

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

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020



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 statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses and cash flows, for the year 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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Consolidated 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The consolidated financial statements of Berks Nature and its supporting organization and disregarded entity for the year ended December 31, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on July 27, 2021.

Responsibilities of Management for the Consolidated 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 Consolidated 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 21, 2022

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,254,552	\$ 619,392
Investments	-	3,091,067
Accounts receivable	181,702	89,489
Contributions receivable, net	11,666	170,833
Inventory	23,964	28,533
Prepaid expenses and other current assets	14,844	4,379
Total current assets	2,486,728	4,003,693
Noncurrent assets		
Construction in progress	3,286,646	97,044
Building, leasehold improvements, and equipment	4,558,689	4,488,506
Land held for conservation	1,943,590	1,486,310
Conservation easements held	21,852,353	21,682,353
Accumulated depreciation	(826,951)	(695,724)
Beneficial interest in assets held by Berks County Community Foundation	3,003,437	-
Total noncurrent assets	33,817,764	27,058,489
Total assets	\$ 36,304,492	\$ 31,062,182
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 488,233	\$ 93,751
Accrued expenses	36,977	37,705
Refundable advances	236,967	150,842
Current portion of long-term debt	28,441	155,368
Total current liabilities	790,618	437,666
Long-term debt, net of debt issuance costs	275,362	183,550
Total liabilities	1,065,980	621,216
Net assets		
Without donor restrictions		
Undesignated	9,223,224	5,000,519
Board-designated endowment	-	353,041
	9,223,224	5,353,560
With donor restrictions	26,015,288	25,087,406
Total net assets	35,238,512	30,440,966
Total liabilities and net assets	\$ 36,304,492	\$ 31,062,182

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

**BERKS NATURE AND SUPPORTING ORGANIZATION
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CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Changes in net assets without donor restrictions		
Revenue and other support		
Contributions and grants	\$ 870,831	\$ 908,412
Membership dues	21,274	56,294
Tuition and fees, net	396,923	197,600
Store sales	4,428	3,783
Rental income	744	1,534
Investment income	41,595	40,845
Forgiveness of paycheck protection program loans	249,100	-
Miscellaneous income	40,667	15,201
Net assets released from restrictions	4,108,964	615,305
Total revenue and other support	5,734,526	1,838,974
Expenses		
Program services	1,482,307	1,408,393
Fundraising	50,469	79,035
Management and general	332,086	262,479
Total expenses	1,864,862	1,749,907
Increase in net assets without donor restrictions	3,869,664	89,067
Changes in net assets with donor restrictions		
Contributions and grants	4,528,762	1,442,763
Investment income	338,084	406,163
Contributions of easements	170,000	566,946
Net assets released from restrictions	(4,108,964)	(615,305)
Increase in net assets with donor restrictions	927,882	1,800,567
Change in net assets	4,797,546	1,889,634
Net assets at beginning of year	30,440,966	28,551,332
Net assets at end of year	\$ 35,238,512	\$ 30,440,966

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

**BERKS NATURE AND SUPPORTING ORGANIZATION
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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>
Total consolidated functional expenses	<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 financial statements.

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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	2020			
	Program Services	Fundraising	Management and General	Total
Salaries and employee benefits	\$ 538,809	\$ 56,058	\$ 193,434	\$ 788,301
Professional fees	30,230	1,440	4,970	36,640
Travel	6,146	37	46	6,229
Meals and related supplies	2,207	37	71	2,315
Postage	2,826	107	368	3,301
Advertising and promotions	12,781	508	133	13,422
Contractor fees	410,362	-	-	410,362
Printing	17,172	206	712	18,090
Registration and licenses	769	48	167	984
Equipment leases	2,935	281	969	4,185
Office supplies	42,466	4,781	10,288	57,535
Online store goods	1,970	-	-	1,970
Repairs and maintenance	7,030	204	702	7,936
Information technology	7,926	803	2,771	11,500
Supplies	66,140	109	374	66,623
Interest expense	4,974	518	1,786	7,278
Meeting expenses	1,631	157	420	2,208
Dues and subscriptions	4,754	504	166	5,424
Insurance	35,352	2,505	8,645	46,502
Utilities/recycle	15,630	618	2,133	18,381
Equipment maintenance	3,290	-	-	3,290
Depreciation expense	90,353	9,400	32,437	132,190
Easement acquisition cost	89,702	321	74	90,097
Property management	2,497	10	35	2,542
Bad debt expense	-	50	-	50
Bank fees	4,128	135	466	4,729
Miscellaneous expense	6,313	198	1,312	7,823
	<u>\$ 1,408,393</u>	<u>\$ 79,035</u>	<u>\$ 262,479</u>	<u>\$ 1,749,907</u>
Total consolidated functional expenses	<u>\$ 1,408,393</u>	<u>\$ 79,035</u>	<u>\$ 262,479</u>	<u>\$ 1,749,907</u>

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 4,797,546	\$ 1,889,634
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Depreciation	131,226	132,190
Restricted contributions	-	(4,500)
Contributions to be used for long-term construction project	(3,500,000)	-
Investment income, net	(379,679)	(380,554)
Contributions of land and easements	(170,000)	(566,946)
Forgiveness of paycheck protection program loan	(249,100)	-
(Increase) decrease in assets		
Accounts receivable	(92,213)	(13,614)
Contributions receivable, net	159,167	-
Inventory	4,569	21
Prepaid expenses and other current assets	(10,465)	5,968
Increase (decrease) in liabilities		
Accounts payable	(44,442)	81,408
Accrued expenses	(728)	28,827
Refundable advances	86,125	54,229
Net cash and cash equivalents provided by operating activities	732,006	1,226,663
Cash flows from investing activities		
Purchase of leasehold improvements, equipment, land, construction in progress and easements	(3,278,140)	(133,340)
Restricted contributions received	171,896	-
Proceeds from sale and maturity of investments	386,684	1,160,646
Purchase of investments	(91,271)	(3,110,784)
Net cash and cash equivalents used in investing activities	(2,810,831)	(2,083,478)
Cash flows from financing activities		
Restricted contributions received	-	1,000,800
Contributions to be used for long-term construction project	3,500,000	-
Proceeds from paycheck protection program	108,198	140,902
Proceeds from long-term debt	288,000	-
Principal payments on long-term debt	(182,213)	(15,870)
Net cash and cash equivalents provided by financing activities	3,713,985	1,125,832
Net increase in cash and cash equivalents	1,635,160	269,017
Cash and cash equivalents at beginning of year	619,392	350,375
Cash and cash equivalents at end of year	\$ 2,254,552	\$ 619,392
Supplemental disclosures of cash flow information		
Cash payments for interest	\$ 4,024	\$ 7,278
Noncash transactions, contributions of land and easements	\$ 170,000	\$ 566,946

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

BERKS NATURE AND SUPPORTING ORGANIZATION AND DISREGARDED ENTITY

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). The Organization provides the following program services related to conservation:

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.

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 green community spaces and community gardens. These gardens provide opportunities for local residents to grow their own vegetables, herbs, and flowers which engenders economic self-sufficiency, health and nutritional benefits, resident cooperation, community spirit, and is an attractive green space in urban areas. The Organization supports the principles of smart growth.

BERKS NATURE AND SUPPORTING ORGANIZATION AND DISREGARDED ENTITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 the newly created entity, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Company prepares its 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., 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, 2020, net assets without donor restrictions include \$353,041 of board-designated net assets. These

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

net assets were specifically designated by the Board of Directors to function as an endowment. At December 31, 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 limits. At times, deposits may be in excess of the FDIC insurance limits; however, the Foundation has not experienced losses in any of these accounts.

Investments

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

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.

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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, 2021 and 2020, the balance in allowance for doubtful accounts was \$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, Leasehold Improvements, and Equipment

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

Building and leasehold improvements	40 years
Equipment	3-5 years

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

The Organization's policy is to capitalize equipment expenditures of \$2,000 or more.

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, 2021 and 2020.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 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.

Membership Dues

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

Tuition and Fees

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 2018.

Recent Accounting Pronouncements

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 become effective for the Organization on January 1, 2022. Management is currently evaluating the impact of these changes on the Organization's consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958). The changes associated with this ASU include the requirement for presentation and disclosure of contributed nonfinancial assets within the financial statements. The changes became effective for the Organization on January 1, 2022. Management is currently evaluating the impact of these changes on the Organization's consolidated financial statements.

Reclassifications

Certain items have been reclassified in the year ended December 31, 2020, consolidated financial statements to conform to their presentation in the year ended December 31, 2021, consolidated financial statements.

Subsequent Events

Management evaluated subsequent events through July 21, 2022, the date the consolidated financial statements were available to be issued. See Note 18 for additional details to subsequent events.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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:

	2021	2020
Financial Assets:		
Cash and cash equivalents	\$ 2,254,552	\$ 619,392
Investments	-	3,091,067
Accounts receivable	181,702	89,489
Contributions receivable, net	11,666	170,833
Total financial assets	2,447,920	3,970,781
Amounts that are internally designated or externally restricted:		
Contributions receivable	(11,666)	(170,833)
Board designated endowment funds	-	(353,041)
Endowment funds	-	(2,738,026)
Restricted net assets	(931,928)	-
Financial assets available to meet general expenditures within one year	\$ 1,504,326	\$ 708,881

The Organization's endowment funds consisted of donor-restricted endowments and a board-designated endowment. Income from donor-restricted endowments were expendable to support the Organization's services and; therefore, were available for general expenditure. To help manage unanticipated liquidity needs, the Organization had a board-designated endowment of \$353,041 as of December 31, 2020. Amounts from its board-designated endowment could be made available if necessary. As of December 31, 2021, the donor-restricted endowment funds were transferred to Berks County Community Foundation (the Foundation), as agency endowment funds. See Note 12.

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 8.

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4. CONTRIBUTIONS RECEIVABLE

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

	2021	2020
Restricted for capital campaign	\$ 16,666	\$ 183,333
Unamortized discount	-	(7,500)
Allowance for doubtful accounts	(5,000)	(5,000)
Net unconditional promises to give	\$ 11,666	\$ 170,833
Amounts due		
Less than one year	\$ 16,666	\$ 50,000
One to five years	-	125,833
	16,666	175,833
Allowance for doubtful accounts	(5,000)	(5,000)
	\$ 11,666	\$ 170,833

5. INVESTMENTS

Investments were as follows at December 31:

	2021	
Funds held by Berks County Community Foundation		\$ 3,003,437
		\$ 3,003,437
	2020	
	Cost	Fair Value
Cash and cash equivalents	\$ 57,673	\$ 57,673
Mutual funds	1,732,147	2,039,649
Corporate and municipal bonds	528,246	567,609
U.S. government obligation	282,403	298,672
Equity securities	109,381	127,464
	\$ 2,709,850	\$ 3,091,067

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

	2021	2020
Dividends and interest, net of fees	\$ 29,470	\$ 22,578
Net realized gains	731,580	251,838
Net unrealized gains (loss)	(381,371)	172,592
	\$ 379,679	\$ 447,008

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, 2021 and 2020.

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

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

U.S. government obligations: Valued using pricing models maximizing the use of observable inputs for similar securities.

Equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

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 of December 31, 2021 and 2020.

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
	\$ -	\$ -	\$ 3,003,437	\$ 3,003,437

Assets at fair value as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,039,649	\$ -	\$ -	\$ 2,039,649
Corporate and municipal bonds	-	567,609		567,609
U.S. Government obligations	-	298,672	-	298,672
Equity securities	127,464	-	-	127,464
	\$ 2,167,113	\$ 866,281	\$ -	\$ 3,033,394

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

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

	2021	2020
Construction in progress*	\$ 3,286,646	\$ 97,044
Building and leasehold improvements	4,089,476	4,089,476
Equipment	469,213	399,030
	7,845,335	4,585,550
Accumulated depreciation	(826,951)	(695,724)
	\$ 7,018,384	\$ 3,889,826

*Not a depreciable asset

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

8. LINE OF CREDIT

The Organization has a \$250,000 line of credit with Tomkins VIST 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 3% at December 31, 2021 and 2020. The Organization increased their line of credit from \$250,000 to \$1,000,000 to cover any necessary construction cash flow during 2022. The line of credit reverts back to its original \$250,000 in October 2022.

As of December 31, 2021 and 2020, there was no outstanding balance.

9. LONG-TERM DEBT

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

	2021	2020
Note payable to Tomkins VIST bank for the 2017 construction of The Nature Place, interest only payments at 4.75% through August 22, 2026, with the balance due in full. The note was secured by real estate and was paid in full during 2021.	\$ -	\$ 168,944

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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.	33,489	46,758
Paycheck Protection Program loan was fully forgiven during 2021. See Note 10.	-	140,902
Note payable to Tomkins VIST 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%.	288,000	-
	321,489	356,604
Debt issuance costs	(17,686)	(17,686)
Current portion	(28,441)	(155,368)
	\$ 275,362	\$ 183,550

Aggregate annual maturities required on long-term debt at December 31, 2021, are due as follows:

2022	\$	28,441
2023		30,457
2024		19,806
2025		16,594
2026		17,184
Thereafter		209,007
	\$	321,489

10. PAYCHECK PROTECTION PROGRAM LOANS

The Coronavirus Aid, Relief, and Economic Security (CARES) Act created the Paycheck Protection Program (the PPP) to provide businesses and nonprofit organizations with liquidity to support their operations during the COVID-19 pandemic. The PPP is a loan program designed to provide a direct incentive for small businesses to keep their employees on payroll.

The loans had a 1% fixed interest rate and were due in two years. The loans were eligible for forgiveness (in full or in part, including any accrued interest). The proceeds were required to be used for eligible

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purposes, including payroll, benefits, rent, and utilities, and the Organization maintained its payroll levels for 24 weeks.

In April 2020, the Organization qualified for and received loan proceeds in the amount of \$140,902 under the PPP. 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:

	2021	2020
Subject to expenditure for specified purpose or period:		
Land conservation programs	\$ 1,678,816	\$ 1,553,103
Watershed restoration and protection programs	30,371	52,366
Urban revitalization	135,437	131,473
Environmental and conservation education	187,681	118,069
Capital campaign, The Nature Place at Angelica Park	-	92,473
Building and rooftop deck construction	673,061	-
	<u>2,705,366</u>	<u>1,947,484</u>
Restricted in perpetuity:		
Land and easements	22,079,922	21,909,922
Endowment funds held for environmental/ conservation education	1,230,000	1,230,000
	<u>23,309,922</u>	<u>23,139,922</u>
	<u>\$ 26,015,288</u>	<u>\$ 25,087,406</u>

Net assets with donor restrictions released from restrictions were \$4,108,964 and \$615,305 for the years ended December 31, 2021 and 2020, respectively.

12. NET ASSETS IN ENDOWMENT FUNDS

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

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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 endowments totaling \$3,000,000 was transferred to Berks County Community Foundation (the 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 subsequent to December 31, 2021. 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 statement 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:

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				
Investment income net of fees	1,274	28,195	-	29,469
Net appreciation (realized and unrealized)	40,321	309,889	-	350,210
Total investment gain	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	\$ -	\$ 1,773,437	\$ 1,230,000	\$ 3,003,437

2020	Without Restriction Board Designated	Restricted for Specified Purpose	Restricted in Perpetuity	Total
Endowment net assets at beginning of year	\$ 307,818	\$ 1,122,557	\$ 280,000	\$ 1,710,375
Investment income				
Investment income net of fees	2,724	19,854	-	22,578
Net appreciation (realized and unrealized)	38,121	386,309	-	424,430
Total investment gain	40,845	406,163	-	447,008

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Contributions	15,169	45,000	950,000	1,010,169
Appropriations of endowment assets for expenditures	<u>(10,792)</u>	<u>(65,693)</u>	<u>-</u>	<u>(76,485)</u>
Endowment net assets at end of year	<u>\$ 353,041</u>	<u>\$ 1,508,027</u>	<u>\$ 1,230,000</u>	<u>\$ 3,091,067</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.

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).

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:

	2021	2020
Net assets		
Without donor restrictions		
Berks Nature	\$ 8,425,082	\$ 4,764,530
Berks County Conservancy Properties, Inc.	588,210	588,210
Berks Nature Educational Programs, LLC	209,932	820
	9,223,224	5,353,560
With donor restrictions		
Berks Nature	26,000,740	25,072,858
Berks County Conservancy Properties, Inc.	14,548	14,548
	26,015,288	25,087,406
	\$ 35,238,512	\$ 30,440,966

16. BERKS COUNTY COMMUNITY FOUNDATION HELD ENDOWMENTS

In June of 2021, the Berks County Community Foundation (the 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 financial statements. 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 statement of financial position.

As of December 31, 2021, the Foundation held endowments for the Organization as follows:

	2021
Berks Nature endowment fund	\$ 25,703,417
Conservation equity fund	63,900
Fund for stream and wetland preservation	25,646
	\$ 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 statement of financial position.

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As of December 31, 2021, the Foundation held agency fund endowments for the Organization as follows:

	<u>2021</u>
Berks Nature endowment fund	\$ 82,098
Community gardens fund	99,334
Conservation easement stewardship fund	1,002,195
Golden meadows management fund	166,048
Land protection bridge fund	501,529
Wetland management fund	19,675
Nature preservation and trail management fund	763,082
Endowment fund for education at Berks Nature	329,011
Education endowment fund	<u>40,465</u>
	<u>\$ 3,003,437</u>

17. CONCENTRATION OF CREDIT RISK

Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist primarily of cash and cash equivalents. At times during the years ended December 31, 2021 and 2020, the Organization's cash and cash equivalents balance may have exceeded the federally insured limit effective at that time.

Concentrations

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

18. SUBSEQUENT EVENTS

In 2021, The Board of Directors voted to dissolve Berks County Conservancy Properties Inc. as a nonprofit corporation. The dissolution will occur in 2022. 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.



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