



**and Supporting Organization
and Disregarded Entity**

Consolidated Financial Statements

December 31, 2018 and 2017



FOCUSED. ON YOU.

Berks Nature and Supporting Organization and Disregarded Entity

Table of Contents

December 31, 2018 and 2017

	Page
INDEPENDENT AUDITOR'S REPORT	1 and 2
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5 and 6
Consolidated Statement of Functional Expenses	
Year Ended December 31, 2018	7
Year Ended December 31, 2017	8
Notes to Consolidated Financial Statements	9 to 26



Independent Auditor's Report

To the Board of Directors
Berks Nature and Supporting Organization and Disregarded Entity
Reading, Pennsylvania

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Berks Nature and its supporting organization and disregarded entity, which comprise the consolidated statement of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Berks Nature and its supporting organization and disregarded entity as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RKH LLP

July 15, 2019
Wyomissing, Pennsylvania

Berks Nature and Supporting Organization and Disregarded Entity

Consolidated Statement of Financial Position

	December 31,	
	2018	2017
Assets		
Cash and cash equivalents	\$ 576,936	\$ 882,137
Investments	1,176,911	1,201,508
Accounts receivable	41,745	63,163
Contributions receivable, net allowance for doubtful accounts 2018 \$5,000; 2017 \$5,000	229,766	314,767
Inventory	28,501	22,138
Prepaid expenses	5,698	6,539
Building, leasehold improvements, and equipment, net of accumulated depreciation and amortization 2018 \$429,003; 2017 \$295,015	4,023,207	4,140,883
Land held for conservation	1,486,310	1,486,310
Conservation easements held	19,901,415	19,323,594
Total Assets	\$ 27,470,489	\$ 27,441,039
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 39,897	\$ 7,323
Accrued expenses	16,910	50,292
Refundable advances	343,610	286,750
Current portion of long-term debt	13,968	13,727
Total Current Liabilities	414,385	358,092
Long-Term Debt	281,885	860,263
Total Liabilities	696,270	1,218,355
Net Assets		
Without donor restrictions		
Undesignated	5,059,714	5,055,228
Board-designated endowment	249,900	291,312
	5,309,614	5,346,540
With donor restrictions	21,464,605	20,876,144
Total Net Assets	26,774,219	26,222,684
Total Liabilities and Net Assets	\$ 27,470,489	\$ 27,441,039

See accompanying notes.

Berks Nature and Supporting Organization and Disregarded Entity

Consolidated Statement of Activities

	Years Ended December 31,	
	2018	2017
Changes in Net Assets Without Donor Restrictions		
Revenue and other support		
Contributions	\$ 110,971	\$ 72,600
Membership dues and assessments	64,751	63,011
Tuition and fees	113,686	41,748
Store sales	6,316	3,232
Grants	364,720	498,752
Special events	5,922	5,905
Rental income	9,101	1,272
Investment income (loss)	(27,274)	36,046
Miscellaneous income	31,260	3,389
Net assets released from restrictions, satisfaction of program restrictions	774,205	2,956,562
 Total revenue and other support	 1,453,658	 3,682,517
 Expenses		
Program services	1,212,109	1,348,594
Fundraising	76,621	91,567
Management and general	201,854	348,315
 Total expenses	 1,490,584	 1,788,476
 Increase (Decrease) in Net Assets Without Donor Restrictions	 (36,926)	 1,894,041
Changes in Net Assets With Donor Restrictions		
Contributions	848,472	1,382,441
Investment income (loss)	(63,627)	133,143
Contributions of easements	577,821	589,730
Net assets released from restrictions	(774,205)	(2,956,562)
 Increase (Decrease) in Net Assets With Donor Restrictions	 588,461	 (851,248)
 Change in Net Assets	 551,535	 1,042,793
 Net Assets at Beginning of Year	 26,222,684	 25,179,891
 Net Assets at End of Year	 \$ 26,774,219	 \$ 26,222,684

Berks Nature and Supporting Organization and Disregarded Entity

Consolidated Statement of Cash Flows

	Years Ended December 31,	
	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 551,535	\$ 1,042,793
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	133,988	65,608
Restricted contributions	(40,569)	(29,448)
Unrealized (gains) losses on investments	151,739	(102,975)
Realized gains on sale of investments	(20,291)	(54,932)
Loss on disposal of leasehold improvements	-	317,752
Contributions of land and easements	(577,821)	(589,730)
(Increase) decrease in assets:		
Accounts receivable	21,418	137,837
Inventory	(6,363)	(19,616)
Prepaid expenses	841	647
Increase (decrease) in liabilities:		
Accounts payable	32,574	(159,758)
Accrued expenses	(33,382)	47,187
Amounts held on behalf of others	-	(4,182)
Refundable advances	56,860	38,028
Net Cash Provided by Operating Activities	270,529	689,211
Cash Flows from Investing Activities		
Purchase of leasehold improvements, equipment, land, and easements	(16,312)	(2,864,781)
Proceeds from sale and maturity of investments	408,144	1,294,746
Purchase of investments	(514,995)	(1,264,036)
Net Cash Used in Investing Activities	(123,163)	(2,834,071)
Cash Flows from Financing Activities		
Restricted contributions received	125,570	256,655
Proceeds from long-term debt	-	1,001,814
Principal payments on long-term debt	(578,137)	(110,138)
Net Cash Provided by (Used in) Financing Activities	(452,567)	1,148,331

Berks Nature and Supporting Organization and Disregarded Entity

Consolidated Statement of Cash Flows (continued)

	Years Ended December 31,	
	2018	2017
Net Decrease in Cash and Cash Equivalents	\$ (305,201)	\$ (996,529)
Cash and Cash Equivalents at Beginning of Year	882,137	1,878,666
Cash and Cash Equivalents at End of Year	\$ 576,936	\$ 882,137
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	\$ 20,034	\$ 10,665
Noncash transactions, contributions of land and easements	\$ 577,821	\$ 589,730

Berks Nature and Supporting Organization and Disregarded Entity

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services	Fundraising	Management and General	Total
Salaries and employee benefits	\$ 423,798	\$ 39,150	\$ 129,077	\$ 592,025
Travel	11,642	175	278	12,095
Meals and related supplies	6,325	113	243	6,681
Professional fees	55,018	7,523	7,089	69,630
Contractor fees	394,988	1,023	-	396,011
Accounting fees	-	-	15,845	15,845
Postage	3,838	1,107	391	5,336
Printing	25,461	4,370	175	30,006
Office supplies	13,380	3,288	2,254	18,922
Advertising and promotions	15,631	4,027	76	19,734
Online store goods	3,625	-	-	3,625
Supplies	34,904	1,175	165	36,244
Receptions	11,287	-	-	11,287
Meeting expenses	5,609	138	454	6,201
Dues and subscriptions	2,500	1,136	34	3,670
Registration and licenses	669	21	70	760
Insurance	21,436	1,170	3,856	26,462
Utilities/recycle	8,938	277	913	10,128
Equipment leases	1,721	159	524	2,404
Equipment maintenance	1,807	167	550	2,524
Depreciation expense	95,914	8,861	29,213	133,988
Repairs and maintenance	7,665	57	188	7,910
Easement acquisition cost	30,184	-	-	30,184
Property management	2,212	-	-	2,212
Information technology	11,619	1,045	3,443	16,107
Bank fees	3,418	15	1,662	5,095
Interest expense	14,341	1,325	4,368	20,034
Miscellaneous expense	4,179	299	986	5,464
Total Consolidated Functional Expenses	\$ 1,212,109	\$ 76,621	\$ 201,854	\$ 1,490,584

See accompanying notes.

Berks Nature and Supporting Organization and Disregarded Entity

Consolidated Statement of Functional Expenses

Year Ended December 31, 2017

	Program Services	Fundraising	Management and General	Total
Salaries and employee benefits	\$ 272,414	\$ 44,657	\$ 178,862	\$ 495,933
Travel	11,105	164	800	12,069
Meals and related supplies	7,673	328	2,281	10,282
Professional fees	43,083	3,410	16,915	63,408
Contractor fees	570,616	-	-	570,616
Accounting fees	-	-	13,780	13,780
Postage	6,203	863	2,776	9,842
Printing	23,416	2,840	-	26,256
Office supplies	10,649	3,440	4,247	18,336
Advertising and promotions	7,775	250	2,001	10,026
Online store goods	1,983	-	-	1,983
Supplies	46,557	93	115	46,765
Receptions	12,974	2,215	-	15,189
Meeting expenses	842	112	190	1,144
Dues and subscriptions	2,144	710	-	2,854
Registration and licenses	3,390	-	288	3,678
Insurance	10,452	1,713	13,665	25,830
Utilities/recycle	3,736	613	2,453	6,802
Equipment leases	1,499	246	984	2,729
Equipment maintenance	1,550	236	947	2,733
Depreciation expense	36,038	5,908	23,662	65,608
Office maintenance	3,198	523	2,096	5,817
Repairs and maintenance	3,570	2,228	927	6,725
Easement acquisition cost	12,712	-	-	12,712
Property management	3,242	-	-	3,242
Information technology	11,376	1,231	4,933	17,540
Bank fees	2,009	360	1,319	3,688
Interest expense	5,170	2,101	3,394	10,665
Loss on disposal of leasehold improvements	230,697	16,929	70,125	317,751
Miscellaneous expense	2,521	397	1,555	4,473
Total Consolidated Functional Expenses	\$ 1,348,594	\$ 91,567	\$ 348,315	\$ 1,788,476

See accompanying notes.

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 1 - Nature of Activities

Berks Nature and its supporting organization and disregarded entity, Berks County Conservancy Properties, Inc. and Berks Nature Educational Programs LLC, respectively, (collectively Berks Nature or the Organization), is a nonprofit corporation organized under the laws of the Commonwealth of Pennsylvania and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization provides the following program services related to conservation:

Berks Nature believes that nature is essential to our quality of life. We demonstrate our commitment to nature through Conservation, Protection, Partnerships, Leadership, Relationships, Demonstration, and Education.

Land Conservation Programs

The Organization works as a land trust to protect valuable undeveloped land in Berks County, Pennsylvania, and surrounding counties. Lands selected for protection are natural spaces for future agricultural, scenic, and recreational uses. Special attention is given to maintaining important greenway corridors to support the biodiversity and natural habitats of our community and forested lands important to the quality and preservation of our drinking water supply. This land conservation is accomplished through the acquisition of conservation easements, restricting future development, or through outright fee simple acquisitions of land.

Watershed Restoration and Protection Programs

The Organization strives to protect water, habitat, and the natural environment by implementing restoration practices on numerous creeks or streams throughout Berks County. The Organization works with many farmers to implement best management practices on agricultural lands and farms throughout the community and works with drinking water companies to implement source water protection plans.

Trails and Greenways

The Organization creates, promotes, and maintains a trail system throughout Greater Reading and works with partners to provide important connections for recreation and transportation.

Urban Revitalization

The Organization supports the revitalization of our cities and older communities through its Berks Urban Greening Community Gardening Program. This program transforms vacant, blighted lots into healthy green community spaces and community gardens. These gardens provide opportunities for local residents to grow their own vegetables, herbs, and flowers which engenders economic self-sufficiency, health and nutritional benefits, resident cooperation, community spirit, and is an attractive green space in urban areas. The Organization supports the principles of smart growth.

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 1 - Nature of Activities (continued)

Environmental and Conservation Education

The Organization provides numerous environmental and conservation education programs to children, families, adults, municipal leaders, and partners throughout the community. Through its State of the Environment Program, critical indicators for the health of the community are reported on annually. In addition, the Organization manages The Nature Place at Angelica Park with summer Eco-Camps and programs with school groups throughout the year. Programs for municipal leaders, newsletters, e-news, communications, and programs that connect people with nature round out its offerings.

Nature Preschool and Berks Nature Educational Programs LLC

In 2018, the Organization opened the area's first "Nature Preschool" in response to the growing deficit of time spent outside by young children. This activity is designed to help grow the next generation of conservationists. Our students spend 75% of their time outside. The Nature Preschool activities and Eco-Camp activities sit within the newly created entity, Berks Nature Educational Program LLC.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

Principles of Consolidation

The consolidated financial statements include the accounts of Berks Nature, its disregarded entity, Berks Nature Educational Programs LLC, and its supporting organization, Berks County Conservancy Properties, Inc. All significant interorganization transactions have been eliminated.

Basis of Presentation

The Organization's consolidated financial statement presentation follows the reporting provisions applicable to not-for-profit entities. Under these provisions, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets are classified as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for particular purposes by action of the Board of Directors, or may otherwise be limited by contractual agreements with outside parties. At December 31, 2018 and 2017, net assets without donor restrictions include \$249,900 and \$291,312, respectively, of board-designated net assets. These net assets were specifically designated by the Board of Directors to function as an endowment.

Net Assets With Donor Restrictions - Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as restricted support that increases net asset with donor restrictions.

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

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give, which are expected to be collected within one year, are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Conditional promises to give are not included as support until the conditions are substantially met. When collected prior to satisfaction of donor restrictions, amounts are reported as refundable advances.

Donated Services and Goods

A substantial number of volunteers have donated significant hours to the Organization's program services and fundraising campaigns during the year, however, these donated services are not reflected in the consolidated financial statements since the services do not require specialized skills.

Contributions of land and easements are recorded and reflected in the accompanying consolidated financial statements at their fair values at the dates of receipt.

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all unrestricted cash, which is not subject to withdrawal restrictions or penalties, and all highly-liquid debt instruments purchased with a maturity of three months or less, to be cash and cash equivalents on the accompanying consolidated statement of financial position.

Investments

Investments in debt and marketable equity securities are carried at fair market value. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the consolidated statement of activities as an increase or decrease in net assets without donor restrictions, unless the income or loss is restricted by donor or law.

Grants

The Organization records grants when all conditions stipulated by the grant have been substantially met. Direct service program expenses are recorded as incurred.

Building, Leasehold Improvements, and Equipment

Expenditures for the acquisition of building, leasehold improvements, and equipment are capitalized at cost. Depreciation is computed using the straight-line method over the following useful lives:

Building and leasehold improvements	40 years
Furniture and fixtures	5 years
Computers and equipment	3 years

Maintenance and repairs of building, leasehold improvements, and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of building, leasehold improvements, and equipment, the cost and accumulated depreciation are eliminated from the accounts, and gain or loss is included in operations.

The Organization's policy is to capitalize equipment expenditures of \$500 or more.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of the estimated future cash flows and the discounted rates reflecting varying degrees of perceived risk. Management has concluded that no impairment adjustments were required during the years ended December 31, 2018 and 2017.

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Deferred Revenue/Refundable Advances

Deferred revenue is where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts are measurable, but are not available.

Deferred revenue is recorded as refundable advances in some instances where there are criteria that must be met or funds will be returned to the grantor.

Functional Allocation of Expenses

The costs of providing program services, fundraising, and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs, management and general, and fundraising activities benefited. Payroll and benefits are allocated based on employee time spent performing program, fundraising, and administrative activities. All other expenses are allocated directly to program services, fundraising, or administrative expenses based on the nature and purpose of the expense.

Membership Dues

Membership dues are recognized as income in the applicable membership period.

Advertising

The Organization follows the policy of charging the cost of advertising to expense when incurred. Amounts charged to expense for advertising were \$19,734 and \$10,026 for the years ended December 31, 2018 and 2017, respectively.

Income Taxes

As a not-for-profit organization, the Organization is generally exempt from federal and state income taxes. The Organization is subject to federal and state income taxes on unrelated business income.

The Organization recognizes penalties and interest accrued related to income tax liabilities in the provision (benefit) for income taxes in its consolidated statement of activities. At December 31, 2018 and 2017, there was no accrual for the payment of penalties and interest.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured, as described above, is reflected as a liability for unrecognized tax benefits in the accompanying consolidated statement of financial position, along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

The Organization files informational returns (Internal Revenue Service Form 990) in the U.S. Federal jurisdiction. The Organization's returns are not subject to examination through the year ended December 31, 2015.

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about liquidity, financial performance, and cash flows. Among other changes, the ASU replaced the three classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions," and expands disclosures about the nature and amount of any donor restrictions. The ASU became effective for the Organization as of January 1, 2018, and the presentation of the accompanying consolidated financial statements has been adjusted accordingly. The ASU has been applied retrospectively to all periods presented, which had no effect on net asset restrictions.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance. This guidance is effective for annual reporting periods beginning after December 15, 2018.

In February 2017, the FASB issued ASU 2017-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e. an exchange transaction) or nonreciprocal (i.e. a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. **For resource recipients:** Where the Organization is the resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. **For resource providers:** Where the Organization is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted.

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

The Organization is currently evaluating the impact of the pending adoption of the new standards on the consolidated financial statements.

Note 3 - Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2018:

Cash and cash equivalents	\$ 576,936
Investments	1,176,911
Accounts receivable	41,745
Contributions receivable	<u>229,766</u>
Total Financial Assets	2,025,358
Amounts that are internally designated or externally restricted	<u>(1,406,677)</u>
Financial Assets Available to Meet Needs for General Expenditures within One Year	<u>\$ 618,681</u>

The Organization's endowment funds consist of donor-restricted endowments and a board-designated endowment. Income from donor-restricted endowments is expendable to support the Organization's services and; therefore, is available for general expenditure. As described in Note 10, the endowment fund has a target spending rate of 5.0%; therefore, \$50,787 of appropriations from the endowment will be available within the next 12 months as of December 31, 2018. To help manage unanticipated liquidity needs, the Organization has a board-designated endowment of \$249,900 as of December 31, 2018. Although the Organization does not intend to spend from its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 4 - Contributions Receivable

Unconditional promises to give to the Organization consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Restricted for capital campaign	\$ 12,816	\$ 117,886
Restricted for environmental education	215,000	200,000
Restricted for stewardship	10,000	12,500
Unamortized discount	(3,050)	(10,619)
Allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
Net unconditional promises to give	<u>\$ 229,766</u>	<u>\$ 314,767</u>
Amounts due		
Less than one year	\$ 230,066	\$ 212,636
One to five years	<u>4,700</u>	<u>107,131</u>
	234,766	319,767
Allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
	<u>\$ 229,766</u>	<u>\$ 314,767</u>

Note 5 - Investments

Investments were as follows at December 31:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 52,496	\$ 52,496	\$ 42,403	\$ 42,403
Mutual funds	447,957	379,133	388,324	433,075
Corporate and municipal bonds	197,154	194,883	135,289	135,933
U.S. Governmental obligations	162,697	162,058	204,556	205,597
Equity securities	<u>346,832</u>	<u>388,341</u>	<u>312,210</u>	<u>384,500</u>
	<u>\$ 1,207,136</u>	<u>\$ 1,176,911</u>	<u>\$ 1,082,782</u>	<u>\$ 1,201,508</u>

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 5 - Investments (continued)

Investment income (loss) is comprised of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Dividends and interest, net of fees	\$ 16,391	\$ 11,282
Net realized gains	44,447	54,932
Net unrealized gains (losses)	<u>(151,739)</u>	<u>102,975</u>
	<u>\$ (90,901)</u>	<u>\$ 169,189</u>

The Organization had the following investments in debt securities as of December 31:

2018	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>One Through Five Years</u>	<u>Five Through Ten Years</u>	<u>More Than Ten Years</u>	<u>Rating as of Year End</u>
Corporate bonds	\$ 144,923	\$ -	\$ 72,422	\$ 48,260	\$ 24,241	BBB- to AA+
Municipal bonds	49,960	-	10,061	39,899	-	AA to AAA
U.S. Government obligations	<u>162,058</u>	<u>40,009</u>	<u>79,901</u>	<u>21,020</u>	<u>21,128</u>	N/A
	<u>\$ 356,941</u>	<u>\$ 40,009</u>	<u>\$ 162,384</u>	<u>\$ 109,179</u>	<u>\$ 45,369</u>	
2017						
Corporate bonds	\$ 135,933	\$ -	\$ 86,697	\$ 35,704	\$ 13,532	A- to AA+
U.S. Government obligations	<u>205,597</u>	<u>29,969</u>	<u>75,722</u>	<u>64,835</u>	<u>35,071</u>	N/A
	<u>\$ 341,530</u>	<u>\$ 29,969</u>	<u>\$ 162,419</u>	<u>\$ 100,539</u>	<u>\$ 48,603</u>	

Note 6 - Fair Value of Financial Instruments

The Organization defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. Fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Fair value measurements are disclosed by level within that hierarchy.

This guidance requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 6 - Fair Value of Financial Instruments (continued)

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Mutual funds are valued at the net asset value of the shares held by the Organization at year-end.

Common stocks are valued at the closing price reported on the active market on which the individual securities are traded.

Corporate and municipal bonds are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

U.S. Government securities are valued using pricing models maximizing the use of observable inputs for similar securities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The tables below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of December 31:

	Fair Value Measurements at December 31, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds	\$ 379,133	\$ -	\$ -	\$ 379,133
Corporate and municipal bonds	-	194,883	-	194,883
U.S. Government obligations	-	162,058	-	162,058
Equity securities	388,341	-	-	388,341
	\$ 767,474	\$ 356,941	\$ -	\$ 1,124,415

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 6 - Fair Value of Financial Instruments (continued)

	Fair Value Measurements at December 31, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds	\$ 433,075	\$ -	\$ -	\$ 433,075
Corporate bonds	-	135,933	-	135,933
U.S. Government obligations	-	205,597	-	205,597
Equity securities	384,500	-	-	384,500
	<u>\$ 817,575</u>	<u>\$ 341,530</u>	<u>\$ -</u>	<u>\$ 1,159,105</u>

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and the size of the transfer relative to total investments. There were no transfers in or out of Level 3 for the years ended December 31, 2018 and 2017.

Note 7 - Building, Leasehold Improvements, and Equipment

A summary of building, leasehold improvements, and equipment is as follows at December 31:

	2018	2017
Building and leasehold improvements	\$ 4,053,180	\$ 4,049,512
Equipment	399,030	386,386
	<u>4,452,210</u>	<u>4,435,898</u>
Accumulated depreciation	<u>(429,003)</u>	<u>(295,015)</u>
	<u>\$ 4,023,207</u>	<u>\$ 4,140,883</u>

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 8 - Long-Term Debt

Long-term debt consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Note payable, interest only payments at 4.75% through August 22, 2026, with the balance due in full. The note is secured by real estate	\$ 237,403	\$ 801,814
Note payable, monthly payments of \$1,266, including interest at 1.75%, maturing in 2024, secured by real estate	<u>76,136</u>	<u>89,862</u>
	313,539	891,676
Debt issuance costs	(17,686)	(17,686)
Current portion	<u>(13,968)</u>	<u>(13,727)</u>
	<u>\$ 281,885</u>	<u>\$ 860,263</u>

Aggregate maturities required on long-term debt at December 31, 2018 are due as follows:

	<u>Principal</u>	<u>Debt Issuance Cost</u>	<u>Net</u>
2019	\$ 13,968	\$ 2,527	\$ 11,441
2020	14,215	2,527	11,688
2021	14,466	2,527	11,939
2022	14,721	2,527	12,194
2023	14,980	2,527	12,453
Thereafter	<u>241,189</u>	<u>5,051</u>	<u>236,138</u>
	<u>\$ 313,539</u>	<u>\$ 17,686</u>	<u>\$ 295,853</u>

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose or period		
Land conservation programs	\$ 907,697	\$ 850,812
Watershed restoration and protection programs	22,073	62,725
Urban revitalization	108,020	120,576
Environmental and conservation education	17,831	10,580
Capital campaign, The Nature Place at Angelica Park	-	288
	<u>1,055,621</u>	<u>1,044,981</u>
Restricted in perpetuity		
Land and easements	20,128,984	19,551,163
Endowment funds held for environmental/conservation education	280,000	280,000
	<u>20,408,984</u>	<u>19,831,163</u>
	<u>\$ 21,464,605</u>	<u>\$ 20,876,144</u>

Net assets with donor restrictions released from purpose restrictions were \$774,205 and \$2,956,562 for the years ended December 31, 2018 and 2017, respectively.

Note 10 - Net Assets in Endowment Funds

The Organization's endowment consists of funds designated by the Board of Directors and by donors to be held in perpetuity, the income from which is expendable to support the Organization's services. As required by generally accepted accounting principles, net assets associated with the endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 10 - Net Assets in Endowment Funds (continued)

In accordance with donor direction and the provisions of applicable Pennsylvania statute, the Organization classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board has interpreted Pennsylvania statute as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted Pennsylvania statute to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- A. The duration and preservation of the fund.
- B. The purposes of the Organization and the donor-restricted endowment fund.
- C. General economic conditions.
- D. The possible effect of inflation and deflation.
- E. The expected total return from income and the appreciation of investments.
- F. Other resources of the Organization.
- G. The investment policies of the Organization.

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 10 - Net Assets in Endowment Funds (continued)

Changes in endowment net assets composition are as follows as of December 31:

2018	Without Restriction, Board Designated	Restricted for Specified Purpose	Restricted in Perpetuity	Total
Endowment net assets at beginning of year	<u>\$ 291,312</u>	<u>\$ 880,196</u>	<u>\$ 280,000</u>	<u>\$ 1,451,508</u>
Investment income				
Investment income, net of fees	3,642	12,749	-	16,391
Net depreciation (realized and unrealized)	<u>(23,160)</u>	<u>(84,132)</u>	<u>-</u>	<u>(107,292)</u>
Total investment loss	<u>(19,518)</u>	<u>(71,383)</u>	<u>-</u>	<u>(90,901)</u>
Contributions	<u>11,101</u>	<u>100,500</u>	<u>-</u>	<u>111,601</u>
Appropriations of endowment, net assets for expenditures	<u>(32,995)</u>	<u>(62,302)</u>	<u>-</u>	<u>(95,297)</u>
Endowment net assets at end of year	<u><u>\$ 249,900</u></u>	<u><u>\$ 847,011</u></u>	<u><u>\$ 280,000</u></u>	<u><u>\$ 1,376,911</u></u>
2017				
Endowment net assets at beginning of year	<u>\$ 266,895</u>	<u>\$ 777,417</u>	<u>\$ 280,000</u>	<u>\$ 1,324,312</u>
Investment income				
Investment income, net of fees	2,764	8,185	-	10,949
Net appreciation (realized and unrealized)	<u>39,696</u>	<u>118,211</u>	<u>-</u>	<u>157,907</u>
Total investment income	<u>42,460</u>	<u>126,396</u>	<u>-</u>	<u>168,856</u>
Contributions	<u>13,506</u>	<u>15,302</u>	<u>-</u>	<u>28,808</u>
Appropriations of endowment, net assets for expenditures	<u>(31,549)</u>	<u>(38,919)</u>	<u>-</u>	<u>(70,468)</u>
Endowment net assets at end of year	<u><u>\$ 291,312</u></u>	<u><u>\$ 880,196</u></u>	<u><u>\$ 280,000</u></u>	<u><u>\$ 1,451,508</u></u>

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 10 - Net Assets in Endowment Funds (continued)

Underwater Endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable law requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature exist in two donor-restricted endowment funds, which together have an original gift value of \$80,000, a current fair value of \$70,323, and a deficiency of \$9,677 as of December 31, 2018. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board.

The Organization has adopted investment and spending policies for its endowment assets. The Organization invests endowment assets with the objective of growing a stream of revenue over time which will assure the long-range financial future of the Organization and meet emerging needs within the Organization that improve the quality of life for the Organization's clients. Under this policy, as approved by the Board of Directors, the endowment assets are invested no more than 60% to 80% in equities and no less than 20% to 40% in fixed income investments. The spending policy for the endowment is calculated annually at each December 31. The distribution percentage will be 5% of the three-year rolling average of the end of quarter market values. The Organization does not yet have a formal policy regarding spending from underwater endowment funds. The Board appropriated for expenditure \$3,724 from underwater endowment funds during the year, which represents the 5% it generally draws from its endowment.

Note 11 - Tax Deferred Annuity Plan

The Organization has a tax deferred annuity plan for employees under Section 403(b) of the IRC. The Organization makes no contributions to the plan.

Note 12 - Commitments and Contingencies

Commitments

Leases

The Organization has entered into two operating leases for office equipment expiring October 2021 and January 2024. The minimum future rental payments required under the operating leases are as follows:

2019	\$	2,632
2020		2,632
2021		2,499
2022		1,830
2023		1,830
Thereafter		152
		<hr/>
	\$	11,575
		<hr/>

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 12 - Commitments and Contingencies (continued)

Commitments (continued)

Leases (continued)

Total rent expense under these leases amounted to \$2,404 and \$2,729 for the years ended December 31, 2018 and 2017, respectively.

Contingencies

Concentrations of Credit Risk

Cash and Cash Equivalents

The Organization has bank deposit accounts which may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

The Organization has investments of \$1,176,911 at December 31, 2018 that are subject to credit risk. The degree of concentration of risk varies by type of investment; however, the Organization does not anticipate any accounting loss. The major classes of investments are summarized in Note 5.

Contributions Receivable

The Organization has contributions receivable of \$229,766 and \$314,767 at December 31, 2018 and 2017, respectively, from individuals and businesses located primarily in Berks County, Pennsylvania. The Organization has credit risk due to the geographic concentration of its donors; however, the Organization does not anticipate any accounting loss.

Note 13 - Related Party Transactions

Transactions with Board of Directors

The Organization has had and may be expected to have in the future transactions in the ordinary course of business with directors and organizations with which they are associated on substantially the same terms as those prevailing at the time for comparable transactions with others. The aggregate amounts of these transactions are not significant to the consolidated financial statements.

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 14 - Supporting Organization and Disregarded Entity

During the year ended December 31, 2002, Berks County Conservancy Properties, Inc. (Properties, Inc.) was formed to encourage and motivate the making of gifts and donations by deed, will, or otherwise, for the benefit of Berks Nature. Properties, Inc. is a Pennsylvania nonprofit corporation with 501(c)(3) status for federal income tax purposes. Properties, Inc. and Berks Nature are under common control and Properties, Inc. is considered a Type I supporting organization of Berks Nature under IRC Section 509(a)(3).

In 2018, Berks Nature created a new entity, Berks Nature Educational Programs LLC (BNEP LLC). The purpose of BNEP LLC is to operate a nature preschool and a seasonal nature day camp. BNEP LLC is a single member LLC of which Berks Nature is the sole member, and; therefore, is viewed as a disregarded entity for federal tax purposes. BNEP LLC is operated exclusively as a charitable business set forth in article 501(c)(3) of the Internal Revenue Code of 1986 and is managed by a Board of Managers appointed by Berks Nature.

The components of Berks Nature, its disregarded entity, and its supporting organization are as follows:

	<u>2018</u>	<u>2017</u>
Net Assets		
Without donor restrictions		
Berks Nature	\$ 4,742,391	\$ 4,758,330
Berks Nature Educational Programs, LLC	(20,987)	-
Berks County Conservancy Properties, Inc.	588,210	588,210
	<u>5,309,614</u>	<u>5,346,540</u>
With donor restrictions		
Berks Nature	21,450,057	20,861,596
Berks County Conservancy Properties, Inc.	14,548	14,548
	<u>21,464,605</u>	<u>20,876,144</u>
	<u>\$ 26,774,219</u>	<u>\$ 26,222,684</u>

Note 15 - Reclassification of 2017 Consolidated Financial Statements

Certain items on the 2017 consolidated financial statements have been reclassified to conform to the 2018 consolidated financial statement presentation. These reclassifications had no impact on change in net assets as previously reported.

Note 16 - Subsequent Events

The Organization has evaluated subsequent events through July 15, 2019. This date is the date the consolidated financial statements were available to be issued. No material events subsequent to December 31, 2018 were noted.