

Rodale Institute

Financial Statements
Year Ended December 31, 2021



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RODALE INSTITUTE

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Rodale Institute**

Opinion

We have audited the accompanying financial statements of Rodale Institute (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rodale Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rodale Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Rodale Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rodale Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Rodale Institute's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BBO, LLP.

Philadelphia, Pennsylvania
June 22, 2022

RODALE INSTITUTE

STATEMENT OF FINANCIAL POSITION

December 31, 2021 with comparative totals for 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 7,929,552	\$ 5,200,096
Contributions and grants receivable	4,016,232	3,933,302
Accounts receivable	377,898	144,433
Prepaid expenses and other assets	203,655	115,150
Investments	26,942,820	23,304,944
Beneficial interest in perpetual trust	682,578	636,497
Property and equipment, net	<u>4,700,660</u>	<u>4,790,265</u>
Total assets	<u>\$ 44,853,395</u>	<u>\$ 38,124,687</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 932,306	\$ 783,403
Refundable advances	-	42,738
Notes payable	<u>9,036</u>	<u>19,041</u>
Total liabilities	<u>941,342</u>	<u>845,182</u>
NET ASSETS		
Without donor restrictions	21,767,352	17,774,277
With donor restrictions	<u>22,144,701</u>	<u>19,505,228</u>
Total net assets	<u>43,912,053</u>	<u>37,279,505</u>
Total liabilities and net assets	<u>\$ 44,853,395</u>	<u>\$ 38,124,687</u>

See accompanying notes

RODALE INSTITUTE

STATEMENT OF ACTIVITIES

Year ended December 31, 2021 with comparative totals for 2020

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
REVENUE, GAINS AND SUPPORT				
Contributions and corporate grants	\$ 4,864,584	\$ 4,465,345	\$ 9,329,929	\$ 8,056,272
Federal, state and local grants	1,116,627	250,000	1,366,627	1,852,232
Education and store	172,437	-	172,437	77,951
Farm sales	265,861	-	265,861	142,379
Other	130,703	-	130,703	117,591
Transfers				
Endowment spending policy distribution	610,951	(610,951)	-	-
Net assets released from restrictions	<u>3,445,136</u>	<u>(3,445,136)</u>	<u>-</u>	<u>-</u>
Total revenue, gains and support	<u>10,606,299</u>	<u>659,258</u>	<u>11,265,557</u>	<u>10,246,425</u>
EXPENSES				
Program Services				
Strategic Solutions Team	4,575,456	-	4,575,456	4,267,771
Communications	638,866	-	638,866	763,091
Education	454,900	-	454,900	623,325
Organic consultancy	713,501	-	713,501	-
Supporting Services				
Management and general	925,280	-	925,280	1,832,278
Development	<u>1,029,878</u>	<u>-</u>	<u>1,029,878</u>	<u>1,007,964</u>
Total expenses	<u>8,337,881</u>	<u>-</u>	<u>8,337,881</u>	<u>8,494,429</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES				
	2,268,418	659,258	2,927,676	1,751,996
OTHER CHANGES				
Investment income	1,724,657	1,934,134	3,658,791	2,524,793
Change in value of beneficial interest in perpetual trust	<u>-</u>	<u>46,081</u>	<u>46,081</u>	<u>66,894</u>
Total other changes	<u>1,724,657</u>	<u>1,980,215</u>	<u>3,704,872</u>	<u>2,591,687</u>
CHANGE IN NET ASSETS				
	3,993,075	2,639,473	6,632,548	4,343,683
NET ASSETS				
Beginning of year	<u>17,774,277</u>	<u>19,505,228</u>	<u>37,279,505</u>	<u>32,935,822</u>
End of year	<u>\$ 21,767,352</u>	<u>\$ 22,144,701</u>	<u>\$ 43,912,053</u>	<u>\$ 37,279,505</u>

See accompanying notes

RODALE INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2021 with comparative totals for 2020

	Program Services					Supporting Services			Totals	
	Strategic Solutions Team	Communications	Education	Organic Consultancy	Total Program Services	Management and General	Development	Total Supporting Services	2021	2020
	Salaries	\$ 1,960,626	\$ 318,406	\$ 144,058	\$ 374,364	\$ 2,797,454	\$ 539,679	\$ 431,121	\$ 970,800	\$ 3,768,254
Payroll taxes and employee benefits	543,798	88,846	41,202	112,714	786,560	165,961	126,620	292,581	1,079,141	947,696
Advertising - donated	-	-	-	-	-	-	-	-	-	1,000,000
Consulting services	113,552	32,390	193,510	7,220	346,672	18,578	121,169	139,747	486,419	578,126
Contractors and subcontractors	542,423	-	-	-	542,423	101	-	101	542,524	509,784
Depreciation	84,119	355	-	-	84,474	1,744	3,387	5,131	89,605	112,548
Dues and subscriptions	28,551	8,421	4,455	30,425	71,852	5,499	10,401	15,900	87,752	184,011
Equipment maintenance and rental	304,172	24,219	9,062	21,041	358,494	41,100	27,783	68,883	427,377	256,273
Postage	12,622	4,143	37	1,870	18,672	2,517	23,698	26,215	44,887	47,096
Printing and publications	2,132	6,960	172	986	10,250	440	49,829	50,269	60,519	75,834
Professional services	3,219	-	-	-	3,219	53,965	10,000	63,965	67,184	99,582
Supplies	386,337	10,683	5,487	6,886	409,393	24,083	180,404	204,487	613,880	567,888
Telecommunications	36,427	7,880	2,979	11,365	58,651	9,722	3,412	13,134	71,785	68,705
Testing and measurement	212,928	38	-	3,131	216,097	8,870	-	8,870	224,967	146,614
Travel	74,176	3,098	2,861	80,773	160,908	2,721	25,389	28,110	189,018	121,320
Utilities	133,801	14,240	5,596	34,173	187,810	12,594	1,131	13,725	201,535	115,262
Other	136,573	119,187	45,481	28,553	329,794	37,706	15,534	53,240	383,034	207,635
	<u>\$ 4,575,456</u>	<u>\$ 638,866</u>	<u>\$ 454,900</u>	<u>\$ 713,501</u>	<u>\$ 6,382,723</u>	<u>\$ 925,280</u>	<u>\$ 1,029,878</u>	<u>\$ 1,955,158</u>	<u>\$ 8,337,881</u>	<u>\$ 8,494,429</u>

See accompanying notes

RODALE INSTITUTE

STATEMENT OF CASH FLOWS

Year ended December 31, 2021 with comparative totals for 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 6,632,548	\$ 4,343,683
<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	(3,345,317)	(2,177,050)
Change in value of beneficial interest in perpetual trust	(46,081)	(66,894)
Depreciation expense	89,605	112,548
(Increase) decrease in		
Contributions and grants receivable	(82,930)	(1,496,286)
Accounts receivable	(233,465)	(21,617)
Prepaid expenses and other assets	(88,505)	(77,826)
Increase (decrease) in		
Accounts payable and accrued expenses	148,903	143,923
Refundable advances	(42,738)	42,738
Deferred income	-	-
Net cash provided by operating activities	<u>3,032,020</u>	<u>803,219</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	6,418,306	19,544,937
Purchases of investments	(6,710,865)	(16,277,644)
Purchases of property and equipment	-	(210,154)
Net cash provided by (used for) investing activities	<u>(292,559)</u>	<u>3,057,139</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on notes payable	(10,005)	(9,848)
Net change in cash	2,729,456	3,850,510
CASH		
Beginning of year	<u>5,200,096</u>	<u>1,349,586</u>
End of year	<u>\$ 7,929,552</u>	<u>\$ 5,200,096</u>

See accompanying notes

RODALE INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

(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 Davines Group, 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. The 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 in five states, with services being offered nationwide. Rodale Institute, in partnership with Organic Farmers Association and TAZO, also offers a micro-grant program specifically targeted to support small-scale farmers who are Black, Indigenous & People of Color, whether organic, transitioning to organic or an aspiring organic farmer.

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 sell organic produce grown at our headquarters to the public, 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, 2021

(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, 2020, from which the summarized information was derived.

RODALE INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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.

RODALE INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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 2022. Contributions and grants receivable are primarily due from government agencies and foundations (**See Note 3**).

(3) CONTRIBUTIONS AND GRANTS RECEIVABLE

Unconditional contributions and grants receivable at December 31, 2021 and 2020 are expected to be collected as follows:

	<u>2021</u>	<u>2020</u>
Less than one year	\$2,776,262	\$2,689,908
One to five years	<u>1,291,970</u>	<u>1,312,394</u>
	4,068,232	4,002,302
Less: discount 2.5%	<u>(52,000)</u>	<u>(69,000)</u>
	<u>\$4,016,232</u>	<u>\$3,933,302</u>

The Institute has the following conditional contributions and grants receivable at December 31, 2021.

William Penn Foundation	\$1,052,175
Manifold, LLC	250,000
Foundation for Food and Agricultural Research	<u>1,780,861</u>
	<u>\$3,083,036</u>

RODALE INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

(4) INVESTMENTS

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

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 657,249	\$ 501,049
Common stocks	12,089,340	10,433,415
Corporate bonds	1,737,134	1,993,093
U.S. Treasury obligations	700,018	646,299
Asset backed securities	1,233,476	1,200,533
Equity exchange traded funds	2,744,238	2,244,965
Mutual funds		
Equities	2,411,682	1,943,963
Fixed income	1,910,860	2,341,627
Alternative investment - Real estate investment trust	<u>3,458,823</u>	<u>2,000,000</u>
	<u>\$26,942,820</u>	<u>\$23,304,944</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 is measured at net asset value.

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>2021</u>	<u>2020</u>
Interest and dividends	\$ 492,420	\$ 534,174
Net realized and unrealized gain	3,345,317	2,177,050
Less investment management fees	<u>(178,946)</u>	<u>(186,431)</u>
	<u>\$ 3,658,791</u>	<u>\$ 2,524,793</u>

(5) PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land	\$ 4,324,726	\$ 4,324,726
Land improvements	34,421	34,421
Machinery and equipment	2,164,682	2,164,682
Less accumulated depreciation	<u>(1,823,169)</u>	<u>(1,733,564)</u>
	<u>\$ 4,700,660</u>	<u>\$ 4,790,265</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.

RODALE INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

(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 and have a balance of \$9,036 at December 31, 2021.

(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, 2020</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31, 2021</u>
Subject to expenditure for specified purposes or periods				
Research, strategic solutions and education	\$ 5,436,697	\$4,715,345	\$(3,445,136)	\$ 6,706,906
Net assets to be maintained indefinitely				
Beneficial interest in perpetual trust, income in available for general operations	636,497	46,081	-	682,578
Endowments				
General endowment, income is available for general operations	745,298	115,398	(34,939)	825,757
Ardath Rodale endowment, income is for operations and maintenance of Rodale Research Center	5,916,361	975,075	(260,818)	6,630,618
Working Tree Center endowment, income is available for the operations and maintenance of the Working Tree Center	5,000,375	843,661	(315,194)	5,528,842
Land – Working Tree Center	<u>1,770,000</u>	<u>-</u>	<u>-</u>	<u>1,770,000</u>
	<u>14,068,531</u>	<u>1,980,215</u>	<u>(610,951)</u>	<u>15,437,795</u>
	<u>\$19,505,228</u>	<u>\$6,695,560</u>	<u>\$(4,056,087)</u>	<u>\$22,144,701</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.

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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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, 2021 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$11,662,034
Interest and dividends, net	132,509
Realized and unrealized gain	1,801,625
Spending policy distribution	<u>(610,951)</u>
Endowment net assets, end of year	<u>\$12,985,217</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, 2021 are as follows:

	Strategic Solutions Team	Communications	Education	Management and General	Development	Total
Consulting services	\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ 2,000
Supplies	9,897	100	-	400	148,460	158,857
Travel	31,293	613	31,453	894	1,130	65,383
Other	<u>27,377</u>	<u>-</u>	<u>15,500</u>	<u>-</u>	<u>-</u>	<u>42,877</u>
	<u>\$70,567</u>	<u>\$713</u>	<u>\$46,953</u>	<u>\$1,294</u>	<u>\$149,590</u>	<u>\$269,117</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 \$104,989 and \$90,935 to the plan in 2021 and 2020, 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, 2021 and 2020.

(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.

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Cash	\$ 7,929,552
Contributions and grants receivable	4,016,232
Accounts receivable	377,898
Investments	<u>26,942,820</u>
Total financial assets	39,266,502
Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes or periods	(6,706,906)
Restricted by donor to be maintained indefinitely	<u>(12,985,217)</u>
Total financial assets available within one year	<u>\$ 19,574,379</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 22, 2022, 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.