

RODALE INSTITUTE

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

RODALE INSTITUTE

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Rodale Institute**

We have audited the accompanying financial statements of the Rodale Institute (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rodale Institute as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the Institute's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 1, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BBD, LLP.

**Philadelphia, Pennsylvania
April 29, 2013**

RODALE INSTITUTE

STATEMENT OF FINANCIAL POSITION

December 31, 2012 with comparative totals for 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash	\$ 1,088,055	\$ 628,366
Contributions receivable		
Rodale, Inc.	5,526,883	5,526,883
Other	151,844	654,163
Accounts receivable		
Grants and federal awards	137,536	103,245
Other	24,597	100,536
Inventory	31,371	12,669
Prepaid expenses and other assets	46,759	73,523
Investments	9,845,614	9,245,366
Note receivable	1,030,580	1,030,580
Beneficial interest in charitable remainder trust	17,688	17,296
Property and equipment, net	<u>2,817,568</u>	<u>2,856,523</u>
Total assets	<u>\$ 20,718,495</u>	<u>\$ 20,249,150</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 61,377	\$ 32,058
Accrued liabilities	126,832	194,570
Deferred grant revenue	<u>30,570</u>	<u>21,057</u>
Total liabilities	<u>218,779</u>	<u>247,685</u>
NET ASSETS		
Unrestricted	9,333,882	8,774,539
Temporarily restricted	10,490,588	10,584,150
Permanently restricted	<u>675,246</u>	<u>642,776</u>
Total net assets	<u>20,499,716</u>	<u>20,001,465</u>
Total liabilities and net assets	<u>\$ 20,718,495</u>	<u>\$ 20,249,150</u>

See accompanying notes

RODALE INSTITUTE

STATEMENT OF ACTIVITIES

Year ended December 31, 2012 with comparative totals for 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2012</u>	<u>2011</u>
REVENUE, GAINS AND SUPPORT					
Grants	\$ 137,536	\$ -	\$ -	\$ 137,536	\$ 146,904
Federal awards	468,323	-	-	468,323	687,476
Contributions	1,082,559	697,921	-	1,780,480	2,131,366
Education and store	303,860	-	-	303,860	159,425
Crop sales	192,397	-	-	192,397	187,373
Other	98,026	392	-	98,418	73,726
Interest and dividend income	235,305	48,425	11,043	294,773	190,165
Net realized and unrealized gain on investments	306,122	106,723	52,231	465,076	85,762
Transfers					
Endowment spending policy distribution	268,941	(238,137)	(30,804)	-	-
Net assets released from restrictions	708,886	(708,886)	-	-	-
Total revenue, gains and support	<u>3,801,955</u>	<u>(93,562)</u>	<u>32,470</u>	<u>3,740,863</u>	<u>3,662,197</u>
EXPENSES					
Program Services					
Research programs	852,923	-	-	852,923	780,875
Farm operations/food production	890,466	-	-	890,466	1,044,470
Communications	674,204	-	-	674,204	605,475
Supporting Services					
Management and general	596,260	-	-	596,260	594,130
Development	228,759	-	-	228,759	251,837
Total expenses	<u>3,242,612</u>	<u>-</u>	<u>-</u>	<u>3,242,612</u>	<u>3,276,787</u>
CHANGE IN NET ASSETS	559,343	(93,562)	32,470	498,251	385,410
NET ASSETS					
Beginning of year	<u>8,774,539</u>	<u>10,584,150</u>	<u>642,776</u>	<u>20,001,465</u>	<u>19,616,055</u>
End of year	<u>\$ 9,333,882</u>	<u>\$ 10,490,588</u>	<u>\$ 675,246</u>	<u>\$ 20,499,716</u>	<u>\$ 20,001,465</u>

See accompanying notes

RODALE INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2012 with comparative totals for 2011

	Program Services			Supporting Services			Totals		
	Research Programs	Farm Operations/ Food Production	Communications	Total Program Services	Management and General	Development	Total Supporting Services	2012	2011
Salaries	\$475,489	\$394,909	\$257,371	\$1,127,769	\$302,452	\$103,499	\$405,951	\$1,533,720	\$1,479,577
Payroll taxes and employee benefits	126,227	119,361	77,855	323,443	92,675	31,839	124,514	447,957	419,129
Consulting services	40,220	21,864	17,676	79,760	38,055	2,707	40,762	120,522	108,667
Contractors and subcontractors	39,158	31,433	-	70,591	1,580	-	1,580	72,171	312,271
Cost of goods sold	-	15,502	63,443	78,945	-	-	-	78,945	77,837
Depreciation	5,959	27,344	732	34,035	13,175	6,133	19,308	53,343	44,145
Dues and subscriptions	2,300	6,660	4,463	13,423	1,888	5,791	7,679	21,102	19,874
Equipment maintenance and rental	28,233	15,328	14,127	57,688	19,867	15,931	35,798	93,486	172,899
Postage	1,050	5,569	8,033	14,652	1,523	6,378	7,901	22,553	17,214
Printing and publications	1,090	1,978	3,961	7,029	378	8,223	8,601	15,630	25,357
Professional services	5,800	11,600	9,780	27,180	9,308	-	9,308	36,488	41,660
Supplies	43,212	145,636	24,250	213,098	32,393	18,308	50,701	263,799	225,289
Telecommunications	3,857	3,057	3,608	10,522	11,232	1,556	12,788	23,310	27,238
Travel	36,684	35,784	15,234	87,702	1,946	4,646	6,592	94,294	61,898
Utilities	27,078	27,637	14,873	69,588	5,967	-	5,967	75,555	104,540
Other	16,566	26,804	158,798	202,168	63,821	23,748	87,569	289,737	139,192
	<u>\$852,923</u>	<u>\$890,466</u>	<u>\$674,204</u>	<u>\$2,417,593</u>	<u>\$596,260</u>	<u>\$228,759</u>	<u>\$825,019</u>	<u>\$3,242,612</u>	<u>\$3,276,787</u>

See accompanying notes

RODALE INSTITUTE

STATEMENT OF CASH FLOWS

Year ended December 31, 2012 with comparative totals for 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 498,251	\$ 385,410
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Net realized and unrealized gain on investments	(465,076)	(85,762)
Depreciation expense	53,343	44,145
Amortization of discount on contributions receivable	(386,820)	(388,145)
Contributions restricted for long-term purposes	-	(500)
Loss on disposal of property and equipment	-	19,394
(Increase) decrease in		
Contributions receivable	889,139	252,407
Accounts receivable	41,648	43,464
Inventory	(18,702)	(3,247)
Prepaid expenses and other assets	26,372	(26,631)
Increase (decrease) in		
Accounts payable	29,319	(103,664)
Accrued liabilities	(67,738)	95,617
Deferred grant revenue	9,513	17,412
Net cash provided by operating activities	<u>609,249</u>	<u>249,900</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales (purchases) of investments	(135,172)	9,695
Purchase of property and equipment	<u>(14,388)</u>	<u>(154,611)</u>
Net cash used for investing activities	<u>(149,560)</u>	<u>(144,916)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for investment in endowment	<u>-</u>	<u>500</u>
Net change in cash	459,689	105,484
CASH		
Beginning of year	<u>628,366</u>	<u>522,882</u>
End of year	<u>\$ 1,088,055</u>	<u>\$ 628,366</u>

See accompanying notes

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NOTES TO FINANCIAL STATEMENTS

December 31, 2012

(1) NATURE OF OPERATIONS

Rodale Institute (the "***Institute***"), located in Kutztown, Pennsylvania, is a non-profit research and education organization focused on organic agriculture and its beneficial impact on health and the environment. For over six decades the Rodale Institute has demonstrated the benefits of organic farming through innovative research and outreach on its 333 acre experimental farm, one of the largest research facilities of its kind. The Institute has trained thousands of farmers throughout the world in organic methods that enhance soil fertility, build soil organic matter, sequester carbon and eliminate the use of synthetic chemicals and fertilizers. Rodale Institute's Farming System Trial is the longest running side-by-side comparison of conventional versus organic farming. Results of this 30-year study prove that organic yields match conventional and organic farming systems are more profitable than conventional.

Rodale Institute also hosts a myriad of online tools for farmers including their free Transition to Organics course that provides information and expertise for farmers seeking to convert their farms from chemical methods to organic practices. In addition, Rodale Institute's website is home to an Organic Price Report, a Crop Conversion Calculator, an Organic System Plan and a variety of other online tools that help farmers transition to organic and ensure they are utilizing best organic farming practices. Revenue sources for the Institute consist primarily of federal and state grant monies in addition to contributions from individuals and organizations who share this vision and commitment.

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

The Institute reports information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted net assets

Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Institute and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "***net assets released from restrictions.***"

Permanently restricted net assets

Net assets that are subject to donor-imposed restrictions that such assets be maintained indefinitely.

Fair Value Measurements

Generally accepted accounting principles ("***GAAP***") define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Institute. Unobservable inputs reflect the Institute's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

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NOTES TO FINANCIAL STATEMENTS

December 31, 2012

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Institute has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Institute's own assumptions.

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2011, from which the summarized information was derived.

Accounts Receivable

Accounts receivable are reported at net realizable value. The net realizable value is based on management's estimate of the amount of receivables that will be actually collected. Accounts are written off against the allowance for doubtful accounts when management determines the account is uncollectible.

Inventory

Inventory is stated at the lower of cost (first-in, first-out method) or market.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities. Dividend and interest income is recorded as earned.

Donated investments are recorded at fair value at the date of receipt.

The Institute invests in a professionally-managed portfolio that contains various types of securities (**See Note 4**). Such investments are exposed to market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

Property and Equipment

The Institute capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 20 years.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions whose restrictions are satisfied in the same period are reported as "**unrestricted support.**"

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December 31, 2012

Unconditional contributions are recognized when the related promise to give is received. Conditional contributions are recognized when the conditions are satisfied.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Institute.

Grants and Federal Awards

Grants and federal awards are recorded as revenue as the services are performed.

Functional Allocation of Expenses

The costs of providing the program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefitted, primarily based upon the relative time spent by Institute employees on each function.

Income Tax Status

The Institute is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Institute's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Institute qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. The Institute believes that it had no uncertain tax positions as defined in GAAP and the standard had no impact on the Institute's financial statements.

The tax returns for the years ended December 31, 2009, 2010 and 2011 are subject to examination by the Internal Revenue Service and other various taxing authorities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments which potentially subject the Institute to concentrations of credit risk are cash, contributions receivable, accounts receivable and a note receivable. The Institute maintains its cash at various financial institutions. At times, deposits may exceed federally-insured limits. Accounts receivable are due primarily from government agencies and are expected to be collected during 2013. The note receivable and the majority of contributions receivable are due from Rodale, Inc. and are further described in Notes 3 and 5.

Reclassifications

Certain items in the 2011 comparative information have been reclassified in order to conform to the 2012 presentation.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2012

(3) CONTRIBUTIONS RECEIVABLE

Rodale, Inc. is a for-profit publishing corporation located in Emmaus, Pennsylvania. A former Chairman of Rodale, Inc. founded the Institute. Contributions receivable from Rodale, Inc. are expected to be collected as follows:

2013	\$ 386,820
2014	386,820
2015	386,820
2016	386,820
2017	386,820
Thereafter	<u>6,718,253</u>
	8,652,353
Less discount to net present value (7%)	<u>(3,125,470)</u>
	<u>\$ 5,526,883</u>

Other contributions receivable are expected to be collected in 2013.

(4) INVESTMENTS

Investments, at fair value, consist of the following at December 31,:

	<u>2012</u>	<u>2011</u>
Money market funds	\$ 726,661	\$1,967,639
Marketable equity securities	4,133,562	1,645,292
Mutual funds		
Equities	1,510,270	681,945
Fixed income	1,783,573	911,261
U.S. Treasury obligations	<u>1,691,548</u>	<u>4,039,229</u>
	<u>\$9,845,614</u>	<u>\$9,245,366</u>

(5) NOTE RECEIVABLE

In January 1991, the Institute received a note receivable from Rodale, Inc. (**See Note 3**). The note in the amount of \$2,061,160 (in addition to forgiveness of an advance from Rodale, Inc. of \$555,000) was consideration for the repurchase by Rodale, Inc. of preferred stock (78,800 shares) held by the Institute. It bears interest at 12% per annum with principal payments to be received in ten equal annual installments beginning March 31, 1997, with the entire unpaid balance due March 31, 2006. On April 1, 2006, an agreement was reached with Rodale, Inc. to extend this note until March 31, 2011. On March 31, 2011, the note was amended to extend the note's maturity until March 31, 2021. The note is due in full on March 31, 2021, and interest will be paid quarterly at 7%, until this note matures on that date. At December 31, 2012 and 2011, the outstanding balance of this note was \$1,030,580.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2012

(6) BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

The Institute is a beneficiary of a charitable remainder trust (the "**Trust**"). The Institute was allocated one share of a total of twenty Trust shares. The Trust investment balance will remain invested for a period of ten years. The income derived from the Trust through May 2013 will be distributed quarterly to the Trust beneficiaries based on their share allocation. In May 2013, the Institute will receive one-twentieth of the Trust's remaining assets. The Institute has recorded its portion of the fair value of the Trust as temporarily restricted net assets. Changes in the fair value of the Trust's assets are included in the statement of activities in other revenue.

(7) PROPERTY AND EQUIPMENT

Property and equipment at December 31, consist of the following:

	<u>2012</u>	<u>2011</u>
Land	\$ 2,554,726	\$ 2,554,726
Land improvements	34,421	34,421
Machinery and equipment	1,300,017	1,294,725
Accumulated depreciation	<u>(1,071,596)</u>	<u>(1,027,349)</u>
	<u>\$ 2,817,568</u>	<u>\$ 2,856,523</u>

All of the Institute's land is under a conservation easement with the Wildlands Conservancy.

(8) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following:

	<u>Balance</u>		<u>Released</u>	<u>Balance</u>
	<u>December 31, 2011</u>	<u>Additions</u>	<u>from</u>	<u>December 31, 2012</u>
			<u>Restrictions</u>	
Purpose restrictions				
Operations and maintenance of Rodale Research Center	\$ 4,762,776	\$155,148	\$(238,137)	\$ 4,679,787
Various	79,695	311,101	(124,566)	266,230
Time restrictions (available in future years)				
Rodale, Inc. contribution receivable	5,526,883	386,820	(386,820)	5,526,883
Other	197,500	-	(197,500)	-
Beneficial interest in charitable remainder trust	<u>17,296</u>	<u>392</u>	<u>-</u>	<u>17,688</u>
	<u>\$10,584,150</u>	<u>\$853,461</u>	<u>\$(947,023)</u>	<u>\$10,490,588</u>

(9) PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of an endowment to be maintained indefinitely. The income from the endowment is available for general operations.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2012

(10) ENDOWMENT FUND

An accounting standard was issued which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("**UPMIFA**"). The Institute is not subject to this guidance since Pennsylvania has not enacted a version of UPMIFA. The standard also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

In accordance with Pennsylvania statutes, the Institute has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of these endowment assets over the long-term. The Institute's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

The spending policy calculates the amount of money annually distributed from the endowment funds to support various programs. The current spending policy on the permanently restricted endowment is to distribute the amount equal to 5% of a moving three-year average of the fair value of the permanently restricted endowment fund. No distribution was taken on the board-designated endowment fund for 2012.

Changes in the endowment assets for the year ended December 31, 2012 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Endowment net assets, beginning of year	\$4,762,776	\$642,776	\$5,405,552
Investment income	48,425	11,043	59,468
Realized and unrealized gain	106,723	52,231	158,954
Spending policy distribution	<u>(238,137)</u>	<u>(30,804)</u>	<u>(268,941)</u>
Endowment net assets, end of year	<u>\$4,679,787</u>	<u>\$675,246</u>	<u>\$5,355,033</u>

(11) DONATED SERVICES AND IN-KIND CONTRIBUTIONS

The fair value of donated services and in-kind contributions included as contributions in the financial statements and the corresponding expenses for the years ended December 31, 2012 and 2011 are as follows:

	<u>2012</u>				
	<u>Farm Operations/ Food Production</u>	<u>Research Programs</u>	<u>Communications</u>	<u>Management and General</u>	<u>Total</u>
Advertising	\$ 500	\$ -	\$133,500	\$ -	\$134,000
Consulting services	114	16,907	1,000	10,800	28,821
Equipment rental and maintenance	3,919	-	9,227	-	13,146
Supplies	<u>44,919</u>	<u>-</u>	<u>5,942</u>	<u>-</u>	<u>50,861</u>
	<u>\$49,452</u>	<u>\$16,907</u>	<u>\$149,669</u>	<u>\$10,800</u>	<u>\$226,828</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2012

	2011					Total
	Farm Operations/ Food Production	Research Programs	Communications	Management and General	Development	
Consulting services	\$ -	\$ -	\$ -	\$2,280	\$ -	\$ 2,280
Contractors and subcontractors	47,042	-	-	-	-	47,042
Supplies	1,847	507	31,267	740	6,620	40,981
Printing and publications	-	1,380	1,000	-	727	3,107
	<u>\$48,889</u>	<u>\$1,887</u>	<u>\$32,267</u>	<u>\$3,020</u>	<u>\$7,347</u>	<u>\$93,410</u>

(12) DEFINED CONTRIBUTION PLAN

The Institute participates in a participatory defined contribution plan that covers substantially all of its employees. Employees can contribute any percentage of their income up to the Internal Revenue Service limit for the year. The Institute matches contributions by the participants up to 6% of annual compensation. The Institute contributed \$53,890 to the plan in 2012 and \$43,518 to the plan in 2011.

(13) LINE OF CREDIT

The Institute has a line of credit arrangement with a local bank under which the Institute may borrow up to \$250,000 on such terms as the Institute and the bank mutually agree upon. The line bears interest at prime plus ¾%. The arrangement is approved until May 31, 2013, but is reviewed annually for renewal. At December 31, 2012 and 2011, the full \$250,000 was available.

(14) ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

The following is a summary of assets measured at fair value on a recurring basis and the valuation inputs used to value them:

Description	Balance	Quoted Prices in	Significant Other	Significant
	December 31, 2012	Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Contributions receivable	\$ 5,678,727	\$ -	\$5,678,727	\$ -
Investments				
Money market funds	726,661	726,661	-	-
Marketable equity securities	4,133,562	4,133,562	-	-
Mutual funds				
Equities	1,510,270	1,510,270	-	-
Fixed income	1,783,573	1,783,573	-	-
U.S. Treasury obligations	1,691,548	-	1,691,548	-
Beneficial interest in charitable remainder trust	17,688	-	17,688	-
Total assets	<u>\$15,542,029</u>	<u>\$8,154,066</u>	<u>\$7,387,963</u>	<u>\$ -</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2012

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 29, 2013, the date on which the financial statements were available to be issued. No subsequent events have occurred that require recognition in the financial statements.