

# Practical Farmers of Iowa Sustainability Report

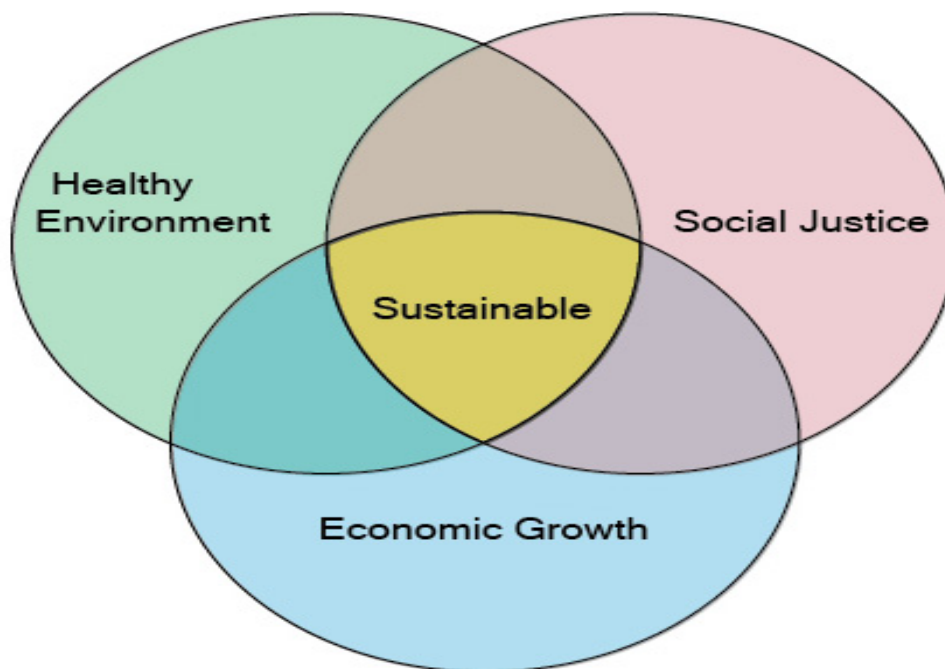
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## Preface

*“A sustainable practice is one that meets the needs of the present without compromising the ability of future generations to meet their own needs.”* The United Nations Brundtland Commission.

Practical Farmers of Iowa has worked diligently to foster sustainable agriculture since 1985. PFI’s mission is to “research, develop and promote profitable, ecologically sound and community-enhancing approaches to agriculture.” Within those few words, sustainability’s three constituent parts are represented: environmental sustainability, economic sustainability and social-political sustainability. These components can be conceptualized with the following schematic:



Practical Farmers of Iowa works diligently for sustainability in its programming. However, how sustainable is PFI as an organization? This study seeks to answer that question. It is viewed as the first step of what is anticipated to be an evolving and enduring process.

Sustainability reporting is a new and evolving field for assessing and reporting on the sustainability of an organization’s policies and practices. Sustainability reporting is the practice

of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainability. ‘Sustainability reporting’ is a broad term considered synonymous with others used to describe reporting on economic, environmental and social impacts (e.g. triple bottom line, corporate responsibility reporting, etc.) A sustainability report should provide a balanced and reasonable representation of the sustainability performance of the organization—including both positive and negative contributions. Most importantly, a sustainability report should be viewed as a living process and tool.

PFI’s sustainability can be assessed in two ways: One is to evaluate and measure the effect of PFI’s programming on the sustainability of agriculture in Iowa. The second option is to evaluate and measure the sustainability of PFI’s operations and processes involved in delivering its programming. This study will briefly and qualitatively touch on the first option, but the primary emphasis will be the assessment of PFI’s operational sustainability.

The specific objectives identified for this assessment, with the results presented in this report, are to:

- Establish sustainability indicators relevant to PFI’s operations
- Objectively and accurately assess PFI’s current level of performance based upon those indicators—both positive and negative—thereby establishing a benchmark for a future reference point.
- Provide the framework for discussion about possible strategies for improvement and the establishment of specific goals for improvement. Those goals should be—as much as possible—specific, measurable, achievable, relevant and time-based.

## **Performance Indicators**

The Global Reporting Initiative (GRI) produces the world’s de facto standard in sustainability reporting guidelines. The GRI’s mission is to make sustainability reporting by all organizations as routine and comparable as financial reporting. More than 1,000 organizations from 60 countries use their guidelines to produce their sustainability reports. All types of organizations are using the GRI Guidelines, including corporate businesses, public agencies, non-governmental organizations, industry groups and others.

Sustainability reports can be extremely comprehensive and detailed in covering many sub-categories of an organization’s environmental, social and economic impacts. This is especially true for a large, multinational corporation. The GRI includes an extensive list of possible performance indicators, which can be found at the following URL: [http://www.globalreporting.org/NR/rdonlyres/DDB9A2EA-7715-4E1A-9047-FD2FA8032762/0/G3\\_QuickReferenceSheet.pdf](http://www.globalreporting.org/NR/rdonlyres/DDB9A2EA-7715-4E1A-9047-FD2FA8032762/0/G3_QuickReferenceSheet.pdf). Sustainability reporting frameworks were developed not as rigid procedures, but rather as conceptual starting points. Many of the performance indicators included on GRI’s list are not relevant to PFI, while others are very much so. This report uses a set of performance indicators suggested on GRI list, along with additional

indicators recommended by PFI staff. These proposed performance indicators are organized into Environmental, Social and Economic categories.

<b>PFI Performance Indicators (2008)</b>	
<b>Performance Indicators</b>	<b>Method of assessing</b>
<b>Environmental</b>	
Energy consumption	Calculations / estimates
Greenhouse gas and polluting emissions	Calculations / estimates
Adoption of alternative energy	Qualitative assessment
Water use	Calculations / estimates
Materials and waste stream	Qualitative assessment
Impact on rivers and streams	Qualitative assessment
Impact on wildlife habitats	Qualitative assessment
<b>Social– Stakeholders and the Public</b>	
Priority-setting processes and transparency	Qualitative assessment
Results from member surveys at field days, annual conference, etc.	Summaries of survey results
Employer’s fostering its employees’ support of charitable causes	Qualitative assessment
<b>Social – Employees</b>	
Compensation and benefits	Employee survey and professional surveys of comparable organizations
Turnover	Qualitative assessment
Employees’ enjoyment and sense of fulfillment	Employee surveys
Work load	Employee surveys
Flex-hours and telecommuting	Employee surveys
Equity of hiring and promotion practices	Employee surveys
Quality of the physical work environment	Employee surveys
Quality of emotional/social work environment	Employee surveys
Quality of internal communication	Employee surveys
Acceptability of educational and training opportunities	Employee surveys
<b>Economic</b>	
Diversity of funding sources	Financial data and assessment
Adequacy of unrestricted funds	Financial data and assessment
Adequacy and preservation of reserve funds	Financial data and assessment
Legal compliance of financial accounting methods	CPA’s feedback

Within the following sections, PFI’s performance will be assessed relative to each of the specific Performance Indicators, including both positive and negative impacts.

## **Environmental**

As stated previously, PFI’s mission is to foster environmental, social and economic sustainability within Iowa’s agriculture. As a consequence, PFI’s programming directly catalyzes significant positive impact in that sphere, including reductions in energy use and greenhouse emissions, enhanced wildlife habitat, cleaner rivers and streams, and strengthened social networks and rural economies. It is realized, however, that the negative environmental impacts of the process and delivery of that programming partially offset these benefits. This sustainability audit will

determine the specific nature and quantities (where possible) of these negative effects. As will be seen in the following text, these negative impacts arise almost entirely from the following three general categories:

- Vehicular travel to and from PFI’s Field Days, Annual Conference, the annual Cooperators’ Meeting, and numerous other small meetings by PFI members, attendees and staff
- The energy use required to heat and air condition the 1,358 square foot office space for six full-time equivalent PFI staff, along with operating its lights, computers, etc.
- The use and eventual disposal of the office furniture, equipment and supplies required to conduct PFI’s business.

### Energy consumption

The following chart includes data for the estimated annual energy consumption and associated carbon dioxide emissions resulting from PFI’s yearly programming.

Power Source	Activities	Estimated Annual Consumption	CO <sub>2</sub> Equivalent (Tons)
Gasoline	Attendees’ travel to and from Field Days and cluster meetings	7,121 gallons <sup>1</sup>	69.7 <sup>1</sup>
	Attendees’ travel to and from Annual Conference	2,971 gallons <sup>2</sup>	29.1 <sup>2</sup>
	Staff travel to and from meetings and for errands	1,459 gallons <sup>3</sup>	14.3 <sup>3</sup>
	Attendees’ travel to and from Cooperators’ Meeting	373 gallons <sup>4</sup>	3.7 <sup>4</sup>
	Board of Directors’ travel to board meetings	305 gallons <sup>5</sup>	3.0 <sup>5</sup>
Electricity	Office air conditioning, lighting, equipment, etc.	14,870 kWh <sup>6</sup>	14.0 <sup>6</sup>
Natural gas	Office heating	672 therms <sup>7</sup>	4.1 <sup>7</sup>
Jet fuel	Air travel to and from conferences and meetings	3,126 passenger miles <sup>8</sup>	2.0 <sup>8</sup>
<b>Total</b>			<b>139.9 tons</b>

Calculation notes for above table:

1. Field Days attendee travel: In 2007, 1,065 attendees were reported for 24 Field Day events. Assumptions: (a) Due to some carpooling, there were 800 trips to and from the Field Days. (b) The average round-trip distance traveled was 170 miles (verified by average mileage reported on the returned evaluations). Cluster meetings attendee travel: (a) For the fruit and vegetable cluster groups, assume 12 cluster meetings in an average year, 8 attendees per meeting (not including staff), and an average round-trip distance of 80 miles. (b) For the grazing clusters, assume 6 meetings with a total of 61 attendee vehicles traveling an average round-trip distance of 90 miles. For all vehicular travel in this chart, the average fuel efficiency assumed is 21 miles per gallon (source: Emission Facts: Greenhouse Gas Emissions for Typical Passenger Vehicles) and 19.564 pounds of carbon dioxide emitted per gallon of gasoline consumed (U.S. Dept. of Energy and the Energy Information Administration, Instructions for Form EIA 1605B, Voluntary Reporting of Greenhouse Gas Emissions).

2. Annual Conference attendee travel: The two-day meeting was attended by 429 people, including 18 children. Assumptions: (a) Due to some carpooling, there were 390 trips to and from the meeting, and there was only one round-trip to the meeting per vehicle, regardless of the length of time that they attended the conference. (b) The average round-trip distance traveled was 160 miles.
3. PFI employees calculated their personal work-related mileage for 2007. In the case where they were more recently hired, they calculated their anticipated mileage for 2008. The total mileage for all employees is 30,642 'person-miles' (allowing for carpooling).
4. Cooperators' Meeting attendee travel: The two-day meeting was attended by 96 people. Assumptions: (a) Due to some carpooling, there were 87 trips to and from the meeting, and there was only one round-trip to the meeting per vehicle, whether they attended for one day, the evening meal, and/or the entire event. (b) One-third of attendees lived in the Ames area and traveled an average round trip distance of 10 miles. (c) The remaining two-thirds of the attendees traveled an average round trip distance of 130 miles.
5. Board Meeting attendee travel: Assumptions: (a) Four meetings per year. (b) An average of ten board members attending each meeting. (c) No carpooling. (c) An average round-trip distance of 160 miles.
6. Past year's average daily consumption of 299 kWh (source: City of Ames Electric Utility) for the entire building of 9,968 s.f., portioned for our 1,358 s.f. of space. Assumes uniform occupancy rate for building and our usage being similar to last year's tenants. An average of 1.88 pounds of carbon dioxide is emitted per kWh of electricity generated by coal in Iowa (Energy Information Administration / Updated State-level Greenhouse Gas Emission Factors for Electricity Generation)
7. Past year's total annual use of 4,935 therms (source: Alliant Energy) for the entire building of 9,968 s.f., portioned for our 1,358 s.f. of space. Assumes uniform occupancy rate for building and our usage being similar to last year's tenants. An average of 12.059 pounds of carbon dioxide is emitted per therm of natural gas consumption (source: [www.earthlab.com](http://www.earthlab.com))
8. Air travel: one hour of flight travel equals an average of 415 miles; one mile flown results in an average of 1.3068 pounds of carbon dioxide being emitted.

As seen in the table, the vast majority of PFI's travel-related environmental impact results from PFI members and other attendees of PFI's field days, annual conference, cooperators' meeting, and board meetings. The estimated 10,770 gallons of gasoline consumed, along with 105 tons of carbon dioxide, represents 76% of the total energy-use-related impact of PFI's work. Strategies do exist for slightly reducing this impact, and they are included in the Ideas for Improvement section below. However, the basic format of farmers traveling to a central location for hands-on, farmer-to-farmer learning, along with personal contact and socializing is the very essence of PFI's work. That cannot be entirely replaced with teleconferencing and virtual meetings.

Natural gas is consumed for heating the office and electricity is used for cooling and lighting the office, along with operating computers and other office equipment. Both combined account for the second-highest general category of energy use and 13% of the total carbon dioxide emissions. While more energy is used for heating with natural gas (672 therms equals 67.2 million BTUs) than electricity for cooling and the other uses (14,870 kWh equals 50.7 million BTUs), the electricity use results in almost 3-1/2 times as much carbon dioxide emissions (14.0 tons vs. 4.1 tons). That is due to the fact that a natural gas furnace is typically 75 to 85% efficient, whereas electricity is only about 30% efficient when considering the inefficiencies of a coal-fired power plant, distribution losses and air conditioning inefficiencies.

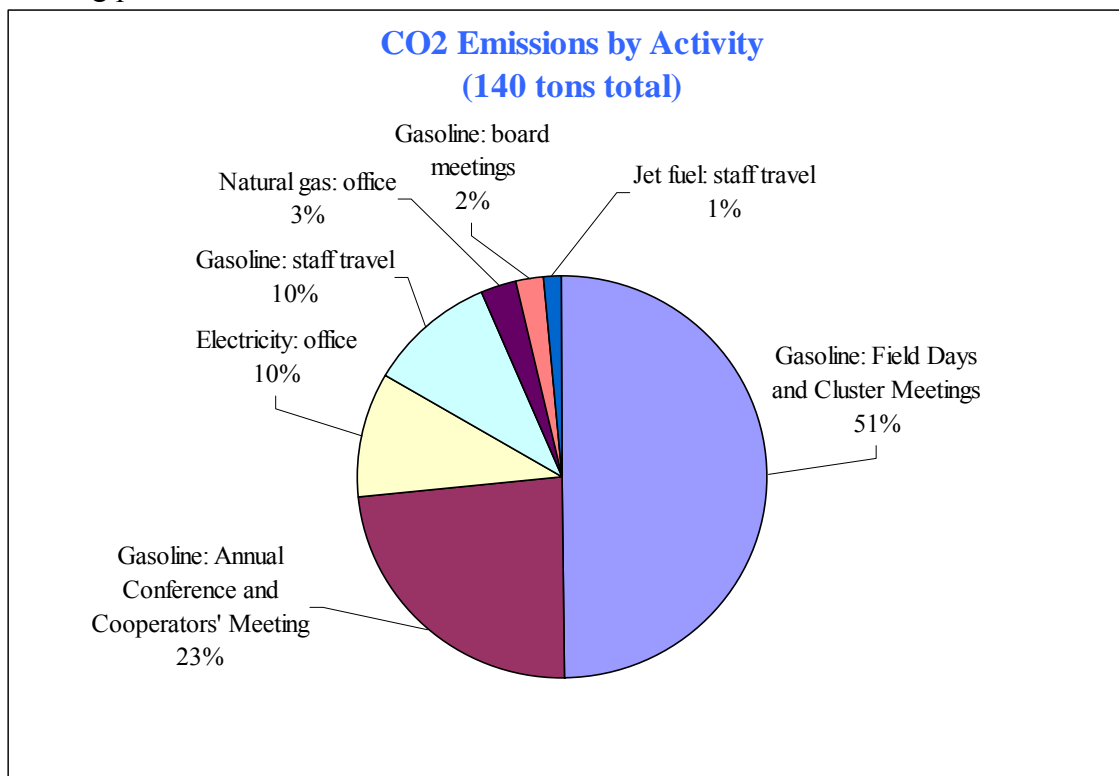
Reasonable estimates for specific electricity usage, adding up to the total estimate of 14,870 kWh would be: 11,000 kWh for air conditioning, 1,700 for computer usage, 1,700 for lighting, and 470 for printers and other miscellaneous electrical appliances.

The figures cited for natural gas consumption and electricity use are rough estimates, given that PFI moved into its current office mid-April 2008 (thereby requiring the use of the previous tenants' utility usage) and the fact that utilities are metered for the entire building, and not separately for PFI's office.

The third and lowest general category of energy use is for work-related travel by PFI staff. It accounts for an estimated 1,459 gallons of gasoline and an associated 16.3 tons of carbon dioxide emissions (11% of the total). Various steps will be considered for reducing this figure, as discussed in the Ideas for Improvement section below. This travel does not include commuting to work by PFI staff, since that is considered to be an aspect of the employee's personal lives and beyond the reach of PFI as an employer. Each employee has differing variables of distance from their home to the PFI office, choices of viable transportation options, other obligations interacting with their choice of transportation, physical abilities, etc. However, it is relevant to mention that one of the factors used in determining the recently selected new office location was its commuting distance from home for PFI staff. Additionally germane to this topic is the fact that some telecommuting from home is permitted.

### Greenhouse gases and polluting emissions

The previous table includes data for the carbon dioxide emissions resulting from the fuels consumed in delivering PFI's programs and activities. That data is visually represented in the following pie chart.



Carbon dioxide is, by far and away, the most damaging greenhouse gas, due to its vast predominance. However, it should be noted that additional greenhouse gases are emitted during the consumption of fossil fuels, including methane, nitrous oxide and sulfur dioxide. While they are emitted in many orders of magnitude (~1/100,000) below the level of carbon dioxide they also have a much greater impact on a per weight basis. A unit of methane is about 21 times more consequential to greenhouse warming than carbon dioxide and a unit of nitrous oxide is about 310 times more consequential. Furthermore, nitrous oxides and sulfur dioxide have additional injurious effects on human health and the environment. Despite the previous points, carbon dioxide's contribution to global warming is still much greater than other greenhouse gases, and it is the most reliable measuring stick of the overall negative effects of fossil fuel consumption.

For readers unfamiliar with carbon footprint statistics, the above figure of 140 tons of carbon dioxide should be put in perspective. For one point of comparison, the average American is directly responsible for the release of about 22 tons of carbon dioxide as a result of their personal transportation, home heating and cooling, appliance use, consumption of materials, etc. Therefore, the carbon dioxide emissions from the work of the six-person PFI staff is nearly equal to the amount of carbon dioxide emissions from these six people's personal lives, assuming average American lifestyles.

While this is clearly an environmental *cost* of PFI conducting its business—and one that should be directly addressed for reductions—the environmental *benefits* of PFI's work are an important mitigating factor. Many aspects of PFI's efforts to foster sustainable agriculture in Iowa directly result in the decreased consumption of fossil fuels and in the associated emissions of greenhouse gases. Examples include minimum tillage, less use of agricultural chemicals, more perennial and other cover crops and the utilization of alternative energies.

These environmental benefits directly resulting from PFI's programming would be difficult to accurately calculate with the vast array of variables and unknowns. Even more challenging and elusive would be the determination of the ripple effect of PFI's work, such as: non-PFI farmers witnessing their PFI farmer-neighbor's successes and making changes themselves; consumers reading a newspaper article resulting from a PFI news release about the advantages of buying local foods and changing their buying habits; and sustainable agriculture advocates in other states learning about PFI's successes and establishing similar non-profit organizations of their own.

Given that complexity, no attempt to even 'ballpark' those figures was made with this report. However, the existence of these substantial counteracting environmental benefits should be kept firmly in mind while working to lower the environmental costs of doing business.

### **Adoption of alternative energy**

In its operations, PFI does not have the opportunity to utilize alternative energy. Within the realm of programming, educational efforts are occasionally taken to encourage PFI members to apply energy conservation measures and install alternative energy systems, including wind, bio-fuels, and solar technologies.

## **Water use**

Average indoor water use in the United States is currently about 70 gallons per person per day. The vast majority of a person's personal water use is in their home, where laundry, bathing, dish-washing, and at least half of their toilet usage account for nearly 90% of that 70 gallons. Water use by PFI staff at the office is limited to toilet use, hand-washing and drinking. Assuming seven gallons of use per staff member per work day for those uses and an average of 235 working days in the office per person per year, the total annual water usage by staff is 9,870 gallons. In comparison, 9,870 gallons of water used in a year represents only about 38% of one person's average indoor annual usage.

PFI should take all available steps to save water. During this audit, two bathroom sinks had leaking faucets, which could easily result in hundreds of gallons of water wasted per month. The leaks were reported to the landlord.

## **Materials and waste stream**

Conducting business typically necessitates the use and consumption of a broad variety of consumer products, including office furniture, equipment and supplies. The wide range of associated impact is dependent upon not only the volume of those products, but also on their life cycle costs. Some of the variables affecting the life cycle costs of a given product are: the energy and raw materials required for the initial manufacturing of the product, with all of its associated marketing, packaging and delivery; whether it was purchased new or used; how long the product was used; and how the product was disposed of, whether reused, recycled or sent to a landfill.

In the case of PFI, a genuine and considerable attempt is made to make decisions based upon the impact of material purchases and consumption. Examples of favorable practices include:

- A strong ethic of 'voluntary simplicity' and frugality guide the obtaining of materials, including an emphasis on using used equipment whenever possible.
- The office paper used by PFI is 100% post-consumer recycled, FSC-certified and processed without the use of chlorine. Letterhead paper, representing only about 10% of the paper used at PFI, is 70% recycled content.
- All publications (quarterly newsletters, annual Field Day guide, annual report, brochures, etc.) are printed on 100% recycled/recyclable paper and with soy-based ink.
- The printers' ability to print back to back is utilized, thereby saving paper.
- Paper that has only been printed on one side is re-used when acceptable.
- An active recycling program (picked up by bicyclists) exists that includes office paper, aluminum cans, plastic, chipboard and cardboard.
- Food purchased for meetings and events is as 'local' as possible.
- Plates and utensils are washed and reused for the majority of these meetings and events.

- Printer ink cartridges are recycled.

### **Impact on rivers and streams**

The conducting of PFI's business has negligible, if any, *direct* negative impact on waterways. The small amount of grey water and wastewater generated by PFI staff is treated by the City of Ames wastewater treatment system, before entering the Skunk River. It is quite probable however, that an *indirect* negative impact results from the fossil fuels consumed as a result of PFI activities, through the manufacturing and disposal of materials purchased and used by PFI, etc. The complexity of such a calculation is beyond the scope of this report.

The *positive* impacts of PFI's efforts are noteworthy, through the sustainable practices adopted by farmers. Minimum tillage, less use of agricultural chemicals, more perennial and cover crops, and the installation and maintenance of grassed waterways are all practices fostered by PFI that improve water quality. Additionally, PFI has supported several farmers to become trained in the volunteer IOWATER program, so that they can monitor the water quality of streams on their farms.

As with the reduction of greenhouse gas emissions by PFI farmers, insufficient data exist to be able to quantify the improved water quality resulting from the farming practices of PFI farmers. Nonetheless, it is a safe conclusion that it is a decidedly positive impact.

### **Impact on wildlife habitats**

PFI's direct and indirect impacts on wildlife habitat are similar to its impacts on rivers and streams; no direct negative impact but probable indirect negative benefit from fossil fuels and materials consumed. Correspondingly, positive impacts result from PFI's programming that encourages farmers to preserve and enhance wildlife habitat on their land and to increase the diversity of their crops and livestock.

## **Social – Stakeholders and the Public**

Before evaluating the social sustainability of PFI's operations, it is important to briefly note the positive impact of its programming in this category. PFI's programming improves the lives of farm families by:

- Improving the financial bottom line of their farming businesses
- Enhancing their physical and emotional health (less exposure to potentially harmful chemicals; closer connections to nature; fostering positive relationships within families and camaraderie with like-minded farmers; greater sense of pride in their work, etc.)

Likewise, PFI's efforts benefit consumers and communities through

- Healthier food
- Stronger local economies
- Strengthened relationships between consumers and farmers
- Enhanced food security

## Priority-setting Processes and Transparency

Hundreds of thousands of nonprofit organizations operate across the globe to work for a better world. They serve a wide variety of social and environmental objectives, empower people, engage in advocacy for change, and/or provide services. With the goal of many nonprofits to promote social and environmental change, part of their work involves attempting to influence individuals, businesses and governments to conduct their operations in a way that is consistent with the organization's vision. As part of that effort, during the last decade nonprofits have stimulated businesses and governments to become more transparent in their operations. Conversely, this has led businesses, governments and sometimes even the general public to demand that nonprofits be more open. What values do they advocate and, most importantly, are their actions consistent with those values? Are they open, transparent and accountable to their stakeholders? What is the governing structure and how are decisions made? If an organization is to be socially sustainable, it needs to hold itself to a standard comprised of acceptable answers to these types of questions and document them within a sustainability report.

Practical Farmers of Iowa is governed by a 12-person board of directors. This board is made up of two farmer members from each of five districts, and two at-large members who represent the organization's non-farmer constituency.

Practical Farmers of Iowa has a vision, a mission and a strategic plan to guide its work. These documents were developed by the PFI staff and board, with input from the membership. The PFI staff and board also develop annual organizational objectives, and staff members develop individual objectives. Together, these steps should ensure that the staff's work is well aligned with the direction that the membership has provided. The following diagram graphically depicts this structure.



Despite the above-mentioned documents to guide its decision-making, PFI does not have a values statement. Values represent the core priorities in the organization's culture, including what drives the staff's priorities and how they truly act in the organization. Examples of values included in typical values statements are integrity, accountability, respect and environmental stewardship. PFI's vision statement is certainly values-based in describing a programming goal of "healthy food, diverse farms and vibrant communities," but that does not speak to values for the *process* of achieving that vision.

The staff and board process of establishing an organizational values statement and the active utilization of that values statement as a compass for all work-related decisions and actions is of tremendous benefit, including:

- Strengthened relationships within the staff through the values-identifying process and through an enhanced feeling of being part of a team.
- A greater sense of personal fulfillment and pride for all of the people associated with PFI—its staff, board of directors, members and funders.
- More credibility and trustworthiness with stakeholders and the general public, and through that, recognition and respect for the ethical standing.

It is strongly recommended that PFI develop a values statement. Additionally, it should annually assess and report on the organization's performance relative to the attributes included in that values statement. Information on suggested processes for developing values statements, as well as samples of other non-profits' values statements, have been provided to PFI's Executive Director.

Practical Farmers of Iowa does the following to report on its progress and use of members' support:

- Annual report
- Bimonthly updates in newsletter
- Member business meeting at annual conference
- Update to membership at annual conference
- Update postings on listservs and on the web

## **Member Surveys**

The second performance indicator—the results of member surveys—provides a straightforward means of assessing PFI's social sustainability with its stakeholders. PFI deserves credit for the fact that it does actively and routinely survey its members, and most important, genuinely strives to act upon that feedback. PFI members were given the opportunity to provide feedback on several occasions throughout the past year.

During the annual conference, survey forms were handed out to all attendees to solicit feedback on the quality of the speakers and programs, the selection of topics, the food service, the overall conference, or any other general comments. Similarly, survey forms were handed out to all of the people who attend PFI's annual cooperators' meeting, asking for the same range of feedback. All attendees of the 2007 Field Days (who left a mailing address) were mailed a survey soon after

each of those field days, inviting their feedback on any aspect of that field day, future desired topics, etc. Lastly, staff initiated an annual survey of all PFI members in late 2007, with the objective of soliciting ratings and opinions on a broad range of topics relative to PFI's performance. Members are asked questions regarding their reasons for belonging to PFI, what PFI does well, how PFI could improve, the most important things that PFI should focus on, and how well the PFI staff listens to its members.

After reviewing summaries from all of these surveys, the following general conclusions can be drawn:

- In general, PFI members are proud and happy to be a part of PFI and are active participants. PFI membership provides them with a community of kindred spirits who share their strongly-held values. Comments such as “keep up the good work!” and “keep doing what you do well” are common on the survey forms. Members find great value in the educational and networking opportunities. In fact, the most common response to the question, “Why do belong to PFI?” is “networking” or something similar. While suggested changes certainly need to be strongly considered, PFI should not lose focus on what it is doing well in the eyes of this majority of members.
- While members are generally pleased with PFI and its programming, many of them still have ideas about how things could be improved. These suggestions can and are often addressed. However, a portion of these suggestions may not be followed, due to a lack of sufficient interest, the suggested action being beyond PFI's mission and policies, or having insufficient staff and resources to fulfill the request. PFI's board of directors plays the lead role in the decision-making for this and the previous bullet point.
- PFI does a commendable job of seriously considering and acting upon this diverse feedback from its members. The executive director and staff commit a substantial amount of time reflecting upon, discussing, and re-prioritizing members' feedback after these various sets of surveys are returned. As one quantitative indicator of this responsiveness, when members were asked, “how well do you think the PFI staff listens to its members?” they answered with an average rating of 4.3 on a one to five point scale.
- A primary objective for PFI is to improve the profitability, efficiency and environmental stewardship of its member-farmers. When these farmers were directly asked how well PFI fulfilled that objective (for each of the three categories), they responded with a 3.2, 3.1 and 3.6 rating respectively (on a one to five point scale). These values may be viewed as acceptable, but not superior ratings. Before reaching that conclusion, a few additional factors should be considered:
  - These are fairly difficult measures to quantify, especially efficiency and environmental stewardship. For this survey, PFI relies on nothing more than self-reported impressions.
  - Many other variables come into play, especially for the profitability ranking. For example, the single factor of PFI's influence on a farmer might very well improve his or her profitability—if that could be isolated—before being more than offset by any number of broader market conditions, such as increasing input costs, decreased prices for his or her products, etc.

## **Employer's Fostering of Charitable Support**

The support of a local cause or project can come in various forms, dependent upon the type of cause and the supporter's skills, financial abilities, available time, etc. This indicator has the potential to be controversial since it might conjure images of the employer dictating what its employees do on their own time, violating their privacy and controlling their personal freedoms in the process. To the contrary, the intent with this indicator is to measure the degree to which the employer encourages, supports and recognizes its employees being good citizens and supporting local charitable causes, without putting pressure on the employees, creating any awkwardness or "guilt-tripping", or invading their privacies and freedoms.

As it is, PFI's executive director does model and softly encourage supporting charitable local causes, projects and non-profits, especially when they are relevant to work relationship-building, for example. the promotion of local foods and sustainable agriculture. Room exists for some improvement in this area, although PFI's tight budget would not allow for its employees to do volunteer work on company time, as is sometimes the case with larger businesses. One idea to consider is to have the staff choose a worthy cause and pitch in together to do an annual half-day of volunteer work for that project, on a Saturday that works for everyone. Further discussion is definitely warranted on this topic, beginning with its appropriateness as a performance indicator.

## **Social Performance – Employees**

### **Employee Survey Results (for all performance indicators)**

If an organization is to be socially sustainable, it must be able to attract and retain quality employees by providing the job-related attributes that they seek (while also balancing its financial sustainability). One obvious method for determining if the employer is meeting the employees' desired job-related attributes is to ask them. By genuinely asking for this feedback and making changes based upon that feedback when possible, positive communication and trust are built—both vital workplace attributes.

PFI employees are provided with ample opportunity to provide workplace feedback, including an annual review, a mid-year review and a periodic check-in survey. Additionally, the executive director maintains an 'open-door' policy and is receptive to hearing any employee's comments, concerns, grievances, etc.

The most recent staff check-in survey was completed by the PFI staff in early February for four employees and in March for one employee. Following are the averaged results for the eight questions in which a rating (on a one to five point scale) was requested:

1. Does PFI have the staff and expertise to carry out its programs? 4.0
2. Do you personally have a manageable workload? 4.0
3. Do you have the equipment you need to be effective? 4.1

4. Do you think it is clear what is expected of you as a PFI employee? 4.8
5. Do you have annual opportunities for training? 4.6
6. Do you have a work plan that helps you in your day-to-day work? 5.0
7. Do you have regular evaluations? 5.0
8. Do you know what you want/need to know about PFI's budget? 4.7

As can be seen, all of the above average scores are very acceptable. To achieve a broader assessment as part of this audit and to complement the above survey, all six staff members received a survey form asking their level of satisfaction with various attributes of their work. Results from the returned surveys follow, with the average ratings on a one to five point scale.

1. Your overall enjoyment and sense of fulfillment about your work: 4.8
2. Adequacy of your compensation and benefits: 3.7  
*A few employees noted that the provision of dental and vision care would be desirable.*
3. Acceptability of your work load: 4.4
4. Acceptability of the limits on when and where your work is accomplished, e.g. flex-hours, telecommuting, etc.: 4.8
5. Equity of PFI's hiring and promotion practices: 4.5
6. Quality of the physical work environment: office air quality and temperatures, quality and ergonomics of chairs and work stations, lighting; having all of the equipment and supplies to do your job, etc.: 4.3  
*Several employees commented that moving to the new office space was a definite improvement in quality of the physical work environment.*
7. Quality of emotional/social work environment: quality of relationships, regard for privacy and confidentiality, nature of atmosphere, etc.: 4.7
8. Quality of internal communication: personnel policies and procedures explained, effectiveness and frequency of staff meetings, equity of decision-making processes, resolution of conflicts, frequency of performance and career development reviews, etc.: 4.5
9. Acceptability of educational and training opportunities: 4.6

In general, the above ratings are high and indicate an acceptable level of employee sustainability. The one possible exception is for question #2 on compensation and benefits, with an average rating of 3.7. That issue is analyzed in greater depth below.

As with the members' survey results, the positive comments on the staff's surveys should carry an equal weight to the negative comments. A strong emphasis should be placed on continuing what is working right, such as weekly staff meetings and positive work relationships.

## **Compensation and Benefits**

A common method for objectively assessing the equity and suitability of an organization's compensation and benefits package is to compare it to similar organizations via a professionally-conducted wage and benefits survey. One such survey—the 2007 Minnesota Nonprofit Salary and Benefits Survey—was purchased and utilized for this sustainability assessment. This survey was conducted in 2006 by the Minnesota Council of Nonprofits and included responses from 625 Minnesota nonprofits varying in size, activity area and location within Minnesota. It appears to be the best tool available for drawing comparisons to PFI.

Following are selected results from that survey for typical benefits, including PFI's current offering. In all cases, the survey data reported is for the size category appropriate for PFI: nonprofit organizations with an annual operating budget of \$500,000 to \$999,999.

### **Compensation**

Salaries for PFI's executive director and four full-time staff members were rated according to the salaries for comparable positions reported in the survey. The salary range determined for each position was an average of at least two ranges, including one used for the relevant size category and one for the organizations located in the Twin Cities. The latter was used because it included the largest number of survey respondents, although it did need to be reduced to compensate for the lower cost of living in Ames. (A factor of 0.86 was used, calculated from averaging three cost of living ratios for the two cities, provided by CNN/Money, Sperling and Salary Expert.)

The above procedure resulted in a determination that the executive director's current salary is in the 27<sup>th</sup> percentile of her adjusted salary range. Percentile rankings for the four full-time staff members averaged precisely at the 50<sup>th</sup> percentile, meaning that half of the organizations paid a lower salary and half paid a higher salary for similar work.

### **Medical Insurance**

Ninety-two percent of the surveyed organizations in the stated size category offer medical insurance to their full-time employees, with 72% of those also offering it to the spouses and children of their full-time employees (as does PFI). When a medical insurance plan is offered, 12% of the organizations paid 50-74% of the premium for the employee, 41% paid 75-99% of the premium, and 46% paid 100% of the premium (as does PFI). For the medical insurance premium for spouses and children, 44% paid none (as is the case for PFI), 4% paid one to 49%, 29% paid 50-74%, 15% paid 75-99% and 7% paid 100%.

### **Prescription Drugs**

Approximately half of the surveyed organizations provided prescription drug coverage, with 55% of those paying the full cost (excluding co-pays). PFI does provide and pay for the cost of prescription drug coverage.

### **Dental Insurance**

Sixty-four percent of these nonprofits offer dental insurance to their full-time employees, with about half of those paying 50% of the cost and half paying 100% of the cost. PFI does not offer dental insurance.

**Vision Insurance**

Twenty-three percent of the surveyed organizations of PFI’s size offer vision insurance, with 56% paying the full cost. PFI does not offer this insurance.

**Life Insurance**

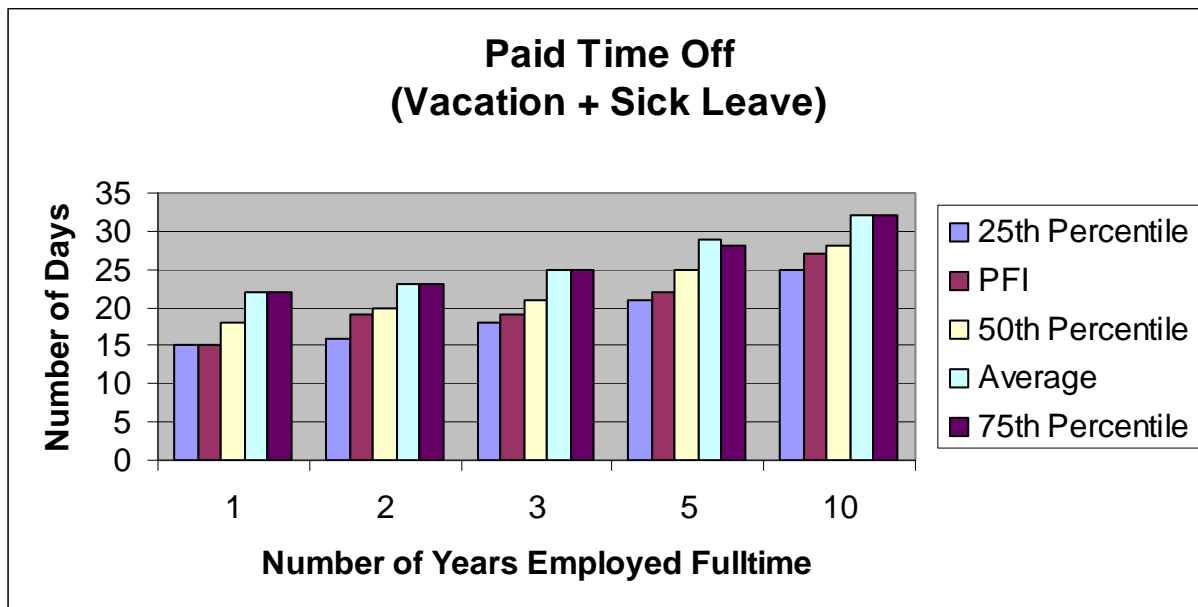
Sixty percent of the organizations offered life insurance, with 96% of those paying the full cost of the premiums. PFI does not offer life insurance.

**Long-Term Disability Insurance**

Forty-six percent of the organizations offered long-term disability insurance to their employees, with 91% paying the full cost. PFI does not offer this benefit.

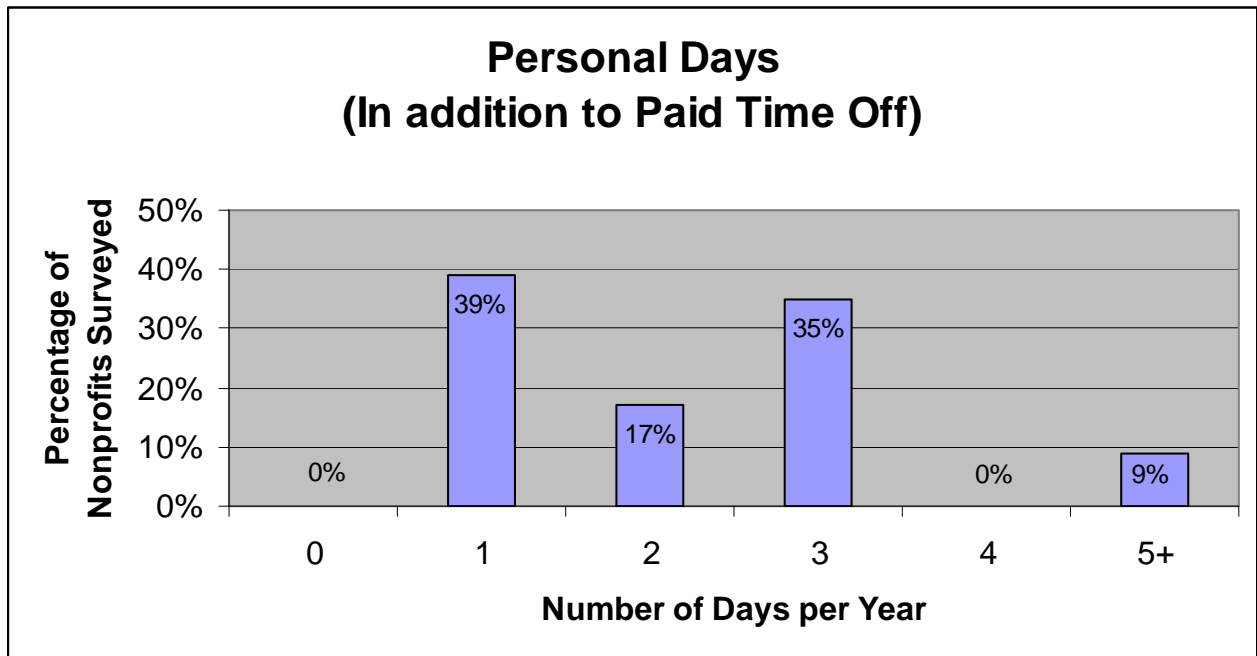
**Paid Time Off**

Organizations have two general approaches with a vacation plan. Some elect to keep vacation days and sick days separate while others combine them and call it “paid time off,” with no distinction for whether the time is taken for pleasure or due to illness. PFI has chosen the latter approach, although some of the staff members have expressed an interest in discussing the possibility of changing to separate vacation days and sick leave. The chart below reflects PFI’s current paid time off plan, relative to the percentiles of the comparable surveyed organizations. In all cases, PFI’s plan is between the 25<sup>th</sup> and 50<sup>th</sup> percentile and one to three days less than the 50<sup>th</sup> percentile.



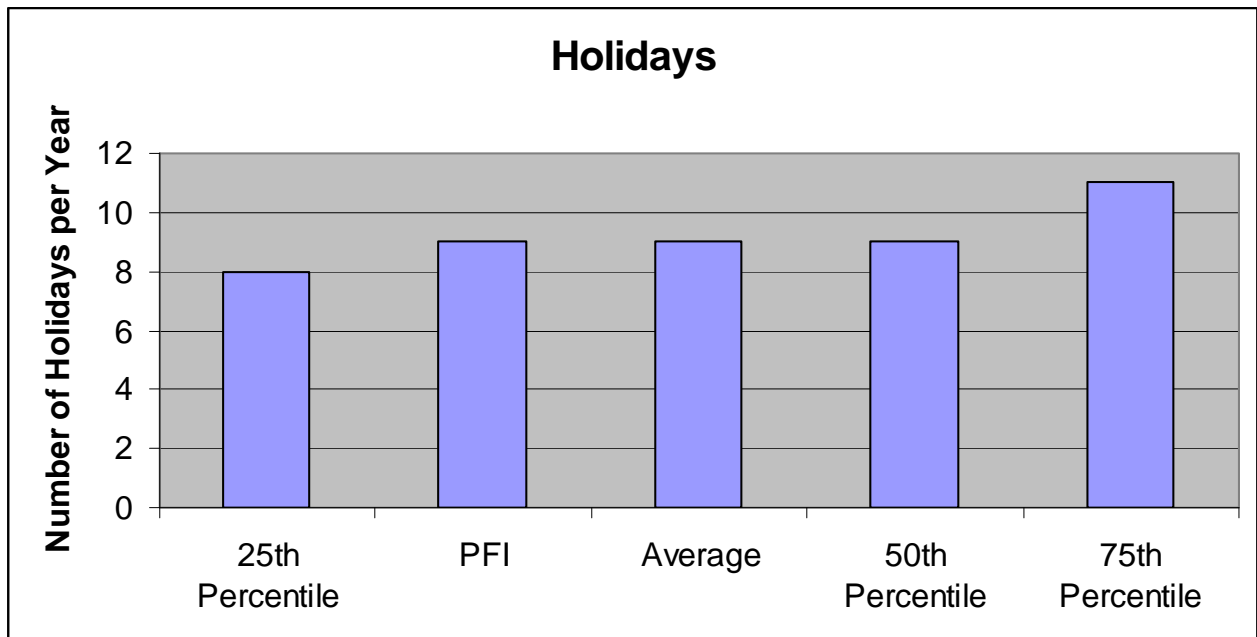
**Personal Days**

PFI does not offer any personal days in addition to its paid time off, whereas 100% of the surveyed organizations did, with 39% offering one day and 17% offering two days.



**Holidays**

PFI provides its employees with nine paid holidays, which is at the 50<sup>th</sup> percentile level.



**Maternity/Paternity Leave**

Thirteen percent of the nonprofits in PFI’s size category offer parental leave for the birth or adoption of a child. Two-thirds of those organizations offer one to six weeks, with the remainder offering between seven and thirteen weeks. The vast majority of these non-profits offer the same benefit to mothers and fathers. PFI does not officially offer maternity/paternity leave.

**Retirement Plan**

PFI is at the 25<sup>th</sup> percentile level by offering a retirement plan and funding it with two percent of the employee’s salary.

**Reimbursement for Parking**

Forty percent of the organizations paid for employees’ parking, as does PFI.

**Reimbursement for Professional Development**

Costs for workshops and other professional development were covered by 90% of the surveyed nonprofits, as does PFI.

**Reimbursement for College Tuition**

Sixteen percent of the organizations offered some type of tuition reimbursement program. PFI does not.

**Benefits Summary**

Specific Benefit	Rating		
	Below Average	Average	Above Average
Medical insurance		√	
Prescription drugs			√
Dental insurance	√		
Vision insurance		√	
Life Insurance	√		
Long-term disability insurance	√		
Paid time off	√		
Personal days	√		
Paid holidays		√	
Maternity leave		√	
Retirement plan contribution	√		
Reimbursement for parking			√
Reimbursement for professional development		√	
Reimbursement for college tuition		√	

The Ideas for Improvement section includes a recommendation that consideration be given to improving each of the above benefits ranked in the below average category.

**Turnover**

The last performance indicator included in the Social Performance – Employees category is turnover. This indicator has several angles to it. Turnover can be a good thing if it consists of

replacing poor-performing employees with higher-performing employees. It can be a bad thing if valuable and difficult-to-replace employees leave because of inadequacies in the workplace that should be addressed. In the latter case, a high rate of turnover does not foster sustainability in that it is inefficient with time and dollars to hire and train new employees and, more importantly, it indicates systemic problems with some aspect of the work.

People choose to leave their employment for a wide variety of reasons, some related to dissatisfaction with the work and some completely unrelated. It is unrealistic to think that all of an organization's good employees will stay for a lengthy period. Almost by definition, good employees have the attributes of being ambitious, often leaving to taking new offers of employment. All types of circumstances occur in people's lives—a desire to move to another location, a spouse getting a job in another city, a desire to spend more time with a family, etc.

PFI has had a relatively high rate of turnover during the past few years and two more employees will be leaving within the next four months. For the most recent exiting employees, their stated reasons included: a desire for a different type of work and better opportunities in another location in Iowa; an opportunity to broaden work experience in a desirable out-of-state cosmopolitan city; a desire for a vocational/life change by starting a business; and a pregnancy and a desire to be a full-time mother. From what is known with all of these cases, there are no reasons cited for leaving that remain as issues to resolve. When reasons for leaving included some aspect of the PFI workplace for which remediation was possible and justified, actions have or are being taken.

PFI does have an in-place procedure to conduct an exit interview of all employees leaving PFI. This is a very useful tool for accurately determining reasons for leaving (as much as possible) and any suggestions for improvement.

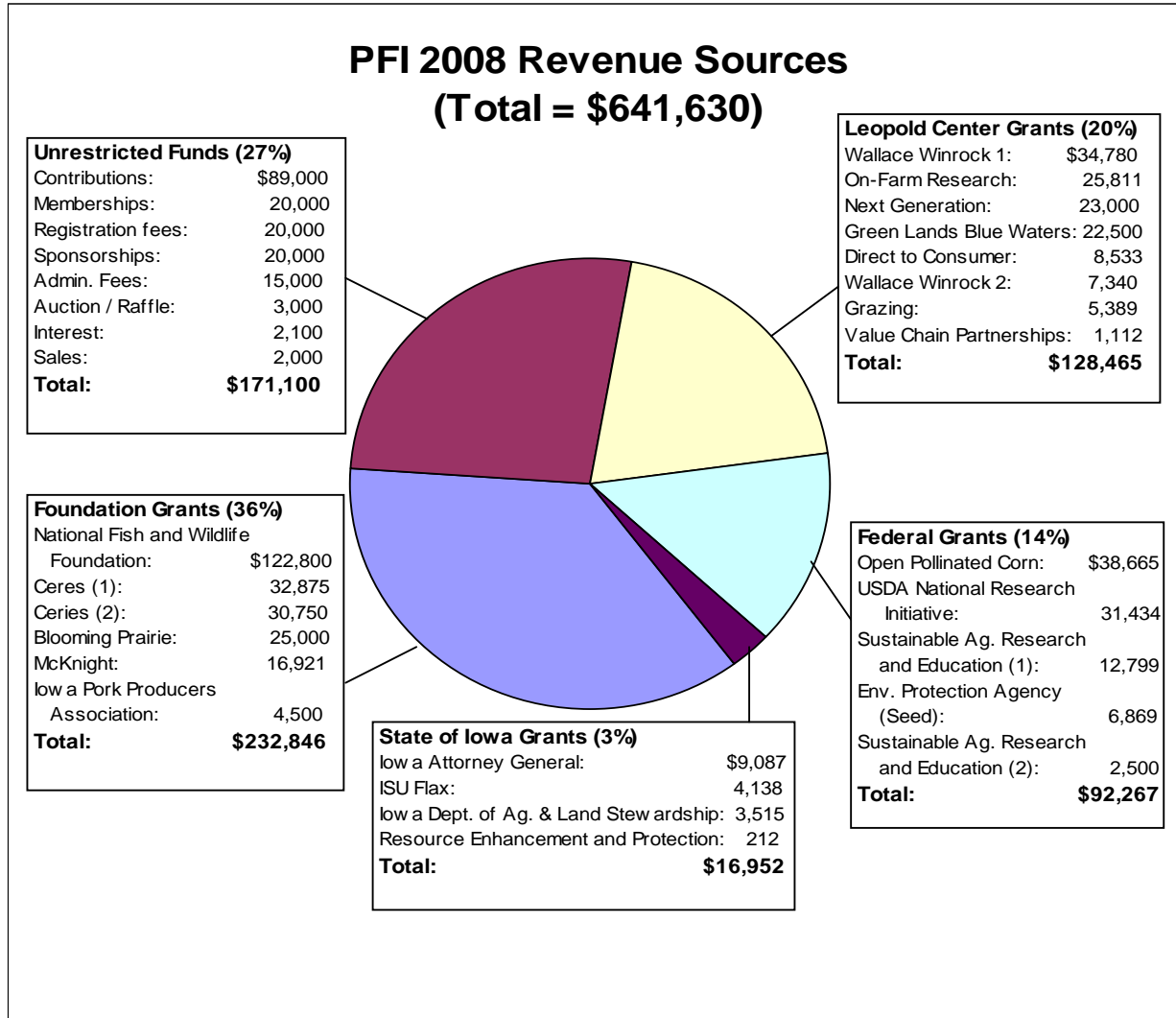
## **Economic**

### **Diversity of funding sources**

Some organizations overly rely on one person, foundation, or corporation to give most of the money they need. Unfortunately, only if it maintains a diversity of sources will an organization survive for the long term. According to *Fundraising for Social Change* (2001 by Kim Klein), a loss of 30% or more in funding would be catastrophic for all but the biggest organizations. For that reason, she recommends that organizations not receive more than 30% of their funding from any one source for more than one or two years. This guideline means that while you could have more than 30% of income coming from membership (which is fairly common) you should not have one member providing 30% of this money. The Internal Revenue Service's guidance is similar, in stating that an organization with one-third or more of its total income from one person, foundation, government agency or corporation for more than three years risks losing its 501(c)(3) status. This rule underscores that public charities are to be supported by a broad spectrum of the public.

Klein also states that, "there is no set number of sources that constitutes healthy diversity. Much will depend upon the size of your budget, your location, and your work. However, the more people who give you money, and the more ways you have of raising money, the better."

The following pie chart illustrates the relative proportions of the five general categories of revenue for PFI (foundation grants, unrestricted funds, Leopold Center funds, and state of Iowa grants), out of the total annual revenue of \$641,630. The chart also identifies the specific grants and revenue sources within each of those five general categories, to indicate the overall diversity of funding for PFI. The financial values used for this chart were primarily the amounts of funding available (or budgeted, in the case of unrestricted funds) on October 1, 2007, the beginning date of PFI's financial year, 2008. The exceptions to this were the inclusion of new grants received since October 1, 2007—which are listed with their full amounts—and the recently revised-upward value for unrestricted contributions.



This pie chart indicates that PFI has no single source of funding that is near the 30 percent threshold. The highest single funding source is the National Fish and Wildlife Foundation grant of \$122,800, which represents 19 percent of the total revenue of \$641,630. Because of funding cycles that differ from PFI's fiscal year, much of the National Fish and Wildlife Foundation grant will carry over into Fiscal Year 2009.

One note of caution: The Leopold Center for Sustainable Agriculture is a critical conduit for eight grants listed on the chart. PFI and the Leopold Center have an excellent working relationship; however PFI should not become overly dependent on Leopold Center funds. While 20 percent is still safely distant from the 30 percent rule-of-thumb cited, it is high enough to justify keeping a close eye on.

Other than that area of mild concern, it appears that PFI is acceptably diverse in its revenue sources and should continue on this same track.

### **Adequacy of unrestricted funds**

Seventy-three percent of PFI's revenue comes from grants. Although a portion of grants cover some overhead expenses, few cover additional overhead expenses that are essential to operating an organization, such as bookkeeping, insurance, rent and utilities, and office equipment. Most of those expenses must be paid through what are referred to as unrestricted funds. In PFI's case, this includes unrestricted contributions, membership fees, registration fees for the annual conference, sponsorships, administration fees for serving as fiscal agents for other organizations, a fundraising silent auction and raffle, interest and sales of t-shirts and other merchandise. As shown in the pie chart, \$171,100 has been budgeted in 2008 for the raising of unrestricted funds. At the time of this writing, PFI is on track to fulfill that goal.

### **Adequacy and preservation of reserve funds**

This unrestricted funds account must also serve as a buffer to weather the inevitable lapses in PFI's cash flow. PFI, like most nonprofit organizations, does not have the luxury of a predictable revenue flow. Most for-profit businesses, even if they experience seasonal cycles, can usually predict to a reasonable degree their income streams for the upcoming year. The outcome of proposal-writing is never predictable. Furthermore, when grants are given they are typically for a one or two year period; rarely longer.

PFI's most recent financial statement, dated September 30, 2007, was prepared by Dana Chabot, Certified Public Accountant for Wegner LLP CPAs and Consultants. That financial statement shows that PFI's unrestricted assets dropped \$46,049 during the 2007 fiscal year. It is Mr. Chabot's opinion that, for PFI's situation, it should ideally have a reserve of approximately \$110,000 in unrestricted assets. As of this past January, PFI was approximately \$35,000 below that figure and Chabot recommended that it would be ideal if PFI raised that amount of contributions for that purpose during this current fiscal year. In conjunction with the board of directors, one of the executive director's primary objectives is to increase the amount of unrestricted funds.

### **Legal compliance of financial accounting methods**

During the past year PFI modified its accounting system so that all costs can easily be tracked not only by the granting source, but also by program area. These program areas are directly related to PFI's mission and include niche pork, grazing, field crops, horticultural crops, food distribution systems, youth, policy and general operations.

Through this new system, staff and the board of directors will have better information about the financial viability of each program area. All financial management, including timesheets, are tied

to this system and are in full compliance with all relevant federal and state laws. Mr. Chabot's work included the preparation and submission of all relevant tax forms and the preparation of a financial statement.

## Ideas for Improvement

There are many ideas for helping PFI improve the sustainability of its operations. Additional discussion and thought will likely produce more. As a starting point, the following list is provided.

1. Maximize the potential of this Sustainability Report by:
  - a. Distributing copies to all staff and board members. Discuss thoughts and questions that the report generates, especially since this is the first attempt at writing a Sustainability Report for PFI. Do the staff and board members accept these proposed performance indicators, or are additions and deletions warranted?
  - b. Consider this to be a living and evolving document. Use it as a starting point for developing a list of action items to complete, with the end result of strengthened sustainability.
  - c. Include an article about this report in the next PFI newsletter and/or post it on PFI's website.
  - d. Conduct annual, or at least biannual, sustainability assessments and reports.
  - e. Refine the accuracy and methods for quantifying and rating performance according to each of the performance indicators.
  
2. Given that 75% of PFI's total energy use-related impact (fossil fuel consumption, greenhouse gases, air pollutants, etc.) is due to members and attendees traveling to field days, the annual conference, the cooperators' meeting and board meetings, give serious thought and discussion to how that carbon footprint can be minimized. Although the basic format of farmers traveling to a central location for hands-on, farmer-to-farmer learning and networking cannot be replaced, aspects of it could be tweaked to minimize gallons of fuel consumed. Ideas for investigation include:
  - a. Inform members of this significant impact and encourage them to look for ways to reduce the impact (along with providing options and not making them feel too guilty).
  - b. Select meeting locations to be as central as possible to the likely attendees.
  - c. Host many regional meetings to minimize per-person travel distances.
  - d. Encourage/support carpooling of attendees, even if for just a portion of the trip. Provide some incentives for them doing so.
  - e. Consider renting passenger vans to transport attendees, if there are enough coming from one area.
  - f. Use teleconference telephone calls, "webinars", or other new technology, instead of drive-to meetings, when appropriate (while recognizing that the prevalence of slow dial-up connections among farmers may be a limitation if the internet is used).
  - g. Add more information and links for energy reduction /conservation on PFI's website and in newsletters.

3. The second highest general category for energy use-related impact (14%) is for heating, cooling and lighting the office, along with operating computers and other office equipment. Specific strategies include:
  - a. Maximize the energy-saving potential of the set-back thermostat for heating and air conditioning (allowing for the fact that the thermostat also controls the adjoining office and its occupants need to also be considered).
  - b. Be willing to dress according to the season to allow for cooler thermostat settings in the winter (wear heavier clothing and sweaters) and higher thermostat settings in the summer (wear light-weight clothing, shorts, etc.).
  - c. Adjust the blinds on the west-facing windows in the summer, to avoid over-heating of those offices and the need for more air conditioning.
  - d. Be more diligent about turning off computers when leaving the office for a meeting or at the end of the day.
  - e. Be more diligent about turning off lights in the office when leaving or not needed.
  - f. Suggest to the landlord that he replace the existing conventional fluorescent tubes with more energy-efficient T-8 tubes and the incandescent bulbs replaced with compact fluorescent bulbs. The payback period to him would likely be two years or less.
  - g. Turn off the lights in the bathrooms when not in use. This will not only save in energy use for lighting, but also in energy use for heating or cooling the building, since the light switches also activate exhaust fans.
4. The third and lowest general category of energy use-related impact is for work-related travel by PFI staff, at 11 percent of the total. Opportunities to lower this impact include:
  - a. Improve the recordkeeping of employee mileage so that it can be tracked and managed.
  - b. Encourage more car-pooling.
  - c. Even though vehicular mileage for commuting is not included in this figure, support the minimization of it by encouraging telecommuting when acceptable.
  - d. When renting vehicles, select the model with the highest mpg rating, whenever possible.
  - e. Select meeting locations to minimize overall mileage for participants. Walk or bike to meetings if possible. When feasible, utilize teleconferencing, emails, etc. instead of holding meetings in person that require travel by vehicles.
5. Consider expanding PFI's research and educational programming on energy conservation and alternative energy use. Continue to build relationships and partnerships with non-profit agencies that advocate for the development of alternative energy. (This item would necessitate the board of directors' involvement.)
6. Material use:
  - a. Continue to strongly hold to the ethic of 'voluntary simplicity,' environmental stewardship and frugality as a guide to purchasing and using materials.
  - b. Lessen the consumption of office paper by:
    - Less printing of hardcopies when relying solely on digital copies is an option.
    - More conservative projections for numbers of copies needed.
    - Using computer projection of information at meetings instead of hardcopies.
    - Not printing out every draft of a report; waiting until the final is completed before printing.

- Utilizing both printers' ability to print back to back.
  - Research and consider the idea of printing fewer PFI newsletters, Field Day guides, brochures, etc., in exchange for more aggressively promoted posting on PFI's website, etc.
- c. Take greater advantage of the recycling service; don't throw away recyclable items.
  - d. Research the availability and cost of more environmentally-friendly options for utensils, cups, plates, etc.
7. Consider expanding and improving PFI's research and educational programming that relates to farming practices that improve the quality of streams and rivers, along with preserving and improving wildlife habitat. (This item would necessitate the board of directors' involvement.)
  8. With the staff's and board's full involvement, develop a values statement and use it as a compass in making decisions and taking actions. Annually assess and report on the organization's performance relative to the attributes included in that values statement. The list of possible values to consider, included in the above discussion on this topic, can be used as a starting point.
  9. Institute a procedure for surveying people who drop their PFI membership to determine why they did so.
  10. Discuss if "employer's fostering its employees' support of charitable causes" is a desired performance indicator. If so, determine how that is to be accomplished. One possibility to consider is for the staff to choose a worthy cause and pitch in together to do an annual half-day of volunteer work for that project, at a time that works for all.
  11. Work toward increasing compensation to employees, where the current compensation levels are low.
  12. Consideration should be given by the executive director and board for the improvement of each of the benefits rated in the below-average category, relative to the norm for comparable nonprofit organizations. The specific benefits to consider for improvement include paid time off and personal days (or a combination of vacation time and sick leave); the inclusion of dental insurance, life insurance and long-term disability insurance; and increasing PFI's contribution towards the employees' retirement plans.
  13. Keep doing what PFI is doing well.