

Rodale Institute

Financial Statements
Year Ended December 31, 2019



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RODALE INSTITUTE

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Rodale Institute**

We have audited the accompanying financial statements of Rodale Institute (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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.

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 entity'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 entity'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 Rodale Institute as of December 31, 2019, 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 Rodale Institute's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the restated audited financial statements from which it has been derived.

BBD, LLP.

**Philadelphia, Pennsylvania
June 11, 2020**

RODALE INSTITUTE

STATEMENT OF FINANCIAL POSITION

December 31, 2019 with comparative totals for 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 1,349,586	\$ 189,963
Contributions and grants receivable	2,437,016	1,187,935
Accounts receivable	122,816	829,231
Prepaid expenses and other assets	37,324	62,985
Investments	24,395,187	21,298,130
Beneficial interest in perpetual trust	569,603	491,478
Property and equipment, net	<u>4,692,659</u>	<u>4,776,601</u>
Total assets	<u>\$ 33,604,191</u>	<u>\$ 28,836,323</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 639,480	\$ 444,747
Deferred income	-	114,477
Notes payable	<u>28,889</u>	<u>38,458</u>
Total liabilities	<u>668,369</u>	<u>597,682</u>
NET ASSETS		
Without donor restrictions	16,065,255	14,104,970
With donor restrictions	<u>16,870,567</u>	<u>14,133,671</u>
Total net assets	<u>32,935,822</u>	<u>28,238,641</u>
Total liabilities and net assets	<u>\$ 33,604,191</u>	<u>\$ 28,836,323</u>

See accompanying notes

RODALE INSTITUTE

STATEMENT OF ACTIVITIES

Year ended December 31, 2019 with comparative totals for 2018

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2019	2018
REVENUE, GAINS AND SUPPORT				
Contributions and corporate grants	\$ 2,222,959	\$ 3,094,397	\$ 5,317,356	\$ 9,668,872
Federal, state and local grants	1,131,007	250,000	1,381,007	1,152,869
Education and store	102,872	-	102,872	108,436
Farm sales	178,127	-	178,127	199,932
Other	175,220	-	175,220	153,604
Spending policy distribution from investments without donor restrictions	-	-	-	365,403
Transfers				
Endowment spending policy distribution	538,886	(538,886)	-	-
Net assets released from restrictions	1,855,901	(1,855,901)	-	-
Total revenue, gains and support	<u>6,204,972</u>	<u>949,610</u>	<u>7,154,582</u>	<u>11,649,116</u>
EXPENSES				
Program Services				
Strategic Solutions Team	3,499,578	-	3,499,578	2,917,134
Communications	843,282	-	843,282	1,148,761
Education	560,215	-	560,215	-
Supporting Services				
Management and general	665,346	-	665,346	645,148
Development	577,316	-	577,316	544,863
Total expenses	<u>6,145,737</u>	<u>-</u>	<u>6,145,737</u>	<u>5,255,906</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES				
	59,235	949,610	1,008,845	6,393,210
OTHER CHANGES				
Investment income (loss), net of spending policy distribution from investments without donor restrictions	1,901,050	1,709,161	3,610,211	(1,146,016)
Change in value of beneficial interest in perpetual trust	-	78,125	78,125	(74,219)
Total other changes	<u>1,901,050</u>	<u>1,787,286</u>	<u>3,688,336</u>	<u>(1,220,235)</u>
CHANGE IN NET ASSETS	1,960,285	2,736,896	4,697,181	5,172,975
NET ASSETS				
Beginning of year	<u>14,104,970</u>	<u>14,133,671</u>	<u>28,238,641</u>	<u>23,065,666</u>
End of year	<u>\$ 16,065,255</u>	<u>\$ 16,870,567</u>	<u>\$ 32,935,822</u>	<u>\$ 28,238,641</u>

See accompanying notes

RODALE INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2019 with comparative totals for 2018

	Program Services				Supporting Services			Totals	
	Strategic Solutions Team	Communications	Education	Total Program Services	Management and General	Development	Total Supporting Services	2019	2018
	Salaries	\$ 1,425,354	\$ 273,832	\$ 204,615	\$ 1,903,801	\$ 379,697	\$ 325,050	\$ 704,747	\$ 2,608,548
Payroll taxes and employee benefits	343,786	62,591	51,006	457,383	90,749	81,490	172,239	629,622	520,226
Consulting services	49,604	189,586	117,539	356,729	19,888	15,015	34,903	391,632	480,716
Contractors and subcontractors	619,737	8,693	127,488	755,918	-	-	-	755,918	612,845
Depreciation	107,442	171	-	107,613	1,332	-	1,332	108,945	111,949
Dues and subscriptions	29,940	9,812	4,052	43,804	2,192	8,143	10,335	54,139	34,168
Equipment maintenance and rental	162,938	7,853	14,963	185,754	38,862	18,077	56,939	242,693	193,511
Postage	8,044	14,723	44	22,811	1,967	14,113	16,080	38,891	28,156
Printing and publications	5,450	32,330	1,229	39,009	361	24,059	24,420	63,429	69,156
Professional services	2,977	80,995	402	84,374	38,401	1,122	39,523	123,897	110,082
Supplies	262,138	20,595	5,274	288,007	30,847	15,423	46,270	334,277	338,989
Telecommunications	33,835	19,098	4,472	57,405	11,333	5,329	16,662	74,067	53,988
Testing and measurement	108,056	42	-	108,098	7,165	-	7,165	115,263	39,043
Travel	107,636	36,103	15,487	159,226	5,149	32,312	37,461	196,687	151,622
Utilities	96,679	14,185	172	111,036	14,235	-	14,235	125,271	130,328
Other	135,962	72,673	13,472	222,107	23,168	37,183	60,351	282,458	222,441
	<u>\$ 3,499,578</u>	<u>\$ 843,282</u>	<u>\$ 560,215</u>	<u>\$ 4,903,075</u>	<u>\$ 665,346</u>	<u>\$ 577,316</u>	<u>\$ 1,242,662</u>	<u>\$ 6,145,737</u>	<u>\$ 5,255,906</u>

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See accompanying notes

RODALE INSTITUTE

STATEMENT OF CASH FLOWS

Year ended December 31, 2019 with comparative totals for 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 4,697,181	\$ 5,172,975
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Net realized and unrealized (gain) loss on investments	(3,137,784)	1,236,232
Change in value of beneficial interest in perpetual trust	(78,125)	74,219
Depreciation expense	108,945	111,949
Donation of in-kind land	-	(1,770,000)
(Increase) decrease in		
Contributions and grants receivable	(1,249,081)	(51,199)
Accounts receivable	706,415	(524,103)
Prepaid expenses and other assets	25,661	14,546
Increase (decrease) in		
Accounts payable and accrued expenses	194,733	(386,493)
Deferred income	(114,477)	114,477
Net cash provided by operating activities	<u>1,153,468</u>	<u>3,992,603</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	8,744,712	14,212,056
Purchases of investments	(8,703,985)	(25,215,014)
Purchases of property and equipment	(25,003)	-
Net cash provided by (used for) investing activities	<u>15,724</u>	<u>(11,002,958)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on notes payable	(9,569)	(9,615)
Net change in cash	1,159,623	(7,019,970)
CASH		
Beginning of year	<u>189,963</u>	<u>7,209,933</u>
End of year	<u>\$ 1,349,586</u>	<u>\$ 189,963</u>

See accompanying notes

RODALE INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(1) NATURE OF OPERATIONS

Rodale Institute (the "*Institute*"), located in Kutztown, Pennsylvania, is a 501(c)(3) nonprofit organization dedicated to advancing regenerative organic agriculture through research, education, and outreach. For over seventy years, Rodale Institute has been researching innovative techniques to manage pests and diseases in organic agriculture while providing nutritious food and adapting to and mitigating climate change. The Institute shares its findings with farmers and scientists throughout the world, advocates for policies that support farmers and educates consumers about how organic the healthiest option for people and the planet is.

At the heart of Rodale Institute's work is the desire to improve health-of soil, plants and most importantly, people. The Institute partners with many organizations; universities like Iowa State, Penn State and University of Minnesota, corporate partners like Patagonia and Dr. Bronner's, hospitals like St. Luke's hospital network, Penn State Hershey Medical Center and Lehigh Valley Health Network; and foundations like William Penn, JHC Foundation, Stranahan and Greater Cedar Rapids Community to create the scientific research needed to transition farms and farmers to regenerative organic systems.

The Institute's 333-acre organic farm and research facility serves as a living laboratory, an educational campus and a gathering place for the community. The farm is the site of many of the Institute's research projects; Farming Systems Trial ("*FST*"), the longest-running, side-by-side comparison of conventional and organic grain systems, Vegetable Systems Trial ("*VST*") a long-term food nutrition experiment, soil health and hemp project and many more. As an example, data from FST has shown that organic systems can outperform conventional production in times of drought and has comparable yields with conventional under good conditions. An established authority on organic production methods, Rodale Institute offers internships to beginning farmers, including special programs for military veterans, as well as workshops and online courses to the public to make regenerative organic growing methods more accessible and more widespread.

Consumer education and outreach is a major pillar of Rodale Institute's mission that continues to grow. Family-focused educational initiatives like the Grow Clean Water campaign, funded by the William Penn Foundation, as well as publications on topics like the connection between soil health and human health are crucial to helping the public understand the impact of a regenerative organic food system.

In addition to the headquarters in Kutztown, PA, Rodale Institute also operates six satellite locations throughout the country. Three of these campuses are located in Pennsylvania and include an organic farm at a St. Luke's University Hospital Network location, a farm-to-track organic model at Pocono Raceway called Pocono Organics, and the historic Rodale Institute Founders Farm in Emmaus, PA.

Rodale Institute Regional Resource Centers, located in Iowa, Georgia, and California, operate as educational and research hubs in agricultural strongholds throughout the country. The purpose of these Centers is to offer assistance to farmers in their regions using the expertise and research backing of Rodale Institute, as well as conduct regionally specific research trials that will help the Institute support regenerative organic farmers in new climates and soil types. In addition, these centers operate as educational hubs and will offer an opportunity for the public, as well as interested farmers, policymakers, and more, to learn about the concept and practices of regenerative organic agriculture in a hands-on way.

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. As a result, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

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

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Without donor restrictions

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

With donor restrictions

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets to be maintained indefinitely while permitting the Institute to expend the income generated in accordance with the provisions of the contribution.

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:

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 GAAP. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2018, 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.

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.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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 \$5,000. 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.

Beneficial Interest in Perpetual Trust

The Institute is the beneficiary of a perpetual trust agreement which is held by a third party. Because the Institute will receive a perpetual stream of income from the trust, an estimate of the present value of estimated future cash flows has been recorded as an asset on the statement of financial position using Level 3 valuation inputs. The Institute's beneficial interest in this trust agreement is included in net assets with donor restrictions in the financial statements.

Contributions and Grants

Contributions and grants received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions and grants whose restrictions are satisfied in the same period are reported as net assets without donor restrictions.

Unconditional contributions and grants are recognized as revenue when the related promise to give is received. Conditional contributions and grants are recognized as revenue 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.

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. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated. Significant expenses that are allocated include salaries and payroll taxes and employee benefits which were allocated based on estimates of time and effort.

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.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 and grants receivable and accounts receivable. The Institute maintains its cash at various financial institutions. At times, deposits may exceed federally-insured limits. Accounts receivable are due primarily from agricultural customers and are expected to be collected during 2020. Contributions and grants receivable are primarily due from government agencies and the William Penn Foundation and are expected to be collected primarily in 2020.

Reclassifications

Certain items in the 2018 summarized comparative totals have been reclassified to conform to the 2019 presentation.

Accounting Pronouncements Adopted

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Institute adopted ASU 2014-09 on January 1, 2019 using the modified retrospective method approach.

The Institute performed an analysis of revenue streams and transactions under ASU 2014-09, including applying the portfolio approach as a practical expedient to group contracts with similar characteristics such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract-by-contract basis. The impact of adopting ASU 2014-09 was not material to total revenues without donor restrictions, excess of revenues and support over expenses, or total net assets.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and accounting guidance for contributions received and made and assists entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance, and in determining whether a contribution is conditional. The Institute adopted ASU 2018-08 on January 1, 2019. The Institute's revenue recognition policies are detailed within Note 2.

(3) CONTRIBUTIONS AND GRANTS RECEIVABLE

Unconditional contributions and grants receivable are expected to be collected primarily in 2020 and consisted of the following:

	<u>2019</u>	<u>2018</u>
William Penn Foundation	\$ 927,768	\$1,044,086
Government agencies	682,482	-
Other	<u>826,766</u>	<u>143,849</u>
	<u>\$2,437,016</u>	<u>\$1,187,935</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

The Institute has the following conditional contributions and grants receivable at December 31, 2019.

William Penn Foundation	\$2,893,943
Manyfold, LLC	<u>750,000</u>
	<u>\$3,643,943</u>

(4) INVESTMENTS

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

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 334,908	\$ 2,115,775
Common stocks	10,621,736	7,486,651
Corporate bonds	1,698,886	3,795,652
U.S. Treasury obligations	627,584	728,310
Asset backed securities	1,343,365	-
Equity exchange traded funds	2,298,410	515,115
Mutual funds		
Equities	1,809,987	1,878,477
Fixed income	<u>5,660,311</u>	<u>4,778,150</u>
	<u>\$24,395,187</u>	<u>\$21,298,130</u>

Fair value of investments was determined using Level 1 inputs, except for corporate bonds, U.S. Treasury obligations and asset backed securities which used Level 2 inputs.

Investment income (loss) was comprised of the following at December 31,:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 669,133	\$ 624,108
Net realized and unrealized gain (loss)	3,137,784	(1,236,232)
Less investment management fees	<u>(196,706)</u>	<u>(168,489)</u>
	<u>\$ 3,610,211</u>	<u>\$ (780,613)</u>

(5) PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Land	\$ 4,324,726	\$ 4,324,726
Land improvements	34,421	34,421
Machinery and equipment	1,954,528	1,929,525
Less accumulated depreciation	<u>(1,621,016)</u>	<u>(1,512,071)</u>
	<u>\$ 4,692,659</u>	<u>\$ 4,776,601</u>

In January 2018, the Institute received a contribution of land consisting of 40.9 acres with a fair value of \$1,770,000. The donor requires the land to be used for organic farming and agriculture, scenic, natural and historic preservation, conservancy or other purposes consistent with the Institute's mission and has been recorded in net assets with donor restrictions. The rest of the Institute's land is under a conservation easement with the Wildlands Conservancy.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(6) NOTES PAYABLE

On December 5, 2016, the Institute entered into two notes payable with a bank for the purchase of two vehicles. The notes bear interest at 5.99% and call for monthly principal and interest payments of \$956. The notes mature in December 2022.

The notes payable mature as follows:

Year ending December 31,

2020	\$ 9,855
2021	10,462
2022	<u>8,572</u>
	<u>\$28,889</u>

(7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes and periods:

	<u>Balance</u> <u>December 31, 2018</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31, 2019</u>
Subject to expenditure for specified purposes or periods				
Operations and maintenance of Rodale Research Center	\$ 4,902,001	\$ 880,924	\$ (245,100)	\$ 5,537,825
Operations and maintenance of Working Tree Center	4,312,789	678,230	(259,742)	4,731,277
Research, strategic solutions and education	2,019,443	3,360,251	(1,855,901)	3,523,793
For future periods	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
	<u>11,234,233</u>	<u>4,944,405</u>	<u>(2,360,743)</u>	<u>13,817,895</u>
Net assets to be maintained indefinitely				
Beneficial interest in perpetual trust, whose income is available for general operations	491,478	78,125	-	569,603
Endowment, whose income is available for general operations	637,960	109,153	(34,044)	713,069
Land - Working Tree Center	<u>1,770,000</u>	<u>-</u>	<u>-</u>	<u>1,770,000</u>
	<u>2,899,438</u>	<u>187,278</u>	<u>(34,044)</u>	<u>3,052,672</u>
	<u>\$14,133,671</u>	<u>\$5,131,683</u>	<u>\$(2,394,787)</u>	<u>\$16,870,567</u>

(8) 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.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

The spending policy calculates the amount of money annually distributed from the endowment funds to support various programs. The current spending policy on the endowment to be maintained indefinitely is to distribute the amount equal to 5% of a moving three-year average of the fair value of the endowment fund to be maintained indefinitely.

Changes in the endowment assets for the year ended December 31, 2019 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 9,852,750
Interest and dividends, net	181,771
Realized and unrealized loss	1,486,536
Spending policy distribution	<u>(538,886)</u>
Endowment net assets, end of year	<u>\$10,982,171</u>

(9) 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 year ended December 31, 2019 are as follows:

	<u>Strategic Solutions Team</u>	<u>Communications</u>	<u>Education</u>	<u>Management and General</u>	<u>Development</u>	<u>Total</u>
Consulting services	\$ 1,195	\$ -	\$ -	\$ -	\$ -	\$ 1,195
Contractor and subcontractors	-	47,464	-	-	-	47,464
Equipment maintenance and rental	14,900	-	3,880	-	-	18,780
Supplies	1,501	200	-	-	-	1,701
Travel	34,959	1,555	5,179	1,001	1,717	44,411
Other	<u>8,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,313</u>
	<u>\$60,868</u>	<u>\$49,219</u>	<u>\$9,059</u>	<u>\$1,001</u>	<u>\$1,717</u>	<u>\$121,864</u>

(10) 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 \$78,011 and \$66,718 to the plan in 2019 and 2018, respectively.

(11) 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. The line bears interest at prime plus ¾%. The arrangement has no maturity date and is due on demand by the bank. There were no advances outstanding at December 31, 2019 and 2018.

RODALE INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(12) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Institute's financial assets as of the statement of financial position date, which has been reduced by financial assets not available within one year.

Cash	\$ 1,349,586
Contributions and grants receivable	2,437,016
Accounts receivable	122,816
Investments	<u>24,395,187</u>
Total financial assets	28,304,605
Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes or periods	(13,817,895)
Restricted by donor to be maintained indefinitely	<u>(713,069)</u>
Total financial assets available within one year	<u>\$ 13,773,641</u>

Liquidity Management

As part of the Institute's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically money market funds.

(13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 11, 2020, the date on which the financial statements were available to be issued. The extent of the impact of COVID-19 on the Institute's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, all of which cannot be predicted at this time. No other material subsequent events have occurred that require recognition in the financial statements.