



**and Supporting Organization
and Disregarded Entity**

Consolidated Financial Statements

December 31, 2019 and 2018



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Berks Nature and Supporting Organization and Disregarded Entity

Table of Contents

December 31, 2019 and 2018

	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	7 and 8
Notes to Consolidated Financial Statements	9 to 27



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, 2019 and 2018, 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, 2019 and 2018, 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, 2020
Wyomissing, Pennsylvania

Berks Nature and Supporting Organization and Disregarded Entity

Consolidated Statement of Financial Position

	December 31,	
	2019	2018
Assets		
Cash and cash equivalents	\$ 350,375	\$ 576,936
Investments	1,710,375	1,176,911
Accounts receivable	75,875	41,745
Contributions receivable, net allowance for doubtful accounts 2019 \$5,000; 2018 \$5,000	217,133	229,766
Inventory	28,554	28,501
Prepaid expenses	10,347	5,698
Building, leasehold improvements, and equipment, net of accumulated depreciation and amortization 2019 \$563,534; 2018 \$429,003	3,888,676	4,023,207
Land held for conservation	1,486,310	1,486,310
Conservation easements held	21,115,407	19,901,415
Total Assets	\$ 28,883,052	\$ 27,470,489
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 12,343	\$ 39,897
Accrued expenses	8,878	16,910
Refundable advances	96,613	343,610
Current portion of long-term debt	14,215	13,968
Total Current Liabilities	132,049	414,385
Long-Term Debt	199,671	281,885
Total Liabilities	331,720	696,270
Net Assets		
Without donor restrictions		
Undesignated	4,956,674	5,059,714
Board-designated endowment	307,818	249,900
	5,264,492	5,309,614
With donor restrictions	23,286,840	21,464,605
Total Net Assets	28,551,332	26,774,219
Total Liabilities and Net Assets	\$ 28,883,052	\$ 27,470,489

See accompanying notes.

Berks Nature and Supporting Organization and Disregarded Entity

Consolidated Statement of Activities

	Years Ended December 31,	
	2019	2018
Changes in Net Assets Without Donor Restrictions		
Revenue and other support		
Contributions	\$ 97,442	\$ 110,971
Membership dues and assessments	56,921	64,751
Tuition and fees	214,251	113,686
Store sales	7,017	6,316
Grants	252,077	364,720
Special events	4,673	5,922
Rental income	4,493	9,101
Investment income (loss)	51,261	(27,274)
Miscellaneous income	21,841	31,260
Net assets released from restrictions, satisfaction of program restrictions	998,667	774,205
 Total revenue and other support	 1,708,643	 1,453,658
 Expenses		
Program services	1,526,904	1,212,109
Fundraising	49,710	76,621
Management and general	177,151	201,854
 Total expenses	 1,753,765	 1,490,584
 Decrease in Net Assets Without Donor Restrictions	 (45,122)	 (36,926)
Changes in Net Assets With Donor Restrictions		
Contributions	1,387,421	848,472
Investment income (loss)	219,489	(63,627)
Contributions of easements	1,213,992	577,821
Net assets released from restrictions	(998,667)	(774,205)
 Increase in Net Assets With Donor Restrictions	 1,822,235	 588,461
 Change in Net Assets	 1,777,113	 551,535
 Net Assets at Beginning of Year	 26,774,219	 26,222,684
 Net Assets at End of Year	 \$ 28,551,332	 \$ 26,774,219

Berks Nature and Supporting Organization and Disregarded Entity

Consolidated Statement of Cash Flows

	Years Ended December 31,	
	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 1,777,113	\$ 551,535
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	134,531	133,988
Restricted contributions	(286,053)	(40,569)
Unrealized (gains) losses on investments	(237,677)	151,739
Realized gains on sale of investments	(4,229)	(20,291)
Contributions of land and easements	(1,213,992)	(577,821)
(Increase) decrease in assets		
Accounts receivable	(34,130)	21,418
Inventory	(53)	(6,363)
Prepaid expenses	(4,649)	841
Increase (decrease) in liabilities		
Accounts payable	(27,554)	32,574
Accrued expenses	(8,032)	(33,382)
Refundable advances	(246,997)	56,860
Net Cash Provided by (Used in) Operating Activities	(151,722)	270,529
Cash Flows from Investing Activities		
Purchase of leasehold improvements, equipment, land, and easements	-	(16,312)
Proceeds from sale and maturity of investments	378,238	408,144
Purchase of investments	(669,796)	(514,995)
Net Cash Used in Investing Activities	(291,558)	(123,163)
Cash Flows from Financing Activities		
Restricted contributions received	298,686	125,570
Principal payments on long-term debt	(81,967)	(578,137)
Net Cash Provided by (Used in) Financing Activities	216,719	(452,567)
Net Decrease in Cash and Cash Equivalents	(226,561)	(305,201)
Cash and Cash Equivalents at Beginning of Year	576,936	882,137
Cash and Cash Equivalents at End of Year	\$ 350,375	\$ 576,936

Berks Nature and Supporting Organization and Disregarded Entity

Consolidated Statement of Cash Flows (continued)

	Years Ended December 31,	
	2019	2018
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	<u>\$ 12,043</u>	<u>\$ 20,034</u>
Noncash transactions, contributions of land and easements	<u>\$ 1,213,992</u>	<u>\$ 577,821</u>

Berks Nature and Supporting Organization and Disregarded Entity

Consolidated Statement of Functional Expenses

	Year Ended December 31, 2019			
	Program Services	Fundraising	Management and General	Total
Salaries and employee benefits	\$ 569,109	\$ 25,977	\$ 116,922	\$ 712,008
Professional fees	45,495	1,076	4,843	51,414
Travel	13,811	173	70	14,054
Meals and related supplies	6,360	114	140	6,614
Postage	5,874	2,706	543	9,123
Advertising and promotions	26,969	618	-	27,587
Contractor fees	495,394	-	-	495,394
Accounting fees	-	-	10,569	10,569
Receptions	6,091	-	-	6,091
Printing	24,676	98	442	25,216
Registration and licenses	1,158	15	69	1,242
Equipment leases	5,024	169	761	5,954
Office supplies	11,952	709	1,477	14,138
Online store goods	4,186	-	-	4,186
Repairs and maintenance	19,025	319	1,434	20,778
Information technology	10,009	2,251	507	12,767
Supplies	54,078	106	299	54,483
Interest expense	9,153	525	2,365	12,043
Meeting expenses	3,568	145	429	4,142
Dues and subscriptions	7,037	685	168	7,890
Insurance	33,299	1,223	5,506	40,028
Utilities/recycle	17,333	193	868	18,394
Equipment maintenance	1,060	-	-	1,060
Depreciation expense	102,245	5,869	26,417	134,531
Easement acquisition cost	31,499	-	-	31,499
Property management	2,101	-	-	2,101
Bad debt expense	-	6,000	-	6,000
Bank fees	7,447	61	274	7,782
Interest expense	9,153	525	2,365	12,043
Miscellaneous expense	3,798	153	683	4,634
Total Consolidated Functional Expenses	\$ 1,526,904	\$ 49,710	\$ 177,151	\$ 1,753,765

Berks Nature and Supporting Organization and Disregarded Entity

Consolidated Statement of Functional Expenses (continued)

	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

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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, 2019 and 2018

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, 2019 and 2018, net assets without donor restrictions include \$307,818 and \$249,900, respectively, of board-designated net assets. These net assets were specifically designated by the Board of Directors to function as an endowment.

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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.

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.

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 \$2,000 or more.

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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, 2019 and 2018.

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.

Revenue Recognition

Contributions and Contributions of Easements

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.

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

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.

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions and Contributions of Easements (continued)

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.

Grants

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

Membership Dues

Membership dues, which are nonrefundable, are recognized as income in the period membership commences. Memberships are for an annual basis and benefits vary based on the membership level. Benefits are not significant in cost and are not separately valued from the membership dues as an exchange transaction.

Tuition and Fees

The Organization operates the Berks Nature Preschool from September through May and Eco-Camp from June through August. Tuition and fees are recognized at the time service is provided.

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.

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.

Advertising

The Organization follows the policy of charging the cost of advertising to expense when incurred. Amounts charged to expense for advertising were \$27,590 and \$19,734 for the years ended December 31, 2019 and 2018, respectively.

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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, 2019 and 2018, 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.

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, 2016.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 supersedes or replaces nearly all U.S. GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization implemented this standard during the year ended December 31, 2019. The Organization has determined that the adoption of ASU 2014-09 did not result in an adjustment to net assets as of January 1, 2019, and did not have a material effect on the 2019 consolidated financial statements.

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Change in Accounting Principle (continued)

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*, which clarifies and improves the scope and the accounting guidance for contributions. The update provides a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance. For contributions received, this guidance is effective for annual periods beginning after December 15, 2018, or annual periods beginning after June 15, 2018 for public business entities. For contributions made, this guidance is effective for the annual period beginning after December 15, 2019, or annual periods beginning after December 15, 2018 for public business entities. During the year ended December 31, 2019, the Organization implemented the provisions of ASU 2018-08 applicable to contributions received under a modified perspective basis. Accordingly, there is no effect on net assets in connection with the Organization's implementation of this standard.

Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, and subsequently amended in ASU 2019-10. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases, based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The new standard will be effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of the pending adoption of the new standards on the consolidated financial statements.

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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, 2019:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 350,375	\$ 576,936
Investments	1,710,375	1,176,911
Accounts receivable	75,875	41,745
Contributions receivable	217,133	229,766
Total Financial Assets	2,353,758	2,025,358
Amounts that are internally designated or externally restricted	<u>(1,927,508)</u>	<u>(1,406,677)</u>
Financial Assets Available to Meet Needs for General Expenditures within One Year	<u>\$ 426,250</u>	<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%; with appropriations from the endowment available within the 12 months of December 31, 2019. To help manage unanticipated liquidity needs, the Organization has a board-designated endowment of \$307,818 and \$249,900 as of December 31, 2019 and 2018, respectively. 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.

Note 4 - Contributions Receivable

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

	<u>2019</u>	<u>2018</u>
Restricted for capital campaign	\$ 234,133	\$ 12,816
Restricted for environmental education	-	215,000
Restricted for stewardship	-	10,000
Unamortized discount	(12,000)	(3,050)
Allowance for doubtful accounts	(5,000)	(5,000)
Net unconditional promises to give	<u>\$ 217,133</u>	<u>\$ 229,766</u>

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 4 - Contributions Receivable (continued)

	<u>2019</u>	<u>2018</u>
Amounts due		
Less than one year	\$ 50,800	\$ 230,066
One to five years	171,333	4,700
	<u>222,133</u>	234,766
Allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
	<u>\$ 217,133</u>	<u>\$ 229,766</u>

Note 5 - Investments

Investments were as follows at December 31:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 50,926	\$ 50,926	\$ 52,496	\$ 52,496
Mutual funds	502,470	522,763	447,957	379,133
Corporate and municipal bonds	249,804	275,260	197,154	194,883
U.S. Governmental obligations	194,815	203,771	162,697	162,058
Equity securities	495,313	657,655	346,832	388,341
	<u>\$ 1,493,328</u>	<u>\$ 1,710,375</u>	<u>\$ 1,207,136</u>	<u>\$ 1,176,911</u>

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

	<u>2019</u>	<u>2018</u>
Dividends and interest, net of fees	\$ 21,482	\$ 16,391
Net realized gains	11,591	44,447
Net unrealized gains (losses)	<u>237,677</u>	<u>(151,739)</u>
	<u>\$ 270,750</u>	<u>\$ (90,901)</u>

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 5 - Investments (continued)

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

	Fair Value	Less Than One Year	One Through Five Years	Five Through Ten Years	More Than Ten Years	Rating as of Year End
2019						
Corporate bonds	\$ 212,849	\$ -	\$ 87,656	\$ 86,193	\$ 39,000	BBB- to AA+
Municipal bonds	62,411	-	30,757	31,654	-	AA to AAA
U.S. Government obligations	203,771	-	102,251	57,746	43,774	N/A
	<u>\$ 479,031</u>	<u>\$ -</u>	<u>\$ 220,664</u>	<u>\$ 175,593</u>	<u>\$ 82,774</u>	
2018						
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	162,058	40,009	79,901	21,020	21,128	N/A
	<u>\$ 356,941</u>	<u>\$ 40,009</u>	<u>\$ 162,384</u>	<u>\$ 109,179</u>	<u>\$ 45,369</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.

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.

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 6 - Fair Value of Financial Instruments (continued)

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

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, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds	\$ 522,763	\$ -	\$ -	\$ 522,763
Corporate and municipal bonds	-	275,260	-	275,260
U.S. Government obligations	-	203,771	-	203,771
Equity securities	657,655	-	-	657,655
	<u>\$ 1,180,418</u>	<u>\$ 479,031</u>	<u>\$ -</u>	<u>\$ 1,659,449</u>
	Fair Value Measurements at December 31, 2018			
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
	<u>\$ 767,474</u>	<u>\$ 356,941</u>	<u>\$ -</u>	<u>\$ 1,124,415</u>

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 6 - Fair Value of Financial Instruments (continued)

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, 2019 and 2018.

Note 7 - Building, Leasehold Improvements, and Equipment

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

	<u>2019</u>	<u>2018</u>
Building and leasehold improvements	\$ 4,053,180	\$ 4,053,180
Equipment	399,030	399,030
	<u>4,452,210</u>	4,452,210
Accumulated depreciation	<u>(563,534)</u>	(429,003)
	<u>\$ 3,888,676</u>	<u>\$ 4,023,207</u>

Note 8 - Long-Term Debt

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

	<u>2019</u>	<u>2018</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	\$ 169,403	\$ 237,403
Note payable, monthly payments of \$1,266, including interest at 1.75%, maturing in 2024, secured by real estate	<u>62,169</u>	76,136
	<u>231,572</u>	313,539
Debt issuance costs	<u>(17,686)</u>	(17,686)
Current portion	<u>(14,215)</u>	(13,968)
	<u>\$ 199,671</u>	<u>\$ 281,885</u>

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 8 - Long-Term Debt (continued)

Aggregate maturities required on long-term debt at December 31, 2019 are due as follows:

	Principal	Debt Issuance Cost	Net
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
2024	3,787	2,527	1,260
Thereafter	169,403	5,051	164,352
	\$ 231,572	\$ 17,686	\$ 213,886

Note 9 - Net Assets with Donor Restrictions

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

	2019	2018
Subject to expenditure for specified purpose or period		
Land conservation programs	\$ 1,146,389	\$ 907,697
Watershed restoration and protection programs	40,919	22,073
Urban revitalization	121,351	108,020
Environmental and conservation education	114,155	17,831
Capital campaign, The Nature Place at Angelica Park	241,050	-
	1,663,864	1,055,621
Restricted in perpetuity		
Land and easements	21,342,976	20,128,984
Endowment funds held for environmental/conservation education	280,000	280,000
	21,622,976	20,408,984
	\$ 23,286,840	\$ 21,464,605

Net assets with donor restrictions released from purpose restrictions were \$998,667 and \$774,205 for the years ended December 31, 2019 and 2018, respectively.

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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.

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, 2019 and 2018

Note 10 - Net Assets in Endowment Funds (continued)

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

2019	Without Restriction, Board Designated	Restricted for Specified Purpose	Restricted in Perpetuity	Total
Endowment net assets at beginning of year	\$ 249,900	\$ 847,011	\$ 280,000	\$ 1,376,911
Investment income				
Investment income, net of fees	3,975	17,507	-	21,482
Net appreciation (realized and unrealized)	47,286	201,982	-	249,268
Total investment gain	51,261	219,489	-	270,750
Contributions	17,144	98,123	-	115,267
Appropriations of endowment, net assets for expenditures	(10,487)	(42,066)	-	(52,553)
Endowment net assets at end of year	<u>\$ 307,818</u>	<u>\$ 1,122,557</u>	<u>\$ 280,000</u>	<u>\$ 1,710,375</u>
2018				
Endowment net assets at beginning of year	\$ 291,312	\$ 880,196	\$ 280,000	\$ 1,451,508
Investment income				
Investment income, net of fees	3,642	12,749	-	16,391
Net depreciation (realized and unrealized)	(23,160)	(84,132)	-	(107,292)
Total investment loss	(19,518)	(71,383)	-	(90,901)
Contributions	11,101	100,500	-	111,601
Appropriations of endowment, net assets for expenditures	(32,995)	(62,302)	-	(95,297)
Endowment net assets at end of year	<u>\$ 249,900</u>	<u>\$ 847,011</u>	<u>\$ 280,000</u>	<u>\$ 1,376,911</u>

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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. As of December 31, 2019, no deficiencies of this nature exist. As of December 31, 2018, deficiencies existed in two donor-restricted endowment funds, which together had an original gift value of \$80,000, a current fair value of \$70,323, and a deficiency of \$9,677. 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 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 expenditures of \$3,724 from underwater endowment funds during the year ended December 31, 2018, 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:

2020	\$	2,632
2021		2,499
2022		1,830
2023		1,830
2024		152
		<hr/>
	\$	8,943
		<hr/>

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 12 - Commitments and Contingencies (continued)

Commitments (continued)

Leases (continued)

Total rent expense under these leases amounted to \$5,953 and \$2,404 for the years ended December 31, 2019 and 2018, 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 \$1,710,375 at December 31, 2019 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 \$217,133 and \$229,766 at December 31, 2019 and 2018, 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, 2019 and 2018

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

	<u>2019</u>	<u>2018</u>
Net Assets		
Without donor restrictions		
Berks Nature	\$ 4,706,356	\$ 4,742,391
Berks Nature Educational Programs, LLC	(30,074)	(20,987)
Berks County Conservancy Properties, Inc.	<u>588,210</u>	<u>588,210</u>
	<u>5,264,492</u>	5,309,614
With donor restrictions		
Berks Nature	23,272,292	21,450,057
Berks County Conservancy Properties, Inc.	<u>14,548</u>	<u>14,548</u>
	<u>23,286,840</u>	21,464,605
	<u>\$ 28,551,332</u>	<u>\$ 26,774,219</u>

Berks Nature and Supporting Organization and Disregarded Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 15 - Subsequent Events

The Organization has evaluated subsequent events through July 15, 2020. This date is the date the consolidated financial statements were available to be issued. The following events subsequent to December 31, 2019 were noted:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economy, financial markets, and the geographical area in which the Organization operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Organization.

On March 27, 2020, Congress enacted the CARES Act which established the Program. The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis. The Organization applied for a loan under this Program and received from its bank a loan in the amount of \$140,902 on April 24, 2020. The loan is forgivable if the Organization meets certain criteria as established under the Program. The Organization will apply for loan forgiveness in fiscal year 2021. The Organization anticipates there may be further guidance issued by the SBA, the U.S. Department of Treasury, the bank, and other regulators related to the Program which could impact the loan and loan forgiveness. Any of the loan amount not forgiven under the Program is expected to be due in April 2022 with interest at 1.0%. Payments are deferred for six months; however, interest shall continue to accrue over this period. The loan is unsecured and does not require personal guarantees.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

No other material events subsequent to December 31, 2019 were noted.