

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

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022



McKONLY
& ASBURY

TAX
ASSURANCE
CONSULTING
ACCOUNTING

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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors of
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, 2023 and 2022, 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, 2023 and 2022, 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.

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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

Camp Hill, Pennsylvania
July 19, 2024

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
Current assets		
Cash and cash equivalents	\$ 700,909	\$ 990,866
Grants and accounts receivable	82,799	255,644
Inventory	34,419	37,147
Prepaid expenses and other current assets	24,749	17,000
Total current assets	842,876	1,300,657
Noncurrent assets		
Building, improvements, and equipment	9,661,523	9,596,397
Land held for conservation	4,548,393	2,248,393
Conservation easements held	24,307,022	23,398,511
Accumulated depreciation	(1,312,139)	(1,024,956)
Beneficial interest in assets held by Berks County Community Foundation	3,958,730	3,385,984
Total noncurrent assets	41,163,529	37,604,329
Total assets	\$ 42,006,405	\$ 38,904,986

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 15,420	\$ 77,564
Accrued expenses	99,698	37,827
Refundable advances	259,824	197,494
Current portion of long-term debt	19,812	30,457
Total current liabilities	394,754	343,342
Long-term debt	120,598	262,704
Total liabilities	515,352	606,046
Net assets		
Without donor restrictions		
Undesignated	12,848,130	10,734,591
With donor restrictions	28,642,923	27,564,349
Total net assets	41,491,053	38,298,940
Total liabilities and net assets	\$ 42,006,405	\$ 38,904,986

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, 2023 AND 2022

	2023	2022
Changes in net assets without donor restrictions		
Revenue and other support		
Contributions and grants	\$ 1,396,309	\$ 2,693,474
Donated land	2,300,000	304,803
Tuition and fees, net	542,092	442,073
Store sales	23,538	18,972
Rental income	55,745	37,960
Bank interest income	18,002	2,576
Miscellaneous income	47,543	27,331
Net assets released from restrictions	1,390,038	842,689
Total revenue and other support	5,773,267	4,369,878
Expenses		
Program services	3,068,335	2,263,606
Fundraising	118,588	93,022
Management and general	472,805	501,883
Total expenses	3,659,728	2,858,511
Increase in net assets without donor restrictions	2,113,539	1,511,367
Changes in net assets with donor restrictions		
Contributions and grants	1,164,465	1,221,916
Investment income (loss), net	395,636	(376,324)
Contributions of easements	908,511	1,546,158
Net assets released from restrictions	(1,390,038)	(842,689)
Increase in net assets with donor restrictions	1,078,574	1,549,061
Change in net assets	3,192,113	3,060,428
Net assets at beginning of year	38,298,940	35,238,512
Net assets at end of year	\$ 41,491,053	\$ 38,298,940

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, 2023

	Program Services	Fundraising	Management and General	Total
Salaries and employee benefits	\$ 1,378,671	\$ 66,694	\$ 362,421	\$ 1,807,786
Professional fees	272,769	4,681	23,715	301,165
Travel	13,606	221	246	14,073
Meals and related supplies	14,259	556	1,270	16,085
Postage	5,527	1,242	1,098	7,867
Advertising and promotions	10,261	2,476	-	12,737
Contractor fees	574,421	441	2,395	577,257
Printing	28,542	11,585	110	40,237
Registration and licenses	1,862	139	212	2,213
Equipment leases	7,552	334	1,813	9,699
Office supplies	53,820	5,615	13,717	73,152
Online store goods	14,279	-	-	14,279
Repairs and maintenance	51,382	3,243	17,623	72,248
Information technology	13,556	790	4,293	18,639
Supplies	107,088	2,152	826	110,066
Interest expense	6,865	440	2,393	9,698
Meeting expenses	7,477	103	451	8,031
Dues and subscriptions	6,732	1,771	458	8,961
Insurance	68,206	2,558	13,900	84,664
Utilities/recycle	25,136	1,307	7,101	33,544
Equipment maintenance	2,045	119	648	2,812
Depreciation expense	261,048	11,476	14,659	287,183
Easement acquisition cost	85,273	27	148	85,448
Property management	4,491	-	-	4,491
Bank fees	18,914	292	1,538	20,744
Receptions	10,331	-	-	10,331
Miscellaneous expense	24,222	326	1,770	26,318
Total consolidated functional expenses	<u>\$ 3,068,335</u>	<u>\$ 118,588</u>	<u>\$ 472,805</u>	<u>\$ 3,659,728</u>

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

	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
Total consolidated functional expenses	<u>\$ 2,263,606</u>	<u>\$ 93,022</u>	<u>\$ 501,883</u>	<u>\$ 2,858,511</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, 2023 AND 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 3,192,113	\$ 3,060,428
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Depreciation	287,183	198,005
Amortization of debt issuance costs	-	17,686
Investment (income) loss, net	(395,636)	376,324
Contributions of land and easements	(3,208,511)	(1,850,961)
(Increase) decrease in assets		
Accounts receivable	172,845	(73,942)
Contributions receivable, net	-	11,666
Inventory	2,728	(13,183)
Prepaid expenses and other current assets	(7,749)	(2,156)
Increase (decrease) in liabilities		
Accounts payable	(62,144)	28,255
Accrued expenses	61,871	850
Refundable advances	62,330	(39,473)
	105,030	1,713,499
Cash flows from investing activities		
Purchase of improvements, equipment, land, and easements	(65,126)	(2,189,986)
Additions to beneficial interest in assets held by Berks County Community Foundation	(316,010)	(714,412)
Distributions of beneficial interest in assets held by Berks County Community Foundation	138,900	61,600
Release of endowment payable to Berks County Community Foundation	-	(106,059)
	(242,236)	(2,948,857)
Cash flows from financing activities		
Principal payments on long-term debt	(152,751)	(28,328)
	(152,751)	(28,328)
Net decrease in cash and cash equivalents	(289,957)	(1,263,686)
Cash and cash equivalents at beginning of year	990,866	2,254,552
Cash and cash equivalents at end of year	\$ 700,909	\$ 990,866
Supplemental disclosures of cash flow information		
Cash payments for interest	\$ 9,698	\$ 9,620
Total additions to improvements, equipment, land, and easements	\$ 3,273,637	\$ 3,602,023
Less: Contributions of land and easements	(3,208,511)	(1,850,961)
Plus: Amount in accounts payable, prior year	-	438,924
Purchase of improvements, equipment, land, and easements	\$ 65,126	\$ 2,189,986

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), are nonprofit entities organized under the laws of the Commonwealth of Pennsylvania and are 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. 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. The dissolution has occurred in 2024.

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. In 2023, the Organization took ownership of a new 320-acre preserve known as the Dent-Gundry Wildlife Preserve.

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. The Organization manages four watershed associations of volunteers who complete citizen science, education, and community outreach.

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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. In 2023, the major focus was on extending the Angelica Creek Trail.

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 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.

The summer camp was fully subscribed in 2023.

The Nature Place and The Rookery

The Nature Place, a LEED Gold certified nature center, and The Rookery rooftop deck and classroom are facilities that enable the Organization to accommodate larger groups of up to 150 people which include field trips, recognition events and rentals. The Organization had over 15,000 visitors to The Nature Place in 2023.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization 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 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, 2023 and 2022, 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

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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 limits.

Grants and 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 credit losses 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. As of December 31, 2023 and 2022, the balance in allowance for credit losses was zero. This includes grants receivable that are under contract.

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	3-7 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.

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The Organization's policy is to capitalize building, improvements, and equipment expenditures of \$5,000 or more.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of the estimated future cash flows and the discounted rates reflecting varying degrees of perceived risk. Management has concluded that no impairment adjustments were required during the years ended December 31, 2023 and 2022.

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.

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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.

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

Berks Nature and Berks County Conservation Properties, Inc. are nonprofit corporations and Berks Nature Educational Program LLC is a disregarded entity that is included with Berks Nature in filing annual federal nonprofit returns with the Internal Revenue Service. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status and to identify and evaluate other

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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 2020.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the presentation of the 2023 financial statements.

Recently Adopted Accounting Standards

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments – *Credit Losses (ASC Topic 326)*. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. CECL requires an estimate of credit losses for the remaining estimated life of a financial asset using historical experience, current conditions, and reasonable and supportable forecasts. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were accounts receivable. The Organization adopted the new standard using the modified retrospective approach effective January 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in enhanced disclosures.

Subsequent Events

Management evaluated subsequent events through July 19, 2024, 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:

	2023	2022
Financial Assets:		
Cash and cash equivalents	\$ 700,909	\$ 990,866
Accounts receivable	82,952	255,644
Financial assets available to meet general expenditures within one year	\$ 783,861	\$ 1,246,510

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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 6.

4. 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.

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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.

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, 2023 and 2022.

Beneficial Interest in Assets Held by 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, 2023 and 2022.

Assets at fair value as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial Interest in Assets Held by Berks County Community Foundation Agency Account	\$ -	\$ -	\$ 3,958,730	\$ 3,958,730
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,958,730</u>	<u>\$ 3,958,730</u>

Assets at fair value as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial Interest in Assets Held by 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>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A reconciliation of changes in Level 3 assets is as follows for the year ended December 31:

	2023	2022
Beginning balance	\$ 3,385,984	\$ 3,003,437
Contributions	316,010	714,412
Transfers	-	106,059
Investment income (loss), net of fees	395,636	(376,324)
Distributions	(138,900)	(61,600)
Ending balance	\$ 3,958,730	\$ 3,385,984

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

	2023	2022
Dividends and interest, net of fees	\$ 45,478	\$ 39,470
Net realized gains	241,580	75,393
Net unrealized gains (loss)	108,578	(491,187)
	\$ 395,636	\$ (376,324)

5. BUILDING, IMPROVEMENTS, AND EQUIPMENT

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

	2023	2022
Building and improvements	\$ 8,929,636	\$ 8,905,077
Equipment	731,887	691,320
	9,661,523	9,596,397
Accumulated depreciation	(1,312,139)	(1,024,956)
	\$ 8,349,384	\$ 8,571,441

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6. 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 8.25% and 7.00% at December 31, 2023 and 2022.

As of December 31, 2023 and 2022, there was no outstanding balance on the line of credit.

7. LONG-TERM DEBT

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

	2023	2022
Note payable to Berks County Community Foundation’s sustainable energy fund for the construction of The Nature Place. Monthly payments of \$1,266, including interest at 1.75% are required and the note is secured by real estate. The note was repaid in full in March 2024.	\$ 3,788	\$ 18,768
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%.	136,622	274,393
	140,410	293,161
Current portion	(19,812)	(30,457)
	\$ 120,598	\$ 262,704

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Aggregate annual maturities required on long-term debt at December 31, 2023, are due as follows:

2024	\$	19,812
2025		16,594
2026		17,184
2027		86,820
		86,820
	\$	140,410

8. NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Subject to expenditure for specified purpose or period:		
Land conservation programs	\$ 2,611,993	\$ 2,449,069
Watershed restoration and protection programs	19,610	18,904
Urban revitalization	93,007	93,695
Environmental and conservation education	153,722	146,601
	2,878,332	2,708,269
Restricted in perpetuity:		
Land and easements	24,534,591	23,626,080
Endowment funds held for environmental/ conservation education	1,230,000	1,230,000
	25,764,591	24,856,080
	\$ 28,642,923	\$ 27,564,349

9. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 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 are held in accounts for the same restricted purposes under the Organization. The Organization receives annual distributions from the Foundation from the endowment funds. The Organization granted complete variance power over the investments, and administration of the funds to the Foundation. The Organization receives earnings and income generated under the endowment in accordance with Foundation agreements. The investments are presented as a beneficial interest in assets held by Berks County Community Foundation, on the consolidated statements of financial position. See Note 13, for additional endowments held by the Foundation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Changes in endowment net assets composition for 2023 and 2022 are as follows:

<u>2023</u>	<u>Restricted for Specified Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Endowment net assets at beginning of year	\$ 2,155,984	\$ 1,230,000	\$ 3,385,984
Investment income net of fees	395,636	-	395,636
Contributions	316,010	-	316,010
Appropriations of endowment assets for expenditures	<u>(138,900)</u>	<u>-</u>	<u>(138,900)</u>
Endowment net assets at end of year	<u>\$ 2,728,730</u>	<u>\$ 1,230,000</u>	<u>\$ 3,958,730</u>
<u>2022</u>	<u>Restricted for Specified Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Endowment net assets at beginning of year	\$ 1,773,437	\$ 1,230,000	\$ 3,003,437
Investment 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	<u>106,059</u>	<u>-</u>	<u>106,059</u>
Endowment net assets at end of year	<u>\$ 2,155,984</u>	<u>\$ 1,230,000</u>	<u>\$ 3,385,984</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. TAX DEFERRED ANNUITY PLAN

The Organization has a defined contribution 401(k) plan for employees. Effective January 1, 2023, the Organization began to provide a safe harbor matching contribution equal to 100% of employee contributions up to a maximum of 3% of eligible compensation plus 50% of employee contributions between 3% and 5% of eligible compensation. Employer's safe harbor matching contributions totaled \$43,213 for the year ended December 31, 2023.

11. 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.

12. 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.

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

	2023	2022
Net assets		
Without donor restrictions		
Berks Nature	\$ 12,623,657	\$ 10,537,818
Berks Nature Educational Programs, LLC	224,473	196,773
	12,848,130	10,734,591
With donor restrictions		
Berks Nature	28,642,923	27,564,349
	\$ 41,491,053	\$ 38,298,940

13. 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. Two other endowments are held by the Foundation. The Foundation retains variance power over the funds and may modify the interests in the funds under certain circumstances. Thus, the assets of the funds are not reported on the Organization’s consolidated financial statements.

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

	2023	2022
Berks Nature endowment fund	\$ 22,428,705	\$ 21,091,329
Conservation equity fund	61,455	54,028
Fund for stream and wetland preservation	24,364	22,093
	\$ 22,514,524	\$ 21,167,450

As described in Note 9, the Foundation holds agency funds that were established by the Organization. These funds are recorded as the beneficial interest in assets held by Berks County Community Foundation, on the consolidated statements of financial position.

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

	2023	2022
Berks Nature endowment fund	\$ 91,471	\$ 85,571
Community gardens fund	93,007	87,215
Conservation easement stewardship fund	1,054,285	921,605
Golden meadows management fund	155,397	145,670
Land protection bridge fund	469,265	440,051
Wetland management fund	18,436	17,276
Nature preservation and trail management fund	1,731,182	1,364,477
Endowment fund for education at Berks Nature	307,811	288,669
Education endowment fund	37,876	35,450
	\$ 3,958,730	\$ 3,385,984

14. CONCENTRATIONS

For the year ended December 31, 2023, contributions from two donors accounted for 58% of the contributions. For the year ended December 31, 2022, contributions from two donors accounted for 44% of the contributions. These contributions consist mostly of land and easement contributions.



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