

Rodale Institute

Financial Statements
Year Ended December 31, 2022



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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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BBO, LLP.

Philadelphia, Pennsylvania
June 8, 2023

RODALE INSTITUTE

STATEMENT OF FINANCIAL POSITION

December 31, 2022 with comparative totals for 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 8,077,717	\$ 7,929,552
Contributions and grants receivable	5,409,324	4,016,232
Accounts receivable	350,519	377,898
Prepaid expenses and other assets	338,139	203,655
Investments	23,644,207	26,942,820
Beneficial interest in perpetual trust	522,636	682,578
Property and equipment, net	<u>7,083,535</u>	<u>4,700,660</u>
Total assets	<u>\$ 45,426,077</u>	<u>\$ 44,853,395</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,348,253	\$ 932,306
Notes payable	<u>-</u>	<u>9,036</u>
Total liabilities	<u>1,348,253</u>	<u>941,342</u>
NET ASSETS		
Without donor restrictions	22,307,743	21,767,352
With donor restrictions	<u>21,770,081</u>	<u>22,144,701</u>
Total net assets	<u>44,077,824</u>	<u>43,912,053</u>
Total liabilities and net assets	<u>\$ 45,426,077</u>	<u>\$ 44,853,395</u>

See accompanying notes

RODALE INSTITUTE

STATEMENT OF ACTIVITIES

Year ended December 31, 2022 with comparative totals for 2021

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
REVENUE, GAINS AND SUPPORT				
Contributions and corporate grants	\$ 4,317,346	\$ 6,665,914	\$ 10,983,260	\$ 9,060,812
In-kind contributions	1,769,224	-	1,769,224	269,117
Federal, state and local grants	1,269,604	250,000	1,519,604	1,366,627
Education and store	253,962	-	253,962	172,437
Farm sales	134,268	-	134,268	265,861
Other	173,784	-	173,784	130,703
Transfers				
Endowment spending policy distribution	607,742	(607,742)	-	-
Net assets released from restrictions	5,085,935	(5,085,935)	-	-
Total revenue, gains and support	<u>13,611,865</u>	<u>1,222,237</u>	<u>14,834,102</u>	<u>11,265,557</u>
EXPENSES				
Program Services				
Strategic Solutions Team	5,536,096	-	5,536,096	4,575,456
Communications	1,087,479	-	1,087,479	638,866
Education	771,004	-	771,004	454,900
Organic consultancy	1,376,989	-	1,376,989	713,501
Supporting Services				
Management and general	1,276,360	-	1,276,360	925,280
Development	1,082,305	-	1,082,305	1,029,878
Total expenses	<u>11,130,233</u>	<u>-</u>	<u>11,130,233</u>	<u>8,337,881</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES				
	2,481,632	1,222,237	3,703,869	2,927,676
OTHER CHANGES				
Investment income (loss)	(1,941,241)	(1,436,915)	(3,378,156)	3,658,791
Change in value of beneficial interest in perpetual trust	-	(159,942)	(159,942)	46,081
Total other changes	<u>(1,941,241)</u>	<u>(1,596,857)</u>	<u>(3,538,098)</u>	<u>3,704,872</u>
CHANGE IN NET ASSETS				
	540,391	(374,620)	165,771	6,632,548
NET ASSETS				
Beginning of year	21,767,352	22,144,701	43,912,053	37,279,505
End of year	<u>\$ 22,307,743</u>	<u>\$ 21,770,081</u>	<u>\$ 44,077,824</u>	<u>\$ 43,912,053</u>

See accompanying notes

RODALE INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2022 with comparative totals for 2021

	Program Services					Supporting Services			Totals	
	Strategic Solutions Team	Communications	Education	Organic Consultancy	Total Program Services	Management and General	Development	Total Supporting Services	2022	2021
	Salaries	\$ 2,413,538	\$ 451,853	\$ 380,007	\$ 676,436	\$ 3,921,834	\$ 735,492	\$ 452,387	\$ 1,187,879	\$ 5,109,713
Payroll taxes and employee benefits	698,246	132,475	101,532	200,711	1,132,964	211,012	134,308	345,320	1,478,284	1,079,141
Consulting services	61,228	105,687	116,918	15,645	299,478	65,280	141,365	206,645	506,123	486,419
Contractors and subcontractors	643,284	-	-	-	643,284	-	-	-	643,284	542,524
Depreciation	79,807	171	-	-	79,978	44	3,629	3,673	83,651	89,605
Dues and subscriptions	29,517	21,202	6,534	32,531	89,784	11,527	11,041	22,568	112,352	87,752
Equipment maintenance and rental	274,029	59,825	4,594	60,081	398,529	81,352	40,185	121,537	520,066	427,377
Postage	24,619	2,728	432	2,122	29,901	3,052	41,655	44,707	74,608	44,887
Printing and publications	2,875	14,702	893	1,478	19,948	411	68,650	69,061	89,009	60,519
Professional services	23,825	119	-	-	23,944	52,257	55,000	107,257	131,201	67,184
Supplies	416,149	48,442	13,980	12,229	490,800	32,360	54,526	86,886	577,686	613,880
Telecommunications	35,359	7,627	3,970	21,164	68,120	9,961	2,664	12,625	80,745	71,785
Testing and measurement	414,518	36	73	-	414,627	10,076	-	10,076	424,703	224,967
Travel	116,345	20,143	17,407	186,482	340,377	4,546	30,380	34,926	375,303	189,018
Utilities	205,136	38,611	76,817	61,625	382,189	14,712	6,036	20,748	402,937	201,535
Other	97,621	183,858	47,847	106,485	435,811	44,278	40,479	84,757	520,568	383,034
	<u>\$ 5,536,096</u>	<u>\$ 1,087,479</u>	<u>\$ 771,004</u>	<u>\$ 1,376,989</u>	<u>\$ 8,771,568</u>	<u>\$ 1,276,360</u>	<u>\$ 1,082,305</u>	<u>\$ 2,358,665</u>	<u>\$ 11,130,233</u>	<u>\$ 8,337,881</u>

See accompanying notes

RODALE INSTITUTE

STATEMENT OF CASH FLOWS

Year ended December 31, 2022 with comparative totals for 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 165,771	\$ 6,632,548
<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	3,767,885	(3,345,317)
Change in value of beneficial interest in perpetual trust	159,942	(46,081)
Depreciation expense	83,651	89,605
(Increase) decrease in		
Contributions and grants receivable	(1,393,092)	(82,930)
Accounts receivable	27,379	(233,465)
Prepaid expenses and other assets	(134,484)	(88,505)
Increase (decrease) in		
Accounts payable and accrued expenses	270,525	148,903
Refundable advances	-	(42,738)
Net cash provided by operating activities	<u>2,947,577</u>	<u>3,032,020</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	3,317,055	6,418,306
Purchases of investments	(3,786,327)	(6,710,865)
Purchases of property and equipment	<u>(2,321,104)</u>	<u>-</u>
Net cash used for investing activities	<u>(2,790,376)</u>	<u>(292,559)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on notes payable	<u>(9,036)</u>	<u>(10,005)</u>
Net change in cash	148,165	2,729,456
CASH		
Beginning of year	<u>7,929,552</u>	<u>5,200,096</u>
End of year	<u>\$ 8,077,717</u>	<u>\$ 7,929,552</u>
SUPPLEMENTAL INFORMATION		
Purchases of property and equipment included in accounts payable and accrued expenses	<u>\$ 145,422</u>	<u>\$ -</u>

See accompanying notes

RODALE INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(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.

RODALE INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(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, 2021, from which the summarized information was derived.

RODALE INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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 carried at the lesser of cost or fair value if purchased and at fair value at the date of donation if contributed. 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 and Materials

The Institute records donated services that create or enhance nonfinancial assets and that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Institute records the value of donated materials when there is an objective basis available to measure their value. Donated materials are included as support in the accompanying statement of activities at their estimated values at the time received.

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, 2022

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 2023. Contributions and grants receivable are primarily due from government agencies and foundations (**See Note 3**).

Reclassifications

Certain amounts in the 2021 summarized comparative totals have been reclassified in order to conform to the 2022 presentation.

Accounting Pronouncement Adopted

During the year ended December 31, 2022, the Institute adopted Accounting Standards Update ("**ASU**") 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements.

(3) CONTRIBUTIONS AND GRANTS RECEIVABLE

Unconditional contributions and grants receivable at December 31, 2022 and 2021 are expected to be collected as follows:

	<u>2022</u>	<u>2021</u>
Less than one year	\$4,084,086	\$2,776,262
One to five years	<u>1,405,238</u>	<u>1,291,970</u>
	5,489,324	4,068,232
Less: discount of 5% in 2022 and 2.5% in 2021	<u>(80,000)</u>	<u>(52,000)</u>
	<u>\$5,409,324</u>	<u>\$4,016,232</u>

RODALE INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

The Institute has the following conditional contributions and grants receivable at December 31, 2022.

Redevelopment Assistance Capital Program	\$1,000,000
Foundation for Food and Agricultural Research	<u>1,503,255</u>
	<u>\$2,503,255</u>

(4) INVESTMENTS

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

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 475,098	\$ 657,249
Common stocks	9,882,827	12,089,340
Corporate bonds	1,455,548	1,737,134
U.S. Treasury obligations	420,432	700,018
Asset backed securities	1,305,957	1,233,476
Equity exchange traded funds	2,210,617	2,744,238
Mutual funds		
Equities	1,946,357	2,411,682
Fixed income	1,639,745	1,910,860
Alternative investments		
Private equity	268,971	-
Real estate investment trust	<u>4,038,655</u>	<u>3,458,823</u>
	<u>\$23,644,207</u>	<u>\$26,942,820</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 investments which are measured at net asset value.

The Institute's real estate investment trust 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.

The Institute's is invested in a private equity fund whose objective is to realize long-term total returns by investing in regenerative agriculture companies. This investment cannot be redeemed, instead distributions will be received through the liquidation of the underlying assets. The fund has unfunded commitments of \$250,000 at December 31, 2022.

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

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 558,981	\$ 492,420
Net realized and unrealized gain (loss)	(3,767,885)	3,345,317
Less: investment management fees	<u>(169,252)</u>	<u>(178,946)</u>
	<u>\$ (3,378,156)</u>	<u>\$ 3,658,791</u>

RODALE INSTITUTE

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(5) PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$ 6,107,243	\$ 4,324,726
Land improvements	34,421	34,421
Machinery and equipment	2,325,123	2,164,682
Construction in progress – science center	<u>523,568</u>	<u>-</u>
	8,990,355	6,523,829
Less: accumulated depreciation	<u>(1,906,820)</u>	<u>(1,823,169)</u>
	<u>\$ 7,083,535</u>	<u>\$ 4,700,660</u>

During 2022, the Institute received a contribution of land consisting of 85.44 acres with a fair value of \$1,299,000. The Institute also received donated equipment valued at \$250,000. There are no restrictions on the use of this land.

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.

(6) NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>Balance December 31, 2021</u>	<u>Additions (Subtractions)</u>	<u>Releases</u>	<u>Balance December 31, 2022</u>
Subject to expenditure for specified purposes or periods				
Research, strategic solutions and education	<u>\$ 6,706,906</u>	<u>\$ 6,915,914</u>	<u>\$(5,085,935)</u>	<u>\$ 8,536,885</u>
Net assets to be maintained indefinitely				
Beneficial interest in perpetual trust, income in available for general operations	682,578	(159,942)	-	522,636
Endowments				
General endowment, income is available for general operations	825,757	(127,416)	(50,000)	648,341
Ardath Rodale endowment, income is for operations and maintenance of Rodale Research Center	6,630,618	(755,878)	(260,818)	5,613,922
Working Tree Center endowment, income is available for the operations and maintenance of the Working Tree Center	5,528,842	(553,621)	(296,924)	4,678,297
Land – Working Tree Center	<u>1,770,000</u>	<u>-</u>	<u>-</u>	<u>1,770,000</u>
	<u>15,437,795</u>	<u>(1,596,857)</u>	<u>(607,742)</u>	<u>13,233,196</u>
	<u>\$22,144,701</u>	<u>\$ 5,319,057</u>	<u>\$(5,693,677)</u>	<u>\$21,770,081</u>

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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.

(7) ENDOWMENT FUND

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

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

The spending policy calculates the amount of money annually distributed from the endowment funds to support various programs. The current spending policy on the 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 net assets for the year ended December 31, 2022 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$12,985,217
Interest and dividends, net	154,770
Realized and unrealized loss	(1,591,685)
Spending policy distribution	<u>(607,742)</u>
Endowment net assets, end of year	<u>\$10,940,560</u>

(8) 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, 2022 are as follows:

	Strategic Solutions Team	Communications	Education	Organic Consultancy	Management and General	Development	Total
Consulting services	\$ 13,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,250
Contractor and subcontractors	30,354	-	-	-	-	-	30,354
Supplies	16,420	9,905	-	-	-	23,037	49,362
Travel	<u>44,710</u>	<u>708</u>	<u>3,088</u>	<u>75,211</u>	<u>1,015</u>	<u>2,526</u>	<u>127,258</u>
	<u>\$104,734</u>	<u>\$10,613</u>	<u>\$3,088</u>	<u>\$75,211</u>	<u>\$1,015</u>	<u>\$25,563</u>	<u>\$220,224</u>

The Institute also capitalized an in-kind contribution of land and equipment with a fair market value of \$1,549,000 during the year ended December 31, 2022 (**See Note 5**).

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(9) 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 \$125,124 and \$104,989 to the plan in 2022 and 2021, respectively.

(10) 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 $\frac{3}{4}\%$. The arrangement has no maturity date and is due on demand by the bank. There were no advances outstanding at December 31, 2022 and 2021.

(11) COMMITMENTS

During 2022, the Institute entered into construction contracts with two companies to design and build a science center and other campus infrastructure upgrades estimated to cost \$22,000,000. The construction is expected to be completed by September 2025.

(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	\$ 8,077,717
Contributions and grants receivable	5,409,324
Accounts receivable	350,519
Investments	<u>23,644,207</u>
Total financial assets	37,481,767
Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes	(8,536,885)
Restricted by donor to be maintained indefinitely	(10,940,560)
Unfunded commitments to private equity fund	(250,000)
Investments with liquidity horizons greater than one year	<u>(4,307,626)</u>
Total financial assets available within one year	<u>\$ 13,446,696</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 8, 2023, the date on which the financial statements were available to be issued. Except as disclosed below, there are no other material subsequent events that have occurred that require recognition in the financial statements.

In 2023, the Institute received a \$25,000,000 conditional grant from the U.S. Department of Agriculture.
