

**BERKS NATURE
AND SUPPORTING ORGANIZATION
AND DISREGARDED ENTITY**

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021



McKONLY & ASBURY
CPAs & Business Advisors

**BERKS NATURE AND SUPPORTING ORGANIZATION
AND DISREGARDED ENTITY**

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MEMBERS

AMERICAN AND PENNSYLVANIA INSTITUTES
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT MEMBER OF



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Berks Nature

Opinion

We have audited the consolidated financial statements of Berks Nature and its supporting organization and disregarded entity, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Berks Nature and its supporting organization and disregarded entity as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Berks Nature and its supporting organization and disregarded entity, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Berks Nature and its supporting organization and disregarded entity's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Berks Nature and its supporting organization and disregarded entity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Berks Nature and its supporting organization and disregarded entity's ability to continue as a going concern for a reasonable period of time.

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

McKonly & Asbury, LLP

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	ASSETS	
	2022	2021
Current assets		
Cash and cash equivalents	\$ 990,866	\$ 2,254,552
Accounts receivable	255,644	181,702
Contributions receivable, net	-	11,666
Inventory	37,147	23,964
Prepaid expenses and other current assets	17,000	14,844
Total current assets	1,300,657	2,486,728
Noncurrent assets		
Construction in progress	-	3,286,646
Building, improvements, and equipment	9,596,397	4,558,689
Land held for conservation	2,248,393	1,943,590
Conservation easements held	23,398,511	21,852,353
Accumulated depreciation	(1,024,956)	(826,951)
Beneficial interest in assets held by Berks County Community Foundation	3,385,984	3,003,437
Total noncurrent assets	37,604,329	33,817,764
Total assets	\$ 38,904,986	\$ 36,304,492
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 77,564	\$ 488,233
Accrued expenses	37,827	36,977
Refundable advances	197,494	236,967
Current portion of long-term debt	30,457	28,441
Total current liabilities	343,342	790,618
Long-term debt, net of debt issuance costs	262,704	275,362
Total liabilities	606,046	1,065,980
Net assets		
Without donor restrictions		
Undesignated	10,734,591	9,223,224
With donor restrictions	27,564,349	26,015,288
Total net assets	38,298,940	35,238,512
Total liabilities and net assets	\$ 38,904,986	\$ 36,304,492

The accompanying notes are an integral part of these consolidated financial statements.

**BERKS NATURE AND SUPPORTING ORGANIZATION
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CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Changes in net assets without donor restrictions		
Revenue and other support		
Contributions and grants	\$ 2,693,474	\$ 870,831
Donated land	304,803	-
Membership dues	-	21,274
Tuition and fees, net	442,073	396,923
Store sales	18,972	4,428
Rental income	37,960	744
Investment income	2,576	41,595
Forgiveness of paycheck protection program loans	-	249,100
Miscellaneous income	27,331	40,667
Net assets released from restrictions	842,689	4,108,964
Total revenue and other support	4,369,878	5,734,526
Expenses		
Program services	2,263,606	1,482,307
Fundraising	93,022	50,469
Management and general	501,883	332,086
Total expenses	2,858,511	1,864,862
Increase in net assets without donor restrictions	1,511,367	3,869,664
Changes in net assets with donor restrictions		
Contributions and grants	1,221,916	4,528,762
Investment income (loss)	(376,324)	338,084
Contributions of easements	1,546,158	170,000
Net assets released from restrictions	(842,689)	(4,108,964)
Increase in net assets with donor restrictions	1,549,061	927,882
Change in net assets	3,060,428	4,797,546
Net assets at beginning of year	35,238,512	30,440,966
Net assets at end of year	\$ 38,298,940	\$ 35,238,512

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	2022			
	Program Services	Fundraising	Management and General	Total
Salaries and employee benefits	\$ 962,588	\$ 56,661	\$ 375,297	\$ 1,394,546
Professional fees	207,017	4,654	28,423	240,094
Travel	11,147	259	350	11,756
Meals and related supplies	16,241	244	1,141	17,626
Postage	3,530	994	868	5,392
Advertising and promotions	6,904	5,548	-	12,452
Contractor fees	432,448	64	172	432,684
Printing	43,002	3,503	332	46,837
Registration and licenses	1,502	54	361	1,917
Equipment leases	8,384	214	1,418	10,016
Office supplies	51,909	4,555	17,366	73,830
Online store goods	9,416	-	-	9,416
Repairs and maintenance	26,964	1,465	9,703	38,132
Information technology	8,187	458	3,036	11,681
Supplies	105,832	547	2,314	108,693
Interest expense	6,640	391	20,275	27,306
Meeting expenses	5,625	171	477	6,273
Dues and subscriptions	7,115	869	752	8,736
Insurance	63,165	2,532	16,771	82,468
Utilities/recycle	23,205	1,361	9,013	33,579
Equipment maintenance	2,837	107	709	3,653
Depreciation expense	179,968	7,920	10,117	198,005
Easement acquisition cost	40,146	-	-	40,146
Property management	4,069	-	-	4,069
Bank fees	10,859	203	1,345	12,407
Receptions	16,198	-	-	16,198
Miscellaneous expense	8,708	248	1,643	10,599
	<u>\$ 2,263,606</u>	<u>\$ 93,022</u>	<u>\$ 501,883</u>	<u>\$ 2,858,511</u>

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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	2021			
	Program Services	Fundraising	Management and General	Total
Salaries and employee benefits	\$ 642,930	\$ 34,477	\$ 245,969	\$ 923,376
Professional fees	48,958	1,077	10,180	60,215
Travel	6,173	233	176	6,582
Meals and related supplies	7,636	408	715	8,759
Postage	2,932	531	723	4,186
Advertising and promotions	13,791	529	-	14,320
Contractor fees	426,531	15	107	426,653
Printing	13,324	572	688	14,584
Registration and licenses	559	21	148	728
Equipment leases	6,130	145	1,014	7,289
Office supplies	25,990	2,342	4,457	32,789
Online store goods	1,809	-	-	1,809
Repairs and maintenance	12,313	644	4,593	17,550
Information technology	7,886	423	3,016	11,325
Supplies	66,401	396	2,687	69,484
Interest expense	2,802	150	1,072	4,024
Meeting expenses	380	77	10	467
Dues and subscriptions	6,236	859	276	7,371
Insurance	44,590	1,793	12,794	59,177
Utilities/recycle	12,852	689	4,917	18,458
Equipment maintenance	2,461	132	941	3,534
Depreciation expense	91,370	4,900	34,956	131,226
Easement acquisition cost	13,299	-	-	13,299
Property management	3,291	-	-	3,291
Bank fees	5,890	56	395	6,341
Receptions	10,541	-	-	10,541
Miscellaneous expense	5,232	-	2,252	7,484
	<u>\$ 1,482,307</u>	<u>\$ 50,469</u>	<u>\$ 332,086</u>	<u>\$ 1,864,862</u>

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 3,060,428	\$ 4,797,546
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Depreciation	198,005	131,226
Amortization of debt issuance costs	17,686	-
Contributions to be used for long-term construction project	-	(3,500,000)
Contributions received for endowment	(714,412)	(91,271)
Investment (income) loss, net	376,324	(379,679)
Contributions of land and easements	(1,850,961)	(170,000)
Forgiveness of paycheck protection program loan	-	(249,100)
(Increase) decrease in assets		
Accounts receivable	67,417	(92,213)
Contributions receivable, net	11,666	159,167
Inventory	(13,183)	4,569
Prepaid expenses and other current assets	(2,156)	(10,465)
Increase (decrease) in liabilities		
Accounts payable	(425,813)	(44,442)
Accrued expenses	850	(728)
Refundable advances	(39,473)	86,125
Net cash and cash equivalents provided by operating activities	686,378	640,735
Cash flows from investing activities		
Purchase of improvements, equipment, land, construction in progress and easements	(2,636,148)	(3,278,140)
Restricted contributions received for endowment	714,412	91,271
Proceeds from sale and maturity of investments	-	467,309
Net cash and cash equivalents used in investing activities	(1,921,736)	(2,719,560)
Cash flows from financing activities		
Contributions to be used for long-term construction project	-	3,500,000
Proceeds from paycheck protection program	-	108,198
Proceeds from long-term debt	-	288,000
Principal payments on long-term debt	(28,328)	(182,213)
Net cash and cash equivalents provided by (used in) financing activities	(28,328)	3,713,985
Net increase (decrease) in cash and cash equivalents	(1,263,686)	1,635,160
Cash and cash equivalents at beginning of year	2,254,552	619,392
Cash and cash equivalents at end of year	\$ 990,866	\$ 2,254,552
Supplemental disclosures of cash flow information		
Cash payments for interest	\$ 9,620	\$ 4,024
Noncash transactions, contributions of land and easements	\$ 1,850,961	\$ 170,000

The accompanying notes are an integral part of these consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Organization

Berks Nature and its supporting organization and disregarded entity, Berks County Conservancy Properties, Inc. and Berks Nature Educational Program LLC, respectively, (collectively 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).

In 2021, The Board of Directors voted to dissolve Berks County Conservancy Properties Inc. as a nonprofit corporation. The dissolution will occur in 2023. This entity was originally created to hold fee simple property as a risk mitigation strategy. The Organization has determined different risk management strategies for their fee simple owned properties.

Berks Nature believes that nature is essential to quality of life. They demonstrate their commitment to nature through Conservation, Protection, Partnerships, Leadership, Relationships, Demonstration and Education. The Organization provides the following program services related to conservation:

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 cities and older communities through its Berks Urban Greening Community Gardening Program. This program transforms vacant, blighted lots into healthy

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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.

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 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. The Nature Preschool is designed to help grow the next generation of conservationists. The students spend 75% of their time outside. The Nature Preschool activities and Eco-Camp activities sit within Berks Nature Educational Program LLC.

In response to the COVID-19 pandemic, Berks Nature created a new program in fall of 2020 titled "Camp for School." Parents were able to drop their children off at The Nature Place where teachers and counselors helped students with their virtual learning and got the kids outside as much as possible. This program was a great relief to essential employees who needed assistance with virtual learning and childcare and operated through May 2021.

The Nature Place Expansion, The Rookery

In 2021, the Organization began construction on a phase 2 expansion of their LEED Gold certified nature center, The Nature Place. The Rookery rooftop deck and classroom opened in March 2022. This space enables the Organization to accommodate larger groups of up to 150 people which include field trips, recognition events and rentals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Company prepares its consolidated financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation

The consolidated financial statements include the accounts of Berks Nature, its supporting

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organization, Berks County Conservancy Properties, Inc., and its disregarded entity, Berks Nature Educational Programs LLC. All significant inter-organization transactions have been eliminated.

Basis of Presentation

The Organization's consolidated financial statement presentation follows the reporting provisions applicable to nonprofit 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, 2022 and 2021, there were no board-designated net assets.

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.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

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 statements of financial position.

The Organization maintains cash accounts with several financial institutions. Deposits at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable FDIC

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limits. At times, deposits may be in excess of the FDIC insurance limits; however, the Organization has not experienced losses in any of these accounts.

Accounts Receivable

Accounts receivable are stated at outstanding balances. The Organization considers accounts receivable to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

Contributions Receivable

Contributions receivable are stated at outstanding balances, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against operations. The allowance for doubtful accounts is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on past experience, aging of the receivables, adverse situations that may affect a donor's ability to pay, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires estimates that may be susceptible to significant change. As of December 31, 2022 and 2021, the balance in allowance for doubtful accounts was zero and \$5,000. Unpaid balances remaining after the stated payment terms are considered past due.

Inventory

Inventory consists of nature supplies held for resale. Inventory is determined by physical count and is stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

Building, Improvements, and Equipment

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

Building and improvements	40 years
Equipment	3-5 years

Maintenance and repairs of building, improvements, and equipment are charged to operations and major improvements are capitalized. Upon retirement sale, or other disposition of building, 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 building, improvements, and equipment expenditures of \$5,000 or more.

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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, 2022 and 2021.

Refundable Advances

Funds received for grants and payments for services received in advance of program activities or performance of services are accounted for as refundable advances.

Revenue Recognition

Contributions and Contributions of Easements

Contributions of land and easements are recorded and reflected in the accompanying consolidated statements of activities at their fair values based on the appraisal value of the land 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 contributions, which are expected to be collected within one year, are recorded at net realizable value. Unconditional contributions 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 contributions 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 grant revenue when all conditions stipulated by the grant have been substantially met.

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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 as revenue 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 other activities; 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 statements of functional expenses. Accordingly, certain costs have been allocated among the program services, fundraising and management and general, activities benefited.

<u>Expense</u>	<u>Allocation Method</u>
Salaries and employee benefits	Time and effort
Contractor fees	Direct and location
Depreciation	Square footage and location
Supplies	Direct and location
Professional fees	Direct and location

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code on activities related to the Organization's exempt purpose. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Management believes it is no longer subject to income tax examinations for years prior to 2019.

Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The changes associated with this ASU include the requirement for lessees to recognize the underlying assets and liabilities associated with all operating leases with terms greater than 12 months. The changes became effective for the Organization on January 1, 2022. There was no significant impact on the Organization's consolidated financial statements as a result of adopting this standard.

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In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU increases transparency around contributed nonfinancial assets (gifts-in-kind) received by not-for-profit entities by requiring the contributed nonfinancial assets to be reported separately in the consolidated statements of activities and additional disclosures regarding their use and valuation techniques utilized. The changes became effective for the Organization on January 1, 2022. There was no significant impact on the Organization’s consolidated financial statements as a result of adopting this standard other than additional disclosures.

Subsequent Events

Management evaluated subsequent events through September 20, 2023, the date the consolidated financial statements were available to be issued.

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 consolidated statements of financial position dates, comprise the following at December 31:

	2022	2021
Financial Assets:		
Cash and cash equivalents	\$ 990,866	\$ 2,254,552
Accounts receivable	255,644	181,702
Contributions receivable, net	-	11,666
Total financial assets	1,246,510	2,447,920
Amounts that are internally designated or externally restricted:		
Contributions receivable	-	(11,666)
Financial assets available to meet general expenditures within one year	\$ 1,246,510	\$ 2,436,254

The Organization manages its liquidity and cash reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

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As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has available a line of credit, which it could draw upon as further disclosed in Note 8.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable, net consist of the following at December 31:

	2022	2021
Restricted for capital campaign	\$ -	\$ 16,666
Allowance for doubtful accounts	-	(5,000)
Net unconditional promises to give	\$ -	\$ 11,666
Amounts due		
Less than one year	\$ -	\$ 16,666
Allowance for doubtful accounts	-	(5,000)
	\$ -	\$ 11,666

5. INVESTMENTS

Investments were as follows at December 31:

	2022	2021
Funds held by Berks County Community Foundation	\$ 3,385,984	\$ 3,003,437
	\$ 3,385,984	\$ 3,003,437

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

	2022	2021
Dividends and interest, net of fees	\$ 42,046	\$ 29,470
Net realized gains	75,393	731,580
Net unrealized gains (loss)	(491,187)	(381,371)
	\$ (373,748)	\$ 379,679

6. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB Accounting Standard Codification (ASC) 820, *Fair Value Measurements and Disclosures*, are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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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, 2022 and 2021.

Beneficial Interest in Berks County Community Foundation Agency Account: Valued at the net asset value of the underlying investments held by and as reported to the Organization by Berks County Community Foundation.

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 following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as December 31, 2022 and 2021.

Assets at fair value as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Beneficial Interest in Berks County Community Foundation Agency Account	\$ -	\$ -	\$ 3,385,984	\$ 3,385,984
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,385,984</u>	<u>\$ 3,385,984</u>

Assets at fair value as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Beneficial Interest in Berks County Community Foundation Agency Account	\$ -	\$ -	\$ 3,003,437	\$ 3,003,437
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,003,437</u>	<u>\$ 3,003,437</u>

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7. CONSTRUCTION IN PROGRESS, BUILDING, IMPROVEMENTS, AND EQUIPMENT

A summary of construction in progress, building, improvements, and equipment is as follows at December 31:

	2022	2021
Construction in progress*	\$ -	\$ 3,286,646
Building and improvements	8,905,077	4,089,476
Equipment	691,320	469,213
	9,596,397	7,845,335
Accumulated depreciation	(1,024,956)	(826,951)
	\$ 8,571,441	\$ 7,018,384

*Not a depreciable asset

The most significant component of construction in progress as of December 31, 2021, was The Nature Place Phase 2 Project, which totaled approximately \$2,826,939.

8. LINE OF CREDIT

The Organization has a \$250,000 line of credit with Tompkins Bank. The outstanding balance on the line of credit is collateralized by assets of the Organization. All amounts borrowed are payable on demand and bear interest at the Wall Street Journal prime rate minus 0.25% with a floor of 3%. The interest rate on the line was 7% and 3% at December 31, 2022 and 2021. The Organization increased their availability on their line of credit from \$250,000 to \$1,000,000 to cover any necessary construction cash flow during 2022. The line of credit reverted back to its original \$250,000 in October 2022.

As of December 31, 2022 and 2021, there was no outstanding balance.

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9. LONG-TERM DEBT

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

	2022	2021
Note payable to Berks County Community Foundation’s sustainable energy fund for the 2017 construction of The Nature Place, monthly payments of \$1,266, including interest at 1.75%, maturing in 2024, secured by real estate.	\$ 18,768	\$ 33,489
Note payable to Tompkins Bank for a mortgage on an acquired property added to the Neversink Mountain Community Forest and Preserve. Monthly payments of principal and interest of \$2,067, beginning in February 2022, and a final balloon principal and interest payment on January 1, 2027. Interest accrues at 3.50%.	274,393	288,000
	293,161	321,489
Debt issuance costs	-	(17,686)
Current portion	(30,457)	(28,441)
	\$ 262,704	\$ 275,362

Aggregate annual maturities required on long-term debt at December 31, 2022, are due as follows:

2023	\$	30,457
2024		19,806
2025		16,594
2026		17,184
2027		209,120
	\$	293,161

10. PAYCHECK PROTECTION PROGRAM LOANS

In April 2020, the Organization qualified for and received loan proceeds pursuant to the Paycheck Protection Program (the PPP), a program implemented by the U.S. Small Business Administration under

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the Coronavirus Aid, Relief, and Economic Security (CARES) Act, in the amount of \$140,902. On March 8, 2021, the Organization received full loan forgiveness of \$140,902. In March 2021, the Organization applied for a second PPP loan and received loan proceeds in the amount of \$108,198. On November 15, 2021, the Organization received full forgiveness on the second PPP loan of \$108,198. For the year ended December 31, 2021, extinguishment of the PPP loans is included on the consolidated statements of activities as forgiveness of paycheck protection program loans in the amount of \$249,100.

11. NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Subject to expenditure for specified purpose or period:		
Land conservation programs	\$ 2,449,069	\$ 1,678,816
Watershed restoration and protection programs	18,904	30,371
Urban revitalization	93,695	135,437
Environmental and conservation education	146,601	187,681
Building and rooftop deck construction	-	673,061
	<u>2,708,269</u>	<u>2,705,366</u>
Restricted in perpetuity:		
Land and easements	23,626,080	22,079,922
Endowment funds held for environmental/ conservation education	<u>1,230,000</u>	<u>1,230,000</u>
	<u>24,856,080</u>	<u>23,309,922</u>
	<u>\$ 27,564,349</u>	<u>\$ 26,015,288</u>

12. NET ASSETS IN ENDOWMENT FUNDS

The Organization's endowment consisted of funds restricted 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 restricted by donors 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 the Pennsylvania statute, the Organization classified amounts in its donor-restricted endowment funds as net assets with donor restrictions, because those net assets were time restricted until the Board appropriated such amounts

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for expenditure. Most of those net assets also were subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board has interpreted the 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 the 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.

On December 28, 2021, the Organization's endowment totaling \$3,000,000 was transferred to Berks County Community Foundation. The endowments transferred to the Foundation will be held in accounts for the same restricted purposes under the Organization. The Organization will receive annual distributions from the Foundation from the endowment funds. In addition, Berks Nature received a cash payment from the investments totaling \$106,059 that was paid to the Foundation in January of 2022. The Organization granted complete variance power over the investments, and administration of the funds to the Foundation. The Organization will receive earnings and income generated under the endowment in accordance with Foundation agreements. The investments are presented as a beneficial interest in Berks County Community Foundation, on the consolidated statements of financial position. See Note 16, for additional endowments held by the Foundation.

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

2022	Without Restriction Board Designated	Restricted for Specified Purpose	Restricted in Perpetuity	Total
Endowment net assets at beginning of year	\$ -	\$ 1,773,437	\$ 1,230,000	\$ 3,003,437
Investment income (loss) net of fees	-	(376,324)	-	(376,324)
Contributions	-	714,412	-	714,412
Appropriations of endowment assets for expenditures	-	(61,600)	-	(61,600)
Release of endowment payable to Berks County Community Foundation	-	106,059	-	106,059
Endowment net assets at end of year	<u>\$ -</u>	<u>\$ 2,155,984</u>	<u>\$ 1,230,000</u>	<u>\$ 3,385,984</u>

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2021	Without Restriction Board Designated	Restricted for Specified Purpose	Restricted in Perpetuity	Total
Endowment net assets at beginning of year	\$ 353,041	\$ 1,508,026	\$ 1,230,000	\$ 3,091,067
Investment income net of fees	41,595	338,084	-	379,679
Contributions	22,665	68,606	-	91,271
Appropriations of endowment assets for expenditures	(278,078)	(174,443)	-	(452,521)
Transfer from board designated to designated	(139,223)	139,223	-	-
Release of endowment payable to Berks County Community Foundation	-	(106,059)	-	(106,059)
Endowment net assets at end of year	<u>\$ -</u>	<u>\$ 1,773,437</u>	<u>\$ 1,230,000</u>	<u>\$ 3,003,437</u>

13. TAX DEFERRED ANNUITY PLAN

The Organization has a defined contribution 401(k) plan for employees. The Organization makes no contributions to the plan.

14. 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.

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15. 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). As further disclosed in Note 1, Properties, Inc. is getting dissolved and its net assets were transferred to Berks Nature in 2022.

In 2019, 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 IRC 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:

	2022	2021
Net assets		
Without donor restrictions		
Berks Nature	\$ 10,537,818	\$ 8,503,203
Berks County Conservancy Properties, Inc.	-	588,210
Berks Nature Educational Programs, LLC	196,773	131,811
	10,734,591	9,223,224
With donor restrictions		
Berks Nature	27,564,349	26,000,740
Berks County Conservancy Properties, Inc.	-	14,548
	27,564,349	26,015,288
	\$ 38,298,940	\$ 35,238,512

16. BERKS COUNTY COMMUNITY FOUNDATION HELD ENDOWMENTS

In June of 2021, the Berks County Community Foundation received a donation to establish “The Berks Nature Endowment Fund” at the Foundation. The purpose of the fund, which is to be held in perpetuity, is to provide annual operating support to the Organization. The initial contribution to that fund was \$25 million. The Foundation retains variance power over the funds and may modify the interest in the funds under certain circumstances. Thus, the assets of the fund are not reported on the Organization’s consolidated financial statements.

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On December 28, 2021, the Organization transferred \$82,098 of endowment funds to the Foundation that is included in the Berks Nature Endowment Fund as an agency account. These funds are included in the beneficial interest in Berks County Community Foundation, on the consolidated statements of financial position.

The Foundation held endowments for the Organization are as follows at December 31:

	2022	2021
Berks Nature endowment fund	\$ 21,091,329	\$ 25,703,417
Conservation equity fund	54,028	63,900
Fund for stream and wetland preservation	22,093	25,646
	\$ 21,167,450	\$ 25,792,963

As described in Note 12, the Foundation holds agency funds that were established by the Organization. These funds are recorded as the beneficial interest in Berks County Community Foundation, on the consolidated statements of financial position.

The Foundation held agency fund endowments for the Organization are as follows at December 31:

	2022	2021
Berks Nature endowment fund	\$ 85,571	\$ 82,098
Community gardens fund	87,215	99,334
Conservation easement stewardship fund	921,605	1,002,195
Golden meadows management fund	145,670	166,048
Land protection bridge fund	440,051	501,529
Wetland management fund	17,276	19,675
Nature preservation and trail management fund	1,364,477	763,082
Endowment fund for education at Berks Nature	288,669	329,011
Education endowment fund	35,450	40,465
	\$ 3,385,984	\$ 3,003,437

17. CONCENTRATIONS

For the year ended December 31, 2022, contributions from two donors accounted for 44% of the contributions. For the year ended December 31, 2021, contributions from one donor accounted for 62% of the contributions.



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