u>\$ 741,329</u>	<u>\$ 741,329</u>	<u>\$ -</u>	<u>\$ -</u>

Following is a description of the valuation methodologies used for assets measured at fair value. All assets have been valued using a market approach. There have been no changes in the methodologies used at December 31, 2021 and 2020.

Money market funds: Valued at the closing price reported on the active market on which the individual securities are traded.

US and international equities: Valued at the net asset value (NAV) of shares held by the Organization at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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NOTES TO FINANCIAL STATEMENTS

(6) Net assets

The net assets are summarized as follows as of December 31, 2021:

Detail of Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	\$ 190,973	\$ -	\$ 190,973
Board designated - financial stability	733,884	-	733,884
Restricted for specific purposes:			
Trade, technology and global governance	-	81,354	81,354
Promote sustainable agriculture	-	42,691	42,691
Climate and rural development	-	15,003	15,003
Mini-grants	-	6,850	6,850
Communications	-	22,500	22,500
Subject to the passage of time	-	191,000	191,000
Endowment funds restricted in perpetuity:			
Original gifts to endowment	-	125,000	125,000
Accumulated investment return (loss)	-	94,870	94,870
	<u>\$ 924,857</u>	<u>\$ 579,268</u>	<u>\$ 1,504,125</u>

The net assets are summarized as follows as of December 31, 2020:

Detail of Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	\$ 96,620	\$ -	\$ 96,620
Board designated - financial stability	688,828	-	688,828
Restricted for specific purposes:			
Trade, technology and global governance	-	33,334	33,334
Promote sustainable agriculture	-	89,820	89,820
Climate and rural development	-	89,126	89,126
Mini-grants	-	37,401	37,401
Subject to the passage of time	-	199,397	199,397
Endowment funds restricted in perpetuity:			
Original gifts to endowment	-	125,000	125,000
Accumulated investment return (loss)	-	81,101	81,101
	<u>\$ 785,448</u>	<u>\$ 655,179</u>	<u>\$ 1,440,627</u>

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(6) Net assets (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, by the occurrence of the passage of time, or by the occurrence of other events specified by donors. Net assets released from restriction for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Purpose restriction accomplished:		
Trade, technology and global governance	\$ 214,830	\$ 148,724
Promote sustainable agriculture	47,130	19,380
Climate and rural development	348,744	251,852
Community food systems	85,233	13,729
Mini-grants	30,551	-
Communications	37,500	-
Expiration of specified time period	122,397	93,398
Endowment appropriation for operations	17,126	63,500
Total restrictions accomplished	\$ 903,511	\$ 590,583

(7) Endowments

Interpretation of relevant law - The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence described by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

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(7) Endowments (continued)

Endowment composition and changes in endowment net assets

Endowment net asset composition by type of fund as of December 31, 2021:

	Without Donor	With Donor	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>
Donor restricted	\$ -	\$ 219,870	\$ 219,870
Total endowment net assets	<u>\$ -</u>	<u>\$ 219,870</u>	<u>\$ 219,870</u>
Reconciliation to assets:			
Investments			\$ 121,870
Cash restricted for long-term purposes			98,000
			<u>\$ 219,870</u>

Endowment net asset composition by type of fund as of December 31, 2020:

	Without Donor	With Donor	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>
Donor restricted	\$ -	\$ 206,101	\$ 206,101
	<u>\$ -</u>	<u>\$ 206,101</u>	<u>\$ 206,101</u>
Reconciliation to assets:			
Investments			\$ 52,501
Cash restricted for long-term purposes			73,600
Grants receivable			80,000
			<u>\$ 206,101</u>

Changes in endowment net assets for the year ended December 31, 2021:

	Without Donor	With Donor	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 206,101	\$ 206,101
Earnings appropriated to support operations	-	(17,126)	(17,126)
Investment return (loss)	-	30,895	30,895
	<u>\$ -</u>	<u>\$ 219,870</u>	<u>\$ 219,870</u>

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(7) Endowments (continued)

Endowment composition and changes in endowment net assets

Changes in endowment net assets for the year ended December 31, 2020:

	Without Donor	With Donor	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 616,638	\$ 255,828	\$ 872,466
Earnings appropriated to support operations	-	(63,500)	(63,500)
Release of board designated endowment to board reserve	(616,638)	-	(616,638)
Investment return (loss)	-	13,773	13,773
	<u>\$ -</u>	<u>\$ 206,101</u>	<u>\$ 206,101</u>

The Organization has adopted investment and spending policies for endowment assets that attempt to maximize income with some focus on moderate growth. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor or board-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that generate income to fund operations each year, while obtaining some long-term growth. To achieve investment objectives, the Organization has adopted long-term strategic asset allocation guidelines as follows: investments will consist of between 60% and 80% equities and between 20% and 40% fixed income investments.

The Organization's current strategy is to maintain funding in lower risk accounts to mitigate the risk of investment losses while providing income to fund the Organization's mission. The target rate of draw allocated for support of operations is 5% per year based on a sixteen quarter rolling average of the endowment's market value. The payout is subject to approval by the Board of Directors and will be released for operations on an annual basis following the end of the calendar year.

The Organization has a policy of appropriating certain funds in excess of the original endowed gift to use to support operations. In establishing this policy, the Organization considered the stipulations of the endowment as needing to maintain financial assets in the original amount of the endowment gifts. Any assets in excess of original gift balances which have not been appropriated to support operations by the Board are classified as net assets with donor restrictions until appropriated. Unless subject to donor restrictions, the board retains the ability to increase or reduce appropriations due to the specific needs of the Organization, including the policy to permit spending from underwater endowment funds.

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(8) Paycheck protection program income

The Organization applied for and received forgivable Paycheck Protection Program (PPP) loans of \$198,553 and \$219,100 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act during the years ended December 31, 2021 and 2020, respectively. The Organization accounted for these PPP loans as conditional contributions. Under the terms of the loan, the balance is forgivable to the extent proceeds are used for certain qualified costs during the measurement period and that certain employment levels are maintained. To the extent a portion of the PPP loan does not meet the criteria to be forgiven, such amount will be required to be repaid, including interest at 1% per the terms of the agreement. The Organization used all of the proceeds on qualified costs and has recorded \$198,553 and \$219,100 of grant revenue on the statement of activities during the years ending December 31, 2021 and 2020, respectively. In August 2021, the Organization received notice of legal release for the obligation in the amount of \$219,100 from the Small Business Administration.

(9) Lease commitments

The Organization leases office space in Washington, D.C., Hallowell, Maine and Berlin, Germany under operating leases that have expired. The spaces continue to be leased on a month-to-month basis after the leases expired. The Organization also leases certain equipment under an agreement expiring in June 2023. The leases are accounted for as operating leases.

Total rental expense for the years ended December 31, 2021 and 2020 amounted to \$24,876 and \$22,935 respectively.

(10) Retirement plan

The Organization sponsors a 403(b) plan into which employees may make voluntary elective deferrals. The Organization may provide a flat Board-approved amount to all eligible employees. In addition, the Organization will match 100% of employees' contributions on the first 2% of compensation during the plan year. The contributions made by the Organization for the year ended December 31, 2021 and 2020 were \$15,780 and \$14,359, respectively.

(11) Reclassification

Certain reclassifications have been made to the financial statements for the year ended December 31, 2020 to conform with the classifications of the current year. The reclassifications did not affect financial position or changes in net assets.