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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 1-SA

SEMIANNUAL REPORT PURSUANT TO REGULATION A

or

SPECIAL FINANCIAL REPORT PURSUANT TO REGULATION A

For the fiscal semiannual period ended: June 30, 2022

Iroquois Valley Farmland REIT, PBC
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

82-0921424

(I.R.S. Employer Identification No.)

**708 Church Street, Suite 234,
Evanston, IL 60201**

(Mailing Address of principal executive offices)

(847) 859-6645

Issuer's telephone number, including area code

ITEM 1

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Warning: Forward-Looking Statements

This section includes “forward-looking statements,” meaning statements, including financial projections, that relate to events or conditions in the future. Often, forward-looking statements include words like “we anticipate,” “we believe,” “we expect,” “we intend,” “we plan to,” “this might,” or “we will.” The statement “We expect that global demand for food will grow” is an example of a forward-looking statement.

Forward-looking statements are, by their nature, subject to uncertainties and assumptions. The statement “We expect that global demand for food will grow” is not like the statement “We believe the sun will rise in the East tomorrow.” It is impossible for us to know exactly what is going to happen in the future, or even to anticipate all the things that could happen. Our business could be subject to many unanticipated events, including all of the things described in the “Risk Factors” section of our Offering Circular.

Consequently, the actual result of investing in the Company could (and almost certainly will) differ from those anticipated or implied in any forward-looking statement, and the differences could be both material and adverse. We do not undertake any obligation to revise, or publicly release the results of any revision to, any forward-looking statements, except as required by applicable law. **GIVEN THE RISKS AND UNCERTAINTIES, PLEASE DO NOT PLACE UNDUE RELIANCE ON ANY FORWARD-LOOKING STATEMENTS.**

Warning: No Audit

Except where specifically noted for financial information relating to the annual period ending December 31, 2021, none of the financial information in this discussion has been audited or reviewed by our independent auditors.

Consolidated Reports

Iroquois Valley Farmland REIT, PBC (the “**Company**”) directly and indirectly owns 100% of Iroquois Valley Farms, LLC (“**Iroquois Valley LLC**”). The Company owns 99% of the membership interest of Iroquois Valley LLC directly, and controls the remaining 1% through the Company’s wholly owned subsidiary, Iroquois Valley TRS, Inc. Our financial position and results of our operations (as a whole) are reported on a consolidated basis.

Results of Operations

Below is a discussion of some important aspects of the results of our operations for two six-month periods: the six-month period ending June 30, 2022 (the “**2022 Period**”) and the six-month period ending June 30, 2021 (the “**2021 Period**”). Our discussion combines the operating results of Iroquois Valley LLC and the Company.

Revenues

Revenues from Leasing Activities

Revenues from leasing activities including reimbursements increased \$161,076 or 21% from \$771,055 in the 2021 Period to \$932,131 in the 2022 Period. The increase was due primarily to an increase in the number of owned farms. As of the end of the 2022 Period, we had 53 farms under leases having terms of six months to six years remaining. This compares to 48 farms under leases as of the end of the 2021 Period.

Revenues from Lending Activities

Revenues from financing organic farmland increased \$65,216 or 14% from \$459,665 in the 2021 Period to \$524,881 in the 2022 Period. This increase was due to a larger balance of long-term loans. As of the end of the 2022 Period, we had 48 loans and with a balance of \$24,153,927. This compares to 40 loans with a balance of \$15,832,219 as of the end of the 2021 Period.

Grant Revenue

We are the beneficiary of several grants. Under the terms of the grants, the Company receives reimbursements for certain expenses. Grant revenue for the 2022 Period was \$69,262 compared to \$72,834 for the 2021 Period.

Operating Line of Credit Interest Income

Operating line interest income for the 2022 Period was \$61,210 compared to \$51,361 for the 2021 Period. The \$9,849 or 19% increase was due to a larger balance of operating lines of credit. As of the end of the 2022 Period, we had 12 loans and an operating line of credit receivable net balance of \$2,078,572. This compares to eight loans and an operating line of credit receivable net balance of \$1,561,914 as of the end of the 2021 Period.

Variable and Crop Income

Variable and crop income increased \$34,277 or 110% from \$31,249 for the 2021 Period to \$65,526 for the 2022 Period. The increase was mainly due to a \$28,392 increase in variable rent.

Other Income

Other Income decreased \$8,240 or 27% from \$30,047 in the 2021 Period to \$21,807 in the 2022 Period. Other Income derives from interest on cash balances, patronage income, wind lease rights and other property usage rights. These revenues are not our core business. Other income also includes fees collected as part of the farmer diligence and investment process.

Expenses

Overview of Expenses

The leases in our portfolio are structured as triple-net leases, under which the tenant is responsible for substantially all of the property-related expenses, including taxes, maintenance, water usage and insurance either directly or as reimbursement under the terms of the lease. We do occasionally cover expenses associated with major capital improvements, with such expenses increasing the rental cost of the farmland. Similarly, our mortgage loan assets have limited direct costs given the nature of a loan asset.

Thus, the cash expenses associated with our operations mainly consist of employee expenses, general and administrative expenses and professional fees associated with managing the portfolio rather than the assets directly. We expect to incur costs associated with employing our personnel, investment due diligence, marketing and promotion, dues and subscriptions, consulting fees, legal fees, and accounting fees. We believe that our operational platform is scalable and do not expect to see expenses grow at rates equivalent to those of our assets. We believe that we will be able to achieve economies of scale as our farmland portfolio grows and as our investment portfolio increases over-time. This will enable us to reduce our operating cost as a percentage of assets

2021 Expenses

Our total operating expenses increased by \$49,468 or 4%, from \$1,309,275 in the 2021 Period to \$1,358,743 in the 2022 Period. The increase was mainly due to increases in general and administrative expenses, provision for bad debts and loan losses, and professional fees; offset by a decline in real estate taxes. Specific items include:

- Employee expenses were basically flat, increasing \$12,391 or 2%, from \$596,192 in the 2021 Period to \$608,583 in the 2022 Period. The increase was due to an increase in salaries offset by a decrease in headcount from 14 employees in the 2021 Period to 12 employees in the 2022 period.
- Office expenses declined \$4,504 or 15%, from \$29,866 in the 2021 Period to \$25,362 in the 2022 Period. The decrease was due primarily to lower rent expense as we consolidated our office space, and lower supplies and materials expense.
- General and administrative, net increased \$52,692 or 64% from \$82,390 in the 2021 Period to \$135,082 in the 2022 Period. The increase was due primarily to an increase in dues and subscriptions expense related to the purchase of a new underwriting software, and the initiation of a board compensation plan.
- Provision for bad debts and loan losses increased \$85,489 from \$17 in the 2021 period to \$85,506 in the 2022 period. The 2022 increase was due to a \$22,160 increase in rental income bad debt expense, a \$23,605 increase in interest income bad debt expense, and a \$39,725 increase in line of credit bad debt expense.
- Farm expenses decreased \$5,407 or 74% from \$7,324 in the 2021 Period to \$1,917 in the 2022 Period.
- Soil restoration pool expenses increased \$5,562 or 19% from \$29,982 in the 2021 Period to \$35,544 in the 2022 Period. The increase is due to the increased sale of Soil Restoration Notes which directly impacts the size of the soil restoration pool expenses.
- Professional fees increased by \$15,176 or 6% from \$274,161 in the 2021 Period to \$289,337 in the 2022 Period. Professional fees include accounting, legal and consulting fees. The increase was due primarily due to \$12,297 increase in accounting fees, and a \$20,764 increase in licenses, filings, taxes and fees offset by a \$11,935 decline in appraisal fees.
- Real estate taxes decreased \$109,159 or 65% from \$167,556 in the 2021 Period to \$58,397 in the 2022 Period. The decrease is because we are accruing real estate taxes in the 2022 Period instead of expensing them as they occur.
- Insurance decreased \$4,876 or 21% from \$23,625 in the 2021 Period to \$18,749 in the 2022 Period.
- Depreciation and amortization increased \$2,104 or 2% from \$98,161 in the 2021 Period to \$100,265 in the 2022 Period due to the addition of more depreciable assets.

Interest Expense

Interest expense decreased \$62,915 or 20% from \$318,922 in the 2021 Period to \$256,007 in the 2022 Period. The decline was due mainly to an \$85,310 decrease in mortgage interest expense offset by a \$12,900 increase in note interest expense.

Conservation Innovation Grants

In 2016, we were awarded a \$944,615 grant by the National Resources Conservation Service (“NRCS”), a division of the United States Department of Agriculture. The grant became effective on December 2, 2016 and ran through September 30, 2020. Under the terms of the grant, we received reimbursement for certain expenses associated with the Soil Restoration Notes offerings, soil development and soil health measurement. Given the contingent nature of the grant (reimbursements only made after we incur expenses related to the grant) we did not record the full grant amount as an asset related to future reimbursement payments. Instead, we recorded grant revenue after incurring expenses related to grant activities. We were reimbursed by the USDA on a monthly basis.

In 2019, we were awarded a new \$1.4 million CIG by the NRCS. The grant became effective May 28, 2020 and will run through December 31, 2023. Under the terms of the grant, we receive reimbursement for certain expenses associated with increasing capital flow to farmers, and other qualified expenses. Given the contingent nature of the grant (reimbursements only made after we incur expenses related to the grant) we did not record the full grant amount as an asset related to future reimbursement payments. Instead, we record grant revenue after incurring expenses related to grant activities. We are reimbursed by the USDA monthly.

Liquidity and Capital Resources

We are seeking to raise up to \$75,000,000 through the sale of our common stock, pursuant to the terms of SEC Regulation A+, Tier II (Reg A) and our Offering Statement initially “qualified” by the Securities and Exchange Commission on May 31, 2022, and as amended from time-to-time. From January 1 through June 30, 2022, we raised \$4.2 million from this offering. This is a follow on offering to the Reg A Offering we conducted between May 3, 2019 - May 2, 2022.

Separately, we have raised and are continuing to raise capital through the sale of unsecured promissory notes denominated as “Soil Restoration Notes.” We began issuing unsecured notes in 2015 and the amount outstanding was \$17,414,000 as of June 30, 2022. The rates and maturities of the full complement of these unsecured notes vary by issuance and series. The current Soil Restoration Notes available for purchase by eligible investors have a 2.0 % annual interest payment (cash pay semi-annually) and mature five years from the date of issuance. We intend to continue issuing Soil Restoration Notes to partially meet future cash needs. For prior issuances of the Soil Restoration Notes, in addition to making interest payments to holders of the notes, the Company commits an additional 0.5% annual interest from the Soil Restoration Notes to our Soil Restoration Pool—a unique and important financial support for organic farmers who are building soil health.

Our main cash requirements relate to operating expenses and commitments associated with outstanding borrowings. We do not have any ongoing equity payment obligations except those that arise out of earnings and profits distributions as required under REIT tax law.

Our liquidity needs consist primarily of cash needed for organic farmland investments and borrowing obligations. Consistent with historical operations we intend to acquire additional farmland and provide financing backed by farmland. We also have to service debt obligations, making principal and interest payments on existing debt and any additional debt we may incur. On a selective basis we may make capital expenditures on owned farmland but have no such committed capital at this time. We plan to meet our long-term liquidity requirements through funding from this offering, cash-flow from operations and the issuance of secured and unsecured borrowings. Revenue has historically been sufficient to meet the needs of operating expenses.

The Company received a \$103,528 PPP loan from the US government for COVID-19 financial relief. We were informed by the SBA that businesses that are primarily engaged in owning or purchasing real estate and leasing it for any purpose are not eligible for forgiveness of the loan. Therefore, principal and interest payments on the PPP loan are being made in equal installments after a 10 month deferral period, as defined in the CARES Act. We paid approximately \$76,000 in principal as of June 30, 2022. An additional \$26,000 in principal is due in 2022, which will complete our payment obligations under the PPP loan.

We currently have \$3.5 million of availability under revolving lines of credit from two different lenders. We currently do not have any funds borrowed on these lines. We primarily use these lines of credit to fund organic farmland investments, both direct real estate investments and loan financings. In the past, we have used proceeds from our private offerings (both equity and unsecured debt) to repay the line of credit borrowings.

Non-GAAP Financial Information

FFO

The National Association of Real Estate Investment Trusts (“NAREIT”) developed funds from operations (“FFO”) as a relative non-GAAP supplemental measure of operating performance of an equity REIT to recognize that income-producing real estate historically has not depreciated on the same basis as determined under GAAP. FFO, as defined by NAREIT, is net income (computed in accordance with GAAP), excluding gains or losses from sales of property and impairment losses on property, plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. The table below presents FFO and FFO per share for the 2021 Period and the 2020 Period.

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Net Income (Loss)	\$ 58,226	\$ (164,299)
Net gain on sales of real estate	9,734	51,691
Depreciation and amortization	100,265	98,161
FFO	<u>\$ 148,757</u>	<u>\$ (117,829)</u>
Number of shares outstanding	112,350.86	95,024.25
FFO per Share	\$ 1.32	\$ (1.24)

Trend Information

Overview

The main factors affecting our operating results include demand for both organic and conventional food, the overall farm economy in the markets in which we own and finance farmland and our ability to control expenses and losses. Additionally, it should be noted that as a public benefit corporation the management team and board may weigh a multitude of factors when making decisions that could impact our financial performance and results.

Demand for Food

We expect that global demand for food (both conventional and organic) will grow, driven by the overall growth and increasing purchasing power of the global population. This growth is coming concurrent with a reduction in total farmland acres in developed nations caused by competing uses of land and environmental degradation. Some developing nations are expected to see increases in acres under agricultural production, but at growth rates significantly below those of the global population. These long-term macro trends create an overall favorable environment for agricultural production and farmland values. We expect these overall market conditions to benefit our farmers and our underlying asset base.

Growth trends in organic food are driven by consumers desire to eat food that is both better for personal health and better for the environment. Promoting healthy lifestyles is a common refrain with both public and private organizations. Additionally, millennial consumers tend to be more focused on food as a factor for personal health and a healthy environment than prior generations.

Conditions in Our Farmland Markets

The overall farmland market is dominated by existing farm owners and operations, many of whom are family operators. This is true generally across the U.S. and within the markets we operate. As such, the underlying value of the overall farmland market and the markets of the regions in which we operate is largely dependent on the prices farmers are able to achieve from farm production. The economic health of producers and the overall farm economy, including the value of land, is largely driven by conventional agricultural output prices.

Changes in the value of farmland may have an impact on the value of our portfolio despite our business being focused on organic farmland. The overall value of the portfolio, and potentially the ability of our tenants and borrowers to obtain sources of capital for operations or equipment, is often based on the value of owned farmland and related assets.

Public Benefit Corporation Considerations

The Company is a public benefit corporation. Pursuant to our Certificate of Incorporation, our stated public benefit is enabling healthy food production, soil restoration, and water quality improvements through the establishment of secure and sustainable farmland access tenures.

The main way we achieve our public benefits is by leasing or financing farmland to organic family farmers that are using sustainable agricultural practices. Our main differentiating factor compared to more traditional landowner/lender/farmer relationships is that once we start working with a farmer, our goal is to keep working with that same farmer so long as he or she desires to keep the relationship intact. This will manifest itself in at least two ways.

First, we might accept lower financing rates upfront to facilitate the transition to organic certification. Under such circumstances, we look to recoup those lower rates at the back-end of a long-term lease, in some cases through lease payments tied to farmer revenues. We believe this non-traditional lease structure still reflects an overall market rate of return but is better structured to support the needs of the farmer.

Second, given our commitment to a given farm family, we are first going to seek reasonable compromises with a tenant or borrower, if and when a farmer becomes delinquent on payments. Such resolutions may not solely consider shareholders best interests but do further strengthen our farmer relationships. Ultimately, we believe that establishing and developing outstanding farmer relationships will allow us to work with premium operators thereby reducing overall payment risk despite individual decisions that in isolation may appear to be farmer friendly.

Other trends in our portfolio reflect this drive for long term relationships as well, including for example, our willingness to make multiple farmland investments with a single farmer, and the debut of our operating line of credit product in response to demand from our farmers.

Investors should understand that unlike a traditional corporation, the Company is not focused solely on profits, either short-term or long-term. Profits are important, but we try to balance profit-seeking with our public benefit goals.

Iroquois Valley Farmland REIT, PBC

Consolidated Financial Statements
June 30, 2022, June 30, 2021 and December 31, 2021

Iroquois Valley Farmland REIT, PBC
CONSOLIDATED BALANCE SHEETS
June 30, 2022, June 30, 2021 and December 31, 2021

<u>ASSETS</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	Audited <u>Dec 31, 2021</u>
Investments in real estate, at cost:			
Land	\$ 53,213,780	\$ 48,736,599	\$ 50,328,979
Land improvements, machinery and equipment	2,260,865	2,302,112	2,201,845
Buildings and building improvements	1,169,104	1,261,273	1,003,672
Investments in real estate held for sale	<u>368,000</u>	<u>—</u>	<u>368,000</u>
Total investment in real estate	57,011,749	52,299,984	53,902,496
Less accumulated depreciation	<u>1,038,288</u>	<u>1,072,572</u>	<u>942,899</u>
Net investment in real estate	<u>55,973,461</u>	<u>51,227,412</u>	<u>52,959,597</u>
Cash and cash equivalents	2,565,479	9,006,818	8,937,356
Accrued income	178,346	67,612	197,008
Accounts receivable, less allowance for doubtful accounts of \$145,208 and \$174,767 and \$115,710 at Jun 30, 2022, Jun 30, 2021 and Dec 31, 2021 respectively	846,373	644,200	488,849
Prepays and other assets	397,878	385,177	159,329
Mortgage interest receivable, less allowance for doubtful accounts of \$98,386 and \$32,239 and \$65,925 at Jun 30, 2022 and Jun 30, 2021 and Dec 31, 2021 respectively	110,008	101,306	142,019
Mortgage notes receivable, net of deferred origination fees and loan loss of reserves of \$122,137 and \$92,750 and \$68,186 at Jun 30, 2022 and Jun 30, 2021 and Dec 31, 2021 respectively	24,153,927	15,832,219	18,097,229
Operating Lines of Credit receivable less loan loss reserves of \$50,172 and \$15,584 and \$26,625 at Jun 30, 2022 and Jun 30, 2021 and Dec 31, 2021 respectively	<u>2,078,572</u>	<u>1,561,914</u>	<u>1,820,823</u>
Total other assets	<u>30,330,583</u>	<u>27,599,246</u>	<u>29,842,613</u>
Total assets	<u>\$ 86,304,044</u>	<u>\$ 78,826,658</u>	<u>\$ 82,802,210</u>
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
Accounts payable and accrued expenses	\$ 355,053	\$ 406,611	\$ 507,800
Note payable, payroll protection program	12,076	103,528	84,321
Other current liabilities	142,285	96,646	—
Deferred income	—	67,736	—
Mortgages payable	—	5,604,298	—
Notes payable, unsecured	<u>21,807,194</u>	<u>19,335,325</u>	<u>20,480,243</u>
Total liabilities	22,316,608	25,614,144	21,072,364
 STOCKHOLDERS' EQUITY			
Controlling interests	63,638,869	52,862,514	61,364,023
Non-controlling interests	<u>348,567</u>	<u>350,000</u>	<u>365,823</u>
Total equity	63,987,436	53,212,514	61,729,846
Total liabilities and stockholders' equity	<u>\$ 86,304,044</u>	<u>\$ 78,826,658</u>	<u>\$ 82,802,210</u>

Iroquois Valley Farmland REIT, PBC
CONSOLIDATED STATEMENTS OF INCOME

For the six months ended June 30, 2022 and June 30, 2021; and the 12 months ended December 31, 2021

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021	Audited 12 Months Ended Dec 31, 2021
Revenue			
Rental income	\$ 864,710	\$ 718,160	\$ 1,783,980
Lease reimbursement	67,421	52,896	–
Variable and crop income	65,526	31,249	168,449
Mortgage interest income	524,881	459,665	936,220
Grant revenue	69,262	72,834	163,240
Operating line interest income	61,210	51,361	99,380
Other income	21,807	30,047	70,716
	<u>1,674,816</u>	<u>1,416,212</u>	<u>3,221,985</u>
Total revenue			
Operating expenses			
Employee expenses	608,583	596,192	1,230,145
Office expenses	25,362	29,866	–
General and administrative, net	135,082	82,390	302,436
Provision for bad debts and loan losses	85,506	17	39,005
Farm expenses	1,917	7,324	–
Soil restoration pool	35,544	29,982	–
Professional fees	289,337	274,161	409,874
Real estate taxes	58,397	167,556	212,661
Insurance	18,749	23,625	31,781
Depreciation and amortization	100,265	98,161	201,589
	<u>1,358,743</u>	<u>1,309,275</u>	<u>2,427,491</u>
Total operating expenses			
Operating income	316,073	106,937	794,494
Interest expense	256,007	318,922	645,079
	<u>256,007</u>	<u>318,922</u>	<u>645,079</u>
Net income (loss) before net gain on sales of real estate	60,066	(211,984)	149,415
Net gain on sales of real estate	(9,734)	(51,691)	(289,124)
Income taxes	11,575	4,006	–
	<u>11,575</u>	<u>4,006</u>	<u>–</u>
NET INCOME (LOSS)	58,226	(164,299)	438,539
Net (loss) income attributable to noncontrolling interests	<u>(13,150)</u>	<u>–</u>	<u>10,281</u>
Net Income (loss) attributable to controlling interests	<u>\$ 71,376</u>	<u>\$ (164,299)</u>	<u>\$ 428,258</u>

Iroquois Valley Farmland REIT, PBC
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the six months ended June 30, 2022

	Common Stock (1)		Additional Paid-in Capital	Retained Earnings	Total Controlling Interest	Non- Controlling Interest	Total Equity
	Shares Issued and Outstanding	Amount					
Stockholders' equity, January 1, 2021	108,820.570	\$ 1,088	\$ 40,647,047	\$ 20,715,888	\$ 61,364,023	\$ 365,823	\$ 61,729,846
Net income (loss)	–	–	–	71,376	71,376	(13,150)	58,226
Contributions from stockholders	3,530.290	35	2,221,690	–	2,221,725	–	2,221,725
Distributions to noncontrolling interests	–	–	–	–	–	(4,106)	(4,106)
Redemptions paid to stockholders	–	–	–	–	–	–	–
Syndication costs	–	–	–	(18,255)	(18,255)	–	(18,255)
Stockholders' equity, June 30, 2022	<u>112,350.860</u>	<u>\$ 1,123</u>	<u>\$ 42,868,737</u>	<u>\$ 20,769,009</u>	<u>\$ 63,638,869</u>	<u>\$ 348,567</u>	<u>\$ 63,987,436</u>

(1) 1,000,000 shares authorized, \$0.01 par value; 112,350.86 shares issued and outstanding at June 30, 2022.

Iroquois Valley Farmland REIT, PBC
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2022 and June 30, 2021

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Cash flows from operating activities		
Net income (loss)	\$ 58,226	\$ (164,299)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Provision for bad debt and loan losses	85,506	17
Depreciation and amortization	100,265	98,161
Net gain on sales of real estate	(9,734)	(51,691)
Deferred mortgage origination fees amortization	-	(6,923)
(Increase) decrease in assets		
Accrued income	18,662	24,999
Accounts receivable	(361,593)	(99,433)
Prepays and other assets	(243,425)	(238,866)
Interest accrued on mortgage and operating lines of credit receivables	(60,371)	6,257
Increase in liabilities		
Accounts payable and accrued expenses	(152,747)	52,171
Other current liabilities	142,285	96,646
Deferred income	-	67,736
	<u>(422,926)</u>	<u>(215,226)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Proceeds from sale of investments in real estate	-	499,061
Purchases of investments in real estate, at cost	(3,109,253)	(4,604,452)
Issuance of mortgage notes receivable	(6,616,065)	(4,210,449)
Principal payments received on mortgage notes receivable	531,377	3,774,011
Mortgage origination fees received	12,295	20,575
Net issuance of operating lines of credit receivable	(221,375)	248,249
	<u>(9,403,021)</u>	<u>(4,273,005)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from mortgages payable	-	2,115,924
Repayments on mortgages payable	-	(25,355)
Proceeds from notes payable, subordinated	1,986,951	3,070,324
Repayments of notes payable, subordinated	(660,000)	(215,000)
Repayment of note payable, paycheck protection program	(76,351)	-
Payment of syndication costs	(18,255)	(29,269)
Contributions from stockholders	2,221,725	5,019,116
	<u>3,454,070</u>	<u>9,935,740</u>
Net cash provided by financing activities		
CHANGE IN CASH AND CASH EQUIVALENTS	(6,371,877)	5,447,509
Cash and cash equivalents, beginning of period	<u>8,937,356</u>	<u>3,559,309</u>
Cash and cash equivalents, end of period	<u>\$ 2,565,479</u>	<u>\$ 9,006,818</u>

Iroquois Valley Farmland REIT, PBC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022, June 30, 2021 and December 31, 2021

NOTE A - NATURE OF OPERATIONS

Iroquois Valley Farms LLC (the Operating Company), was formed in 2007 for the purpose of providing secure land access to organic farming families. Effective December 31, 2016, the Company was reorganized by its members contributing 99% of their membership interests to Iroquois Valley Farmland REIT, PBC (the Parent Company) and 1% of their membership interest in the Company to Iroquois Valley Farmland TRS, Inc. (the TRS Subsidiary), a wholly owned subsidiary of Iroquois Valley Farmland REIT, PBC.

The Company positively impacts local, sustainable and organic agriculture through leasing farmland and mortgage funding with a focus on the next generation of organic farmers. The farmland purchased or financed by the Company is operated primarily by mid-size farm families that run their own sustainable farm business. Investments made by the Company are funded with new debt and / or equity. The Company operates as a self-administered and self-managed real estate investment trust (REIT), under the Internal Revenue Code.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Iroquois Valley Farmland REIT, PBC and its wholly-owned subsidiaries, the Operating Company and the TRS Subsidiary (collectively, the Company). Current accounting standards clarify the identification of a variable interest entity ("VIE") and determine under what circumstances a VIE should be consolidated with its primary beneficiary. The Company has determined that MT Hi-Line, LLC has met the criteria of a VIE under the accounting standard related to consolidation of VIEs and that consolidated is required. MT Hi-Line, LLC is dependent on the support of the Company and was established for the purpose of managing an investment in farmland. All significant intercompany accounts and transactions are eliminated in consolidation.

2. Balance Sheet Presentation

The operations of the Company involve a variety of real estate transactions and it is not possible to precisely measure the operating cycle of the Company. The consolidated balance sheet of the Company has been prepared on an unclassified basis in accordance with real estate industry practices.

3. Investments in Real Estate

Investments in real estate consists of the following properties, at net book value at June 30, 2022 and December 31, 2021:

Property Name	Location (County, State)	Date Acquired	Net Book Value at 6/30/2022	Net Book Value at 12/31/2021
Iroquois Valley East and West Farms	Iroquois, IL	2007 and 2008	\$ 1,189,198	\$ 1,202,910
Denker Farm	Livingston, IL	March 22, 2011	1,468,429	1,474,886
Pleasant Ridge Farm	Livingston, IL	May 18, 2011	486,907	490,411
Old Oak Farm	Huntington, IN	August 20, 2012	924,248	924,991
Red Oak Farm	Boone, IN	November 15, 2012	831,802	831,802
Rock Creek Farm	Will, IL	October 9, 2012	1,065,681	1,065,681
Hedge Creek Farm	Will, IL	December 28, 2012	809,670	635,592
Mary Ellen's Farm	Iroquois, IL	January 30, 2013	1,076,403	1,077,755
Mooday and Jackman Farms	Boone and Montgomery, IN	February 15, 2013	1,031,963	1,031,963
Shiawassee Farm	Shiawassee, MI	May 8, 2013	1,047,902	1,053,157
One Bottom Farm	Iroquois, IL	November 21, 2013	354,846	354,846
Sparta Woods Farm	Noble, IN	December 20, 2013	1,032,345	1,032,345
Two Roads Farm	Shelby, IL	March 11, 2014	2,288,045	2,293,096
Union Fair Farm	Knox, ME	April 2, 2014	–	–
Healing Ground Farm	Rockcastle, KY	June 17, 2014	127,001	127,001
Mystic River Farm	Monroe, WV	September 10, 2014	594,757	595,955
Brindle Farm	Allen, IN	September 19, 2014	520,063	520,538
Lakeville Farm	St. Joseph, IN	November 14, 2014	–	–
South Grove Farm	Dekalb, IL	February 12, 2015	723,610	724,584
Mackinaw Farm	Ford, IL	February 20, 2015	1,082,589	1,083,924
Saginaw Bay Farm	Tuscola, MI	April 14, 2015	1,715,350	1,721,590
Jubilee Farm	Elkhart, IN	October 28, 2015	542,380	543,634
Yoder Farm	Allen, IN	November 24, 2015	535,355	535,585
Tower Road Farm	Dekalb, IL	February 29, 2016	832,906	833,439
Bahasaba Farm	Hill, MT	April 12, 2016	225,201	225,201
Lake Wawasee Farm	Noble, IN	April 21, 2016	660,284	660,284
Tippecanoe Farm	Kosciusko, IN	August 8, 2016	881,140	852,188
Susquehanna Farm	Chenago, NY	October 12, 2016	–	–
Flat Rock	Seneca, OH	May 15, 2017	2,878,926	2,878,926
Creambrook	Augusta, VA	May 22, 2017	1,235,758	1,235,937
Cottonwood	Hill, MT	September 1, 2017	1,026,664	1,031,983
South Fork	Livingston, IL	October 16, 2017	2,205,668	2,206,526
Battle Creek	Dekalb, IL	November 10, 2017	1,508,678	1,511,460
White River	Daviess, IN	May 24, 2018	1,908,744	1,908,744
Hidden Pasture	Schoharie, NY	July 24, 2018	287,272	292,171
Ten Mile	Lucas, OH	November 29, 2018	324,272	325,160
MT Hi-Line	Shelby, MT	January 17, 2019	1,559,697	1,559,697
Rock Creek North	Will, IL	November 11, 2019	1,306,253	1,307,590
Money Creek	McClellan, IL	December 9, 2019	1,380,452	1,380,452
Eldert	Iroquois, IL	January 13, 2020	1,387,376	1,387,376
Parish	Kankakee, IL	April 29, 2020	1,876,500	1,876,500
Rock Creek East	Will, IL	May 4, 2020	666,444	667,309
Peterson	Iroquois, IL	June 8, 2020	429,000	429,000
Rock Creek West	Will, IL	November 4, 2020	611,287	614,360
Rock Creek 30	Will, IL	November 10, 2020	247,840	248,107
Sugar Creek	Boone, IN	October 6, 2020	1,844,886	1,845,922
Scheffers	Momence, IL	March 30, 2021	900,000	900,000
Sugar Creek West	Boone, IN	January 6, 2021	3,375,050	3,375,050
Tucker South	Calloway, KY	August 3, 2021	1,537,928	1,539,161
Sheldon Flatts	Madison, NY	November 3, 2021	365,083	368,000
Pittwood	Iroquois, IL	November 3, 2021	947,216	947,216
Persch	Kankakee, IL	November 10, 2021	1,229,592	1,229,592
Scher	Huntington, IN	April 4, 2022	737,451	–

Temple	Tuscola, MI	April 28, 2022	522,000	—
Mantuan	Kankakee, IL	May 9, 2022	554,490	—
Harms	Dekalb, IL	June 13, 2022	1,070,860	—
			<u>\$ 55,973,461</u>	<u>\$ 52,959,597</u>

Investments in real estate are carried at cost, less accumulated depreciation. On a continuous basis, management assesses whether there are any indicators, including property performance and general market conditions, that the value of the investments in real estate may be impaired. To determine the estimated fair value, management utilizes independent third-party analyses for those properties owned for more than one year. At a minimum of once every three years the independent analysis is completed by a certified appraiser or licensed real estate professional. The methods employed in the valuation generally consider one or more of the following methods: the sales comparison approach (which uses the market for comparable properties), income capitalization approach (which considers income - generating potential of the property and anticipated rate of return), and the cost approach.

If indicators of impairment are present, management will estimate based on land appraised values if an impairment of the carrying cost has occurred. If the appraised value is less than the net carrying value of the property an impairment loss will be recorded. There are no impairments for the six (6) months ending June 30, 2022.

The Company's policy is to depreciate land improvements, machinery, equipment, buildings and building improvements over the estimated useful lives of the assets by use of the straight-line method, as indicated in the following table.

Land improvements, machinery and equipment	3 - 25 years
Buildings and building improvements	15 - 20 years

The cost of repairs and maintenance is charged to expense as incurred; significant improvements and betterments are capitalized. All investments in real estate are leased to tenants under operating leases.

4. Cash Equivalents

The Company maintains the majority of its cash balances with a lender that has held mortgages on certain investments. These cash equivalents are not restricted and can be withdrawn at any time without penalty.

5. Accrued Income, Accounts Receivable and Mortgage Interest Receivable

Accrued income consists of estimates of tenant farmer obligations due to the Company as well as the variable farm revenue and crop income as stated in the lease agreement. Estimates of variable farm revenues are based on a calculation of farm revenues exceeding a certain price point per acre (as defined in the individual lease agreements) and the excess being partially due to the Company. Crop income is income related to a crop share arrangement with one of the Company's farmers. Accounts receivable are uncollateralized tenant obligations due under normal trade terms. Mortgage interest receivable is mortgage interest income due to the Company. Management individually reviews all accrued income and receivables and, based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected.

The carrying amount of accounts receivable and mortgage interest receivable are reduced by valuation allowances, if necessary, that reflect management's best estimate of recorded receivables which may be uncollectible based on specific information about tenant accounts, past loss experience, and general economic conditions. Bad debts are written off against the allowance for doubtful accounts when they are determined to be uncollectible.

6. Syndication Costs

Syndication costs represent costs incurred in connection with the syndication of REIT stock, including expenses related to the Reg A offering of our common stock. These costs are reflected as a direct reduction of stockholders' equity. Syndication costs of \$12,540 and \$29,396 were incurred for the six months ending June 30, 2022 and for the year ending December 31, 2021, respectively.

7. Revenue Recognition

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. Topic 606 is effective for annual reporting periods beginning on December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Company adopted Topic 606 as of January 1, 2019, and has elected the modified retrospective method of adoption. The Company's revenues consist of rental income, mortgage income, and related other income which are specifically excluded from the scope of Topic 606. The Company has determined that the new guidance does not have a significant effect on reported amounts and, as a result, no adjustment to equity as of January 1, 2019 is required. Adoption of the new guidance resulted in no material changes to the Company's accounting policies for revenue recognition.

Leases

The FASB issued ASU 2016-02, Leases, (Topic 842) (ASU 2016-02), in February 2016. The Company adopted Topic 842 as of January 1, 2019 under the modified retrospective method. In connection with the adoption the Company elected to use the following practical expedients: (1) Election to not apply guidance in Topic 842 to leases that qualify as short-term leases; (2) Election not to separate non-lease components and record at the same rate as rental income (straight-line), most significantly certain tenant reimbursements of real estate tax expenses, from the associated lease components, resulting in the Company presenting all revenues associated with leases as rental income on the accompanying statements of operations. (3) Election to not reassess the lease classification for any existing leases and the initial direct costs for existing leases. As the Company's lessor leases are substantially for land the Company expects to derive the residual value of the land at the end of the lease term which is expected to be substantially the same as the current book value.

Rental income is recognized when earned as provided under the lease agreements with tenants. All leases between the Company and its tenants are classified as operating leases. Lease reimbursements represent real estate taxes and property insurance, which are billed to tenants pursuant to the terms of the lease. Lease reimbursements are recognized as earned in the same period the expenses are incurred.

Mortgage Interest Income

Mortgage and operating lines of credit interest income is recognized when due as provided under the agreements in place. Deferred origination fees are amortized to interest income ratably over the life of the related agreements

Grant Revenue

The Company has elected to account for government grants in accordance with IAS 20. Under IAS 20, government grants are recognized as income when it is probable that the Company will comply with the conditions of the grant and that the grant will be received. The Company recognizes proceeds under grant programs in a systematic basis over the period in which the Company recognizes as expenses the related costs for which the grant is intended to compensate. The Company has further elected to record the grant income separately from the related expenses.

8. Income Taxes

The Company has elected to be taxed as a REIT under the Internal Revenue Code and applicable Treasury regulations relating to REIT qualification. The Company must meet certain requirements to be eligible, including distribution requirements and other asset and income tests. Management intends to adhere to these requirements and maintain the REIT status. As a REIT, the Company will generally not be liable for U.S. federal corporate income taxes, thus no provision is included in the accompanying consolidated financial statements. The Company has also elected taxable REIT subsidiary status for the TRS Subsidiary which allows for activities that do not qualify as rents from real property.

9. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The provision for credit losses is considered a significant estimate, see Note C for the Company's policies on risk rating of the mortgage, operating line of credit and lease portfolio.

10. Significant Accounting Standard Applicable In Future Years

Allowance for Loan and Lease Losses

The FASB issued ASU 2016-13, Financial Instruments - Credit Losses, (Topic 326) (ASU 2016-13), in June 2016. ASU 2016-13 will require entities to update their credit loss model to the current expected credit losses (CECL) model. This CECL model will require entities to estimate the credit losses expected over the life of an exposure (or pool of exposures). While the Company is a public business entity, the Company qualifies as a small reporting company and therefore, ASU 2016-13 is effective for the Company's December 31, 2023 financial statements and thereafter.

NOTE C - MORTGAGE NOTES AND OPERATING LINES OF CREDIT RECEIVABLE

The Company established a farmland financing policy to provide mortgages and operating lines of credit financings for organic and sustainable farmers to purchase farmland to achieve certified organic standards. The Company's financing policy requires extensive background and credit checks and that each farmland mortgage and line of credit be collateralized by farmland appraised at a minimum value of 1.33 times the value of the loan. The financing policy also limits the outstanding loans on farmland to 35% of the Company's total farmland assets (defined as investments in real estate, at cost plus mortgage notes receivable).

Mortgage notes and operating lines of credit receivables are reported at their outstanding principal balances net of any allowance for doubtful accounts and unamortized origination fees. Origination fees received are deferred and recognized as adjustments to mortgage interest income over the lives of the related mortgage notes. The outstanding mortgage notes receivable generally require monthly interest only payments for the first five years with principal and interest payments thereafter. Select mortgage notes require principal and interest payments throughout the term of the notes. Prepayments are allowed. Operating lines of credit generally accrue monthly interest payments throughout the term. Mortgage notes are collateralized by real estate and improvements thereon. Operating lines of credit are generally collateralized by inventory. Interest income recognized related to mortgage notes receivable totaled \$524,881 and \$459,665 during the six months ended June 30, 2022 and 2021, respectively. Interest income recognized related to operating lines of credit totaled \$61,210 and \$51,361 during the six months ended June 30, 2022 and 2021, respectively.

Management closely monitors the quality of the mortgage notes and operating lines of credit receivable portfolio and has established a review process designed to help grade the quality and profitability of the Company's mortgage notes and operating lines of credit receivable portfolio. The Company utilizes an internal risk rating system to evaluate credit risk. It assigns an internal risk rating based on an assessment of each borrower's financial condition. The credit quality grade helps management make a comparable assessment of each mortgage notes and operating lines of credit receivable's credit risk.

Using this data, the Company evaluates liquidity, financial strength, management effectiveness, and operating efficiency and assigns one of four ratings: performing, watch, at-risk, and default. The Company establishes an allowance for loan losses to reserve against potential losses from non-performing loans. If a loan is non-performing, an allowance for loan loss is established when the outstanding principal balance exceeds 80% of the appraised value of the underlying collateral. A reserve for uncollectible interest receivable is established based on the assigned risk rating of the underlying loan. The following tables present the Company's mortgage notes receivable and operating lines of credit receivable and status as of June 30, 2022 and December 31, 2021:

Summary of Mortgage Notes Receivable as of June 30, 2022 and December 31, 2021

Rating Type	Outstanding Balance 6/30/2022	Reserve for Interest Receivable 6/30/2022	Outstanding Balance 12/31/2021	Reserve for Interest Receivable 12/31/2021
Performing	\$ 19,020,068	\$ –	\$ 13,812,609	\$ –
Watch	589,190	1,307	2,491,465	8,147
At-risk	2,025,680	12,359	456,000	1,789
Default	2,641,126	84,720	1,405,341	55,989
Total loans	\$ 24,276,064	\$ 98,386	\$ 18,165,415	\$ 65,925
Allowance for loan losses	(49,510)		–	
Net deferred origination fees	(72,627)		(68,186)	
Net loans	\$ 24,153,927		\$ 18,097,229	
Interest rate range	4.75 - 7.00%		1.00 - 7.00%	
Maturity date range	2022 - 2052		2022 - 2052	

Summary of Operating Lines of Credit as of June 30, 2022 and December 31, 2021

Rating Type	Outstanding Balance 6/30/2022	Reserve for Interest Receivable 6/30/2022	Outstanding Balance 12/31/2021	Reserve for Interest Receivable 12/31/2021
Performing	\$ 774,689	\$ –	\$ 533,707	\$ –
Watch	74,523	–	911,828	–
At-risk	642,514	–	–	–
Default	637,018	–	401,913	–
Total loans	\$ 2,128,744	\$ –	\$ 1,847,448	\$ –
Allowance for loan losses	(50,172)		(26,625)	
Net deferred origination fees	–		–	
Net loans	\$ 2,078,572		\$ 1,820,823	
Interest rate range	5.50 - 7.00%		5.50 - 7.00%	
Maturity date range	2022 - 2026		2022 - 2026	

NOTE D - REVOLVING LINES OF CREDIT

The Company had a \$1,000,000 line of credit with a lender which expired on January 15, 2022. There was no outstanding balance on the line as of December 31, 2021.

During 2019, the Company entered into a \$2,500,000 line of credit with a lender that is interest only through May 1, 2024 and interest and principal through maturity on May 1, 2049. There were no outstanding borrowings at June 30, 2022 and December 31, 2021 on the line of credit. Interest is payable annually at the bank's adjusted one-month LIBOR base rate plus an applicable margin (2.50%). The line is collateralized by real estate in the IL counties of Iroquois and Shelby. The Company is subject to certain restrictive covenants.

During 2020, the Company entered into a \$1,000,000 line of credit with a lender which expires on November 10, 2023. There were no outstanding borrowings as of June 30, 2022 and December 31, 2021. Interest is payable monthly at the bank's adjusted one-month LIBOR base rate plus an applicable margin (2.10%), with a floor of 3.10%. The line is collateralized by the Tower Road Farm. The Company is subject to certain restrictive covenants.

NOTE E - NOTES PAYABLE, UNSECURED-RELATED PARTY TRANSACTIONS

The Company has borrowed through issuances of unsecured notes payable to finance the Company's farmland investments. The debt consists of individual promissory notes issued across multiple series and term notes.

Beginning February 7, 2017, the Company issued an offering of promissory notes titled "Soil Restoration Notes" at a maximum offering of \$5,000,000. That offering was replaced with a similar offering of Soil Restoration Notes on June 15, 2018. On December 12, 2019, the offering of 2018 Soil Restoration Notes was closed at a final subscription amount of \$6,100,000. Beginning March 1, 2020, the Company issued an offering of Soil Restoration Notes at a maximum offering of \$10,000,000. All 2017 Soil Restoration Notes matured on July 15, 2020 and noteholders were allowed to rollover their balances to a 2020 Soil Restoration Note. Soil Restoration Notes totaling \$2,295,000 were transferred to new 2020 Soil Restoration Notes. In accordance with these Soil Restoration Notes, the Company also funds an organic transition pool to support the tenants and farmers during the organic transition period by primarily providing financial assistance to projects geared toward improving soil quality. See Note K for a description of a grant received which has reduced the costs associated with issuing the notes. On July 30, 2021 the offering of 2020 Soil Restoration Notes was closed at a final subscription amount of \$8,302,000.

Beginning December 15, 2021 the Company issued an offering of Series IV Soil Restoration Notes at a maximum offering of \$10,000,000. This latest issuance does not fund the organic transition pool. Additional Soil Restoration Notes advanced during the six months ended June 30, 2022 and the year ending December 31, 2021 aggregated \$2,287,000 and \$4,627,000 respectively.

Soil Restoration Notes totaling \$17,414,000 and \$15,127,000 were outstanding as of June 30, 2022 and December 31, 2021, respectively. Soil Restoration Notes are issued as individual promissory notes which bear interest between 0.00% and 2.50%, payable semiannually on January 15th and July 15th. Principal is due in full at maturity, which ranges between 2023 and 2027. Soil Restoration Notes are uncollateralized.

Other promissory notes and term notes, totaling \$4,393,194 and \$5,353,242 as of June 30, 2022 and December 31, 2021, respectively, have interest due semi-annually, ranging from 1.00% to 3.50% with principal due in full at maturity. The notes have various original maturity dates from 2021 through 2026. One series includes an automatic renewal for one year upon maturity date, unless the notes are terminated by either the Company or payee. The notes are uncollateralized.

Aggregate interest expensed during the six (6) months ended June 30, 2022 and the year ended December 31, 2021 was \$247,065 and \$481,756, respectively, related to the notes payable. Accrued interest at June 30, 2022 and December 31, 2021 totaled and \$207,740 and \$207,693, respectively, related to the notes payable.

Future original maturities of the aggregate notes payable as of December 31, 2021 are as follows:

2022	\$	1,085,000
2023		7,060,000
2024		916,667
2025		5,591,667
2026		5,751,909
Thereafter		<u>75,000</u>
	\$	<u>20,480,243</u>

NOTE F - NOTE PAYABLE, PAYCHECK PROTECTION PROGRAM

On April 23, 2020, the Company entered into a \$103,528 U.S. Small Business Administration ("SBA") Paycheck Protection Program note payable. The note payable incurs interest at a fixed rate of 1.00% and matured on April 23, 2022. The note is unsecured and was eligible for forgiveness subject to the provisions of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). However, we were informed by the SBA that businesses that are primarily engaged in owning or purchasing real estate and leasing it for any purpose are not eligible for forgiveness of the loan. Therefore, principal and interest payments will be made in equal installments after a 10-month deferral period, as defined in the CARES Act. Principal payments of approximately \$76,000 were made for the 2022 Period.

NOTE G - RENTAL INCOME

The Company leases its real estate to farm operators generally under five-year initial terms. The leases automatically renew for two year terms following the initial term and any subsequent renewals. The leases are structured as variable cash, fixed cash or crop-share operating lease agreements. Variable cash lease agreements include minimum base rent plus a variable component, if applicable, based on total farm revenues. All leases require the farm tenant to maintain federal crop insurance on insurable crops for the duration of the lease. Rental income consists of fixed lease payments of \$864,710 and \$1,660,119, variable lease payments of \$28,392 and \$67,332, and lease reimbursements of \$67,421 and \$123,861 for the six months ended June 30, 2022 and the year ended December 31, 2021, respectively. The Company manages risk associated with the residual value of its leased assets by leasing primarily land to lessees which management believes will maintain the residual value consistent with the current book value.

Future minimum base rentals on noncancelable operating leases for the years ending December 31 are as follows:

2022	\$	1,477,118
2023		954,011
2024		714,304
2025		714,304
2026		563,105
Thereafter		<u>369,025</u>
	\$	<u>4,791,867</u>

NOTE H - STOCK OPTION PLAN

The Company provides for the grant of incentive options to purchase stock to certain officers of the Company. The agreements allow the option holders to purchase stock of the Company at a stated price during a specified period of time (generally 10 - 15 years). Option awards are generally granted with an exercise price equal to the fair market value of the stock at the date of grant. Options generally vest over three years.

The Company has granted options to certain staff members and consultants. In the six months ended June 30, 2022, no options were exercised or granted. In 2021, 907 options were exercised at \$539 per share and none were granted.

The fair value of each option is estimated on the date of grant based on the Black-Scholes option pricing model. An expected volatility factor was based on comparable farmland values and public companies and was used in computing the option-based compensation during prior years. The annual rate of dividends is expressed as a dividend yield which is a constant percentage of the share price. The expected life of an option represents the period of time that an option is expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the 10-year U.S. Treasury note in effect at the time of grant (expected lives are 10 - 15 years).

There was no option-based compensation expense recognized in the statements of operations for the six (6) months ended June 30, 2022 and the year ended December 31, 2021.

The fair value of each option granted during previous years was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

Expected life	10 - 15 years
Risk-free interest rate	1.78% - 3.47%
Expected dividends	0.00%
Volatility	10% - 29%

Option activity for the six (6) months ended June 30, 2022 is as follows:

	Shares Subject to Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
January 1, 2022	887	\$ 550.09	6 years
Granted	—	—	N/A
Exercised	—		
Cancelled/forfeited	—		
June 30, 2022	<u>887</u>	\$ 550.09	5 years
Exercisable at June 30, 2022	<u>887</u>		5 years

There were no options vested during the six months ended June 30, 2022.

Option activity for the year ended December 31, 2021 is as follows:

	Shares Subject to Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
January 1, 2021	1,794	\$ 543.80	7 years
Granted	–	–	N/A
Exercised	(907)		
Cancelled/forfeited	–		
December 31, 2021	<u>887</u>	\$ 550.09	6 years
Exercisable at December 31, 2021	<u>887</u>		6 years

There were no options vested during the year ended December 31, 2021.

NOTE I - CONCENTRATIONS OF RISK AND UNCERTAINTIES

1. Uninsured Cash

The Company maintains its cash balances at financial institutions located in the United States. These cash balances are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Company may, from time to time, have balances in excess of FDIC insured deposit limits. The Company also maintains cash balances with its lender (see Note B-4), which is not a federally insured institution. The Company has approximately \$1,900,000 of uninsured cash at June 30, 2022

2. Real Estate Concentration

The Company's investments in real estate, at cost, are significantly concentrated within holdings of agriculture within the United States (see Note B-3). The general health of that industry could have a significant impact on the fair value of investments held by the Company.

3. COVID -19

The direct and indirect impacts of the current COVID-19 outbreak on the Company's investments in real estate, borrowers, operations, and financing arrangements are currently unknown, as is the duration and severity of any impacts that the Company may experience. The Company has not experienced significant payment delays for leases and loans. While the Company's results of operations, cash flows and financial condition have not been significantly impacted through June 30, 2022, the Company continues to monitor the aging of its receivables, cash collections from tenants, and occupancy rates. Due to the uncertainty, the extent of any future impact cannot be reasonably estimated at this time.

NOTE J - OPERATING LEASE OBLIGATIONS

The Company leases office space under the terms of an operating lease that expires September 2022. Monthly payments under the leases aggregate \$1,600. Total rent expense was \$9,600 and \$19,830, respectively, for the six months ended June 30, 2022 and the year ended December 31, 2021.

As of June 30, 2022, future minimum lease payments required under the operating lease are as follows:

2022	\$	<u>4,800</u>
	\$	<u>4,800</u>

NOTE K - CONSERVATION INNOVATION GRANTS - GAIN CONTINGENCY

In the fall of 2016, the Company was awarded a Conservation Innovation Grant from the National Resources Conservation Service, a division of the United States Department of Agriculture. The grant became effective on December 2, 2016 and expired on September 30, 2020 as defined in the agreement. In 2019, the Company was awarded an additional grant for the CIG that expires on December 31, 2023. Under the terms of the grants, the Company receives reimbursement for certain expenses associated with the Soil Restoration Notes offerings that were issued (see Note E), developing additional innovative note products, and other qualified expenses. The payments under the grants during the six (6) months ended June 30, 2022 and the year ended December 31, 2021 were approximately \$69,000 and \$163,000, respectively, and have been included as grant revenue in the accompanying statements of income. Given the contingent nature of the grants the Company has not recorded the full grant amounts as an asset related to future reimbursement payments. The Company has recorded a receivable from the grants of approximately \$178,000 and \$135,000 for the six months ended June 30, 2022 and the year ended December 31, 2021, respectively, which is included in prepaids and other assets in the accompanying financial statements.

NOTE L - SETTLEMENT

In 2021 we recognized approximately \$125,000 of income from a settlement with the Village of Peotone IL over the sale of approximately 2.5 acres of our Rock Creek south property.

NOTE M – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 15, 2022, the date that these financial statements were available to be issued. Management has determined that no events or transactions, other than as described below, have occurred subsequent to the balance sheet date that require disclosure in the financial statements.

During July 2022 the Company purchased approximately 89 acres of farmland in Wabash County IN for approximately \$712,000.

During August 2022 the Company purchased approximately 73 acres of farmland in Iroquois Count IL for approximately \$572,000.

Between June 30, 2022 and September 15, 2022, the Company issued \$12,000 of operating lines of credit.

Between June 30, 2022 and September 14, 2022, the Company issued approximately \$\$2,400,000 of REIT stock and \$762,000 of soil restoration notes.

On August 26, 2022, the Company held its annual meeting of the stockholders. The sole item on the agenda was the election of directors to the Company's Board of Directors. With approximately 53% of outstanding shares voting, the following individuals were elected to the Board of Directors for the following terms:

Until 2024: Dorothy D. Burlin

Until 2025: Andy Ambriole, Dr. Stephen P. Rivard, and Olivia Watkins

SIGNATURES

Pursuant to the requirements of Regulation A, the issuer certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form 1-A and has duly caused this offering statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Evanston, State of Illinois, on September 26, 2022.

IROQUOIS VALLEY FARMLAND REIT, PBC

By: /s/ William Stoddart

Name: William Stoddart

Its: Chief Executive Officer

By: /s/ Mark D. Schindel

Name: Mark D. Schindel

Its: Chief Financial Officer