

Rodale Institute

Financial Statements
Year Ended December 31, 2020



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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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 11, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the restated audited financial statements from which it has been derived.

BBD, LLP.

**Philadelphia, Pennsylvania
June 14, 2021**

RODALE INSTITUTE

STATEMENT OF FINANCIAL POSITION

December 31, 2020 with comparative totals for 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 5,200,096	\$ 1,349,586
Contributions and grants receivable	3,933,302	2,437,016
Accounts receivable	144,433	122,816
Prepaid expenses and other assets	115,150	37,324
Investments	23,304,944	24,395,187
Beneficial interest in perpetual trust	636,497	569,603
Property and equipment, net	<u>4,790,265</u>	<u>4,692,659</u>
Total assets	<u>\$ 38,124,687</u>	<u>\$ 33,604,191</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 783,403	\$ 639,480
Refundable advances	42,738	-
Notes payable	<u>19,041</u>	<u>28,889</u>
Total liabilities	<u>845,182</u>	<u>668,369</u>
NET ASSETS		
Without donor restrictions	17,774,277	16,065,255
With donor restrictions	<u>19,505,228</u>	<u>16,870,567</u>
Total net assets	<u>37,279,505</u>	<u>32,935,822</u>
Total liabilities and net assets	<u>\$ 38,124,687</u>	<u>\$ 33,604,191</u>

See accompanying notes

RODALE INSTITUTE

STATEMENT OF ACTIVITIES

Year ended December 31, 2020 with comparative totals for 2019

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
REVENUE, GAINS AND SUPPORT				
Contributions and corporate grants	\$ 4,338,358	\$ 3,717,914	\$ 8,056,272	\$ 5,317,356
Federal, state and local grants	1,602,232	250,000	1,852,232	1,381,007
Education and store	77,951	-	77,951	102,872
Farm sales	142,379	-	142,379	178,127
Other	117,591	-	117,591	175,220
Transfers				
Endowment spending policy distribution	593,646	(593,646)	-	-
Net assets released from restrictions	<u>2,080,010</u>	<u>(2,080,010)</u>	<u>-</u>	<u>-</u>
Total revenue, gains and support	<u>8,952,167</u>	<u>1,294,258</u>	<u>10,246,425</u>	<u>7,154,582</u>
EXPENSES				
Program Services				
Strategic Solutions Team	4,267,771	-	4,267,771	3,499,578
Communications	763,091	-	763,091	843,282
Education	623,325	-	623,325	560,215
Supporting Services				
Management and general	1,832,278	-	1,832,278	665,346
Development	<u>1,007,964</u>	<u>-</u>	<u>1,007,964</u>	<u>577,316</u>
Total expenses	<u>8,494,429</u>	<u>-</u>	<u>8,494,429</u>	<u>6,145,737</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES				
	457,738	1,294,258	1,751,996	1,008,845
OTHER CHANGES				
Investment income	1,251,284	1,273,509	2,524,793	3,610,211
Change in value of beneficial interest in perpetual trust	<u>-</u>	<u>66,894</u>	<u>66,894</u>	<u>78,125</u>
Total other changes	<u>1,251,284</u>	<u>1,340,403</u>	<u>2,591,687</u>	<u>3,688,336</u>
CHANGE IN NET ASSETS				
	1,709,022	2,634,661	4,343,683	4,697,181
NET ASSETS				
Beginning of year	<u>16,065,255</u>	<u>16,870,567</u>	<u>32,935,822</u>	<u>28,238,641</u>
End of year	<u>\$ 17,774,277</u>	<u>\$ 19,505,228</u>	<u>\$ 37,279,505</u>	<u>\$ 32,935,822</u>

See accompanying notes

RODALE INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2020 with comparative totals for 2019

	Program Services				Supporting Services			Totals	
	Strategic Solutions Team	Communications	Education	Total Program Services	Management and General	Development	Total Supporting Services	2020	2019
	Salaries	\$ 2,000,501	\$ 290,899	\$ 262,350	\$ 2,553,750	\$ 499,192	\$ 403,113	\$ 902,305	\$ 3,456,055
Payroll taxes and employee benefits	541,672	81,698	73,894	697,264	136,079	114,353	250,432	947,696	629,622
Advertising - donated	-	-	-	-	1,000,000	-	1,000,000	1,000,000	-
Consulting services	137,071	140,970	141,196	419,237	20,754	138,135	158,889	578,126	391,632
Contractors and subcontractors	416,275	5,701	87,808	509,784	-	-	-	509,784	755,918
Depreciation	107,209	229	-	107,438	2,375	2,735	5,110	112,548	108,945
Dues and subscriptions	27,625	9,497	6,773	43,895	3,738	136,378	140,116	184,011	54,139
Equipment maintenance and rental	190,008	6,336	11,325	207,669	32,646	15,958	48,604	256,273	242,693
Postage	13,674	11,807	104	25,585	2,245	19,266	21,511	47,096	38,891
Printing and publications	10,380	30,131	883	41,394	-	34,440	34,440	75,834	63,429
Professional services	1,060	54,695	-	55,755	42,460	1,367	43,827	99,582	123,897
Supplies	392,371	19,273	5,600	417,244	28,782	121,862	150,644	567,888	334,277
Telecommunications	39,290	8,857	5,757	53,904	10,574	4,227	14,801	68,705	74,067
Testing and measurement	138,269	38	1,132	139,439	7,175	-	7,175	146,614	115,263
Travel	68,842	28,114	15,921	112,877	1,295	7,148	8,443	121,320	196,687
Utilities	86,539	13,248	3,043	102,830	11,769	663	12,432	115,262	125,271
Other	96,985	61,598	7,539	166,122	33,194	8,319	41,513	207,635	282,458
	<u>\$ 4,267,771</u>	<u>\$ 763,091</u>	<u>\$ 623,325</u>	<u>\$ 5,654,187</u>	<u>\$ 1,832,278</u>	<u>\$ 1,007,964</u>	<u>\$ 2,840,242</u>	<u>\$ 8,494,429</u>	<u>\$ 6,145,737</u>

RODALE INSTITUTE

STATEMENT OF CASH FLOWS

Year ended December 31, 2020 with comparative totals for 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 4,343,683	\$ 4,697,181
<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	(2,177,050)	(3,137,784)
Change in value of beneficial interest in perpetual trust	(66,894)	(78,125)
Depreciation expense	112,548	108,945
(Increase) decrease in		
Contributions and grants receivable	(1,496,286)	(1,249,081)
Accounts receivable	(21,617)	706,415
Prepaid expenses and other assets	(77,826)	25,661
Increase (decrease) in		
Accounts payable and accrued expenses	143,923	194,733
Refundable advances	42,738	-
Deferred income	-	(114,477)
Net cash provided by operating activities	<u>803,219</u>	<u>1,153,468</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	19,544,937	8,744,712
Purchases of investments	(16,277,644)	(8,703,985)
Purchases of property and equipment	<u>(210,154)</u>	<u>(25,003)</u>
Net cash provided by investing activities	<u>3,057,139</u>	<u>15,724</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on notes payable	<u>(9,848)</u>	<u>(9,569)</u>
Net change in cash	3,850,510	1,159,623
CASH		
Beginning of year	<u>1,349,586</u>	<u>189,963</u>
End of year	<u>\$ 5,200,096</u>	<u>\$ 1,349,586</u>

See accompanying notes

RODALE INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(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 is 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. Rodale Institute is also partnering with Stroud Water Research Center to conduct research into farming's impact on water quality in a long-term research trial based in Chester County, Pennsylvania.

As an example of Rodale Institute's research influence, 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.

Empowering farmers to adopt regenerative organic practices is foundational to Rodale Institute's mission. Rodale Institute's Organic Farm Consulting Services provide one-on-one mentorship and technical assistance to farmers looking to transition some or all of their land to organic management. Our consulting services are designed to be highly individualized and meet each farmer's unique needs and goals. We currently have a team of consultants based in Pennsylvania and in the Midwest, with services being offered nationwide.

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. We also offer a farm share membership for the organic produce grown at our headquarters, and use a portable farm stand to bring organic food to local urban centers to increase access, nutrition, and reduce costs by accepting SNAP and other food benefits.

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.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(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:

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, 2019, from which the summarized information was derived.

RODALE INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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.

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.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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.

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 2021. Contributions and grants receivable are primarily due from government agencies and foundations (**See Note 3**).

Reclassifications

Certain items in the 2019 summarized comparative totals have been reclassified to conform to the 2020 presentation.

(3) CONTRIBUTIONS AND GRANTS RECEIVABLE

Unconditional contributions and grants receivable at December 31, 2020 and 2019 are expected to be collected as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$2,689,908	\$2,276,167
One to five years	<u>1,312,394</u>	<u>160,849</u>
	4,002,302	2,437,016
Less: discount 2.5%	<u>(69,000)</u>	<u>-</u>
	<u>\$3,933,302</u>	<u>\$2,437,016</u>

The Institute has the following conditional contributions and grants receivable at December 31, 2020.

William Penn Foundation	\$1,985,705
Manyfold, LLC	<u>500,000</u>
	<u>\$2,485,705</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(4) INVESTMENTS

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

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 501,049	\$ 334,908
Common stocks	10,433,415	10,621,736
Corporate bonds	1,993,093	1,698,886
U.S. Treasury obligations	646,299	627,584
Asset backed securities	1,200,533	1,343,365
Equity exchange traded funds	2,244,965	2,298,410
Mutual funds		
Equities	1,943,963	1,809,987
Fixed income	2,341,627	5,660,311
Alternative investment - Real estate investment trust	<u>2,000,000</u>	<u>-</u>
	<u>\$23,304,944</u>	<u>\$24,395,187</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 and the alternative investment which uses level 3 inputs.

The Institute's alternative investment consists of shares of common stock of an unregistered real estate investment trust (Iroquois Valley Farmland REIT, PBC) which invests in organic farmland. This investment has a 5 year lock-up redemption restriction that expires in September 2025.

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

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 534,174	\$ 669,133
Net realized and unrealized gain	2,177,050	3,137,784
Less investment management fees	<u>(186,431)</u>	<u>(196,706)</u>
	<u>\$ 2,524,793</u>	<u>\$ 3,610,211</u>

(5) PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Land	\$ 4,324,726	\$ 4,324,726
Land improvements	34,421	34,421
Machinery and equipment	2,164,682	1,954,528
Less accumulated depreciation	<u>(1,733,564)</u>	<u>(1,621,016)</u>
	<u>\$ 4,790,265</u>	<u>\$ 4,692,659</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, 2020

(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,

2021	\$10,462
2022	<u>8,579</u>
	<u>\$19,041</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, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31, 2020</u>
Subject to expenditure for specified purposes or periods				
Research, strategic solutions and education	\$ 3,523,793	\$3,967,914	\$(2,055,010)	\$ 5,436,697
For future periods	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>
	<u>3,548,793</u>	<u>3,967,914</u>	<u>(2,080,010)</u>	<u>5,436,697</u>
Net assets to be maintained indefinitely				
Beneficial interest in perpetual trust, income in available for general operations	569,603	66,894	-	636,497
Endowments				
General endowment, income is available for general operations	713,069	66,933	(34,704)	745,298
Ardath Rodale endowment, income is for operations and maintenance of Rodale Research Center	5,537,825	651,007	(272,471)	5,916,361
Working Tree Center endowment, income is available for the operations and maintenance of the Working Tree Center	4,731,277	555,569	(286,471)	5,000,375
Land – Working Tree Center	<u>1,770,000</u>	<u>-</u>	<u>-</u>	<u>1,770,000</u>
	<u>13,321,774</u>	<u>1,340,403</u>	<u>(593,646)</u>	<u>14,068,531</u>
	<u>\$16,870,567</u>	<u>\$5,308,317</u>	<u>\$(2,673,656)</u>	<u>\$19,505,228</u>

The historical dollar value of the Ardath Rodale and Working Tree Center endowments is \$5,000,000 and \$4,546,560, respectively. The historic dollar value of the general endowment is not known.

(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.

RODALE INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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 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, 2020 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$10,982,171
Interest and dividends, net	154,852
Realized and unrealized gain	1,118,657
Spending policy distribution	<u>(593,646)</u>
Endowment net assets, end of year	<u>\$11,662,034</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, 2020 are as follows:

	Strategic Solutions			Management		
	Team	Communications	Education	and General	Development	Total
Advertising - donated	\$ -	\$ -	\$-	\$1,000,000	\$ -	\$1,000,000
Consulting services	500	-	-	-	-	500
Contractor and subcontractors	-	5,701	-	-	-	5,701
Dues and subscriptions	-	-	-	-	126,000	126,000
Supplies	23,593	-	-	9,000	111,500	144,093
Travel	35,378	677	3	782	481	37,321
Other	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
	<u>\$61,971</u>	<u>\$6,378</u>	<u>\$3</u>	<u>\$1,009,782</u>	<u>\$237,981</u>	<u>\$1,316,115</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 \$90,935 and \$78,011 to the plan in 2020 and 2019, 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, 2020 and 2019.

RODALE INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(12) FORGIVENESS OF LOAN PAYABLE – PAYCHECK PROTECTION PROGRAM

On April 16, 2020, the Institute received loan proceeds in the amount of \$516,400 under the Paycheck Protection Program ("**PPP**"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("**Cares Act**"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business' average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities.

In December 2020, the Small Business Administration forgave 100% the PPP loan. The forgiven loan is included in federal, state and local grants on the statement of activities.

(13) 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	\$ 5,200,096
Contributions and grants receivable	3,933,302
Accounts receivable	144,433
Investments	<u>23,304,944</u>
Total financial assets	32,582,775
Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes or periods	(5,436,697)
Restricted by donor to be maintained indefinitely	<u>(11,662,034)</u>
Total financial assets available within one year	<u>\$ 15,484,044</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.

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 14, 2021, 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.