

DELAWARE NATURE SOCIETY, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2023 AND 2022

DELAWARE NATURE SOCIETY, INC.
TABLE OF CONTENTS
DECEMBER 31, 2023 AND 2022

	<u>Page No.</u>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to Financial Statements	10



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Independent Auditor's Report

To the Board of Directors
Delaware Nature Society, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Delaware Nature Society, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware Nature Society, Inc. as of December 31, 2023 and 2022, and changes in its net assets and its 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. 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 Delaware Nature Society, Inc. 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

To the Board of Directors
Delaware Nature Society, Inc.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Delaware Nature Society, Inc.'s ability to continue as a going concern within one year after the date the 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 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 the generally accepted auditing standards 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 controls. 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the 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 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 Delaware Nature Society, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Delaware Nature Society, Inc.'s ability to continue as a going concern for a reasonable period of time.

To the Board of Directors
Delaware Nature Society, Inc.

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.

Belfint, Lyons & Shuman, P.A.

September 26, 2024
Wilmington, Delaware

DELAWARE NATURE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 1,124,104	\$ 1,473,505
Cash Restricted for Endowment	70,944	82,891
Cash Restricted for Capital Investment	192,282	346,340
Accounts Receivable, Net	248,952	126,194
Contributions and Grants Receivable, Net	979,630	510,150
Prepaid Expenses	52,169	44,226
Investments - Endowment	23,946,455	21,492,768
Investments - Other	304,077	157,907
Right-of-Use Asset - Finance Lease	21,975	30,482
Property and Equipment, Net	24,206,905	24,301,287
TOTAL ASSETS	\$ 51,147,493	\$ 48,565,750

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 267,687	\$ 177,098
Deferred Revenue	18,750	18,435
Finance Lease Liability	22,836	31,174
TOTAL LIABILITIES	309,273	226,707
NET ASSETS		
Without Donor Restrictions	17,539,570	17,210,910
With Donor Restrictions	33,298,650	31,128,133
TOTAL NET ASSETS	50,838,220	48,339,043
TOTAL LIABILITIES AND NET ASSETS	\$ 51,147,493	\$ 48,565,750

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

DELAWARE NATURE SOCIETY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT FROM OPERATIONS			
Memberships	\$ 23,570	\$ -	\$ 23,570
Contributions of Financial Assets	713,737	10,952	724,689
Grants	40,721	1,675,937	1,716,658
Contract Revenue	472,646	-	472,646
Fees, Admissions, Tuition	734,426	-	734,426
Special Events	189,397	-	189,397
Other Income	190,959	-	190,959
	<u>2,365,456</u>	<u>1,686,889</u>	<u>4,052,345</u>
RELEASE OF RESTRICTIONS			
Appropriation of Endowment Assets for Expenditure	562,262	(562,262)	-
Satisfaction of Donor and Time Restrictions	1,061,119	(1,061,119)	-
	<u>1,623,381</u>	<u>(1,623,381)</u>	<u>-</u>
TOTAL SUPPORT FROM OPERATIONS	<u>3,988,837</u>	<u>63,508</u>	<u>4,052,345</u>
EXPENSES			
Program Services			
Education	2,156,058	-	2,156,058
Preservation and Conservation	1,214,356	-	1,214,356
Land and Biodiversity Management	755,827	-	755,827
Total Program Services	<u>4,126,241</u>	<u>-</u>	<u>4,126,241</u>
Support Services			
Management and General	362,790	-	362,790
Fundraising	447,709	-	447,709
Total Support Services	<u>810,499</u>	<u>-</u>	<u>810,499</u>
TOTAL EXPENSES	<u>4,936,740</u>	<u>-</u>	<u>4,936,740</u>
CHANGES IN NET ASSETS FROM OPERATIONS	<u>(947,903)</u>	<u>63,508</u>	<u>(884,395)</u>
OTHER SUPPORT AND REVENUE			
Investment Income, Net of Fees	214,650	399,630	614,280
Net Gains on Investments	1,061,913	1,707,379	2,769,292
TOTAL OTHER SUPPORT AND REVENUE	<u>1,276,563</u>	<u>2,107,009</u>	<u>3,383,572</u>
CHANGES IN NET ASSETS	<u>328,660</u>	<u>2,170,517</u>	<u>2,499,177</u>
NET ASSETS - Beginning of Year	<u>17,210,910</u>	<u>31,128,133</u>	<u>48,339,043</u>
NET ASSETS - End of Year	<u>\$ 17,539,570</u>	<u>\$ 33,298,650</u>	<u>\$ 50,838,220</u>

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

DELAWARE NATURE SOCIETY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT FROM OPERATIONS			
Memberships	\$ 23,290	\$ -	\$ 23,290
Contributions of Financial Assets	491,400	11,947	503,347
Grants	63,384	862,543	925,927
Contract Revenue	488,029	-	488,029
Fees, Admissions, Tuition	752,863	-	752,863
Special Events	139,034	-	139,034
Other Income	210,563	-	210,563
	<u>2,168,563</u>	<u>874,490</u>	<u>3,043,053</u>
RELEASE OF RESTRICTIONS			
Appropriation of Endowment Assets for Expenditure	726,483	(726,483)	-
Satisfaction of Donor and Time Restrictions	688,761	(688,761)	-
	<u>1,415,244</u>	<u>(1,415,244)</u>	<u>-</u>
TOTAL SUPPORT FROM OPERATIONS	<u>3,583,807</u>	<u>(540,754)</u>	<u>3,043,053</u>
EXPENSES			
Program Services			
Education	1,818,747	-	1,818,747
Preservation and Conservation	549,679	-	549,679
Land and Biodiversity Management	1,177,486	-	1,177,486
Total Program Services	<u>3,545,912</u>	<u>-</u>	<u>3,545,912</u>
Support Services			
Management and General	423,578	-	423,578
Fundraising	279,103	-	279,103
Total Support Services	<u>702,681</u>	<u>-</u>	<u>702,681</u>
TOTAL EXPENSES	<u>4,248,593</u>	<u>-</u>	<u>4,248,593</u>
CHANGES IN NET ASSETS FROM OPERATIONS	<u>(664,786)</u>	<u>(540,754)</u>	<u>(1,205,540)</u>
OTHER SUPPORT AND REVENUE			
Investment Income, Net of Fees	167,334	338,524	505,858
Net Losses on Investments	(1,735,460)	(2,866,790)	(4,602,250)
TOTAL OTHER SUPPORT AND REVENUE	<u>(1,568,126)</u>	<u>(2,528,266)</u>	<u>(4,096,392)</u>
CHANGES IN NET ASSETS	<u>(2,232,912)</u>	<u>(3,069,020)</u>	<u>(5,301,932)</u>
Cumulative Adjustment Effect for Implementation of ASC 842	557	-	557
NET ASSETS - Beginning of Year	<u>19,443,265</u>	<u>34,197,153</u>	<u>53,640,418</u>
NET ASSETS - End of Year	<u>\$ 17,210,910</u>	<u>\$ 31,128,133</u>	<u>\$ 48,339,043</u>

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

DELAWARE NATURE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	<u>Program</u>			<u>Supporting Services</u>			
	<u>Education</u>	<u>Preservation and Conservation</u>	<u>Land and Biodiversity</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
PAYROLL AND RELATED EXPENSES							
Salaries	\$ 1,216,028	\$ 586,330	\$ 290,385	\$ 2,092,743	\$ 129,244	\$ 274,928	\$ 2,496,915
Payroll Taxes	89,134	42,978	21,285	153,397	9,474	20,152	183,023
Employee Benefits	156,212	91,673	37,647	285,532	40,080	43,046	368,658
TOTAL PAYROLL AND RELATED EXPENSES	1,461,374	720,981	349,317	2,531,672	178,798	338,126	3,048,596
EXPENSES							
Bad Debt	-	-	-	-	11,825	-	11,825
Bank and Merchant Fees	40,083	-	-	40,083	-	-	40,083
Depreciation and Amortization	235,768	74,962	114,918	425,648	5,771	8,224	439,643
Dues and Licenses	1,108	352	540	2,000	570	1,241	3,811
Facility Maintenance and Repair	90,416	43,688	41,643	175,747	2,980	2,980	181,707
Insurance	66,172	23,125	31,878	121,175	1,210	2,281	124,666
Interest Expense	-	-	-	-	890	-	890
Marketing and Communications	4,001	4,050	-	8,051	-	43,074	51,125
Office Equipment	26,119	18,259	6,640	51,018	8,853	8,853	68,724
Office Supplies	828	132	201	1,161	7,076	1,216	9,453
Postage and Delivery	-	-	-	-	2,216	1,529	3,745
Professional Services	-	2,325	51,369	53,694	135,810	-	189,504
Rent Expense	-	19,200	-	19,200	-	-	19,200
Supplies and Services	156,431	270,128	122,589	549,148	16	35,005	584,169
Telephone	3,122	2,192	796	6,110	1,063	1,063	8,236
Training and Travel	7,004	10,630	1,374	19,008	3,742	2,147	24,897
Utilities	55,343	17,596	26,975	99,914	1,931	1,931	103,776
Vehicle Maintenance and Repair	8,289	6,736	7,587	22,612	39	39	22,690
TOTAL EXPENSES	<u>\$ 2,156,058</u>	<u>\$ 1,214,356</u>	<u>\$ 755,827</u>	<u>\$ 4,126,241</u>	<u>\$ 362,790</u>	<u>\$ 447,709</u>	<u>\$ 4,936,740</u>

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

DELAWARE NATURE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	<u>Program</u>			<u>Supporting Services</u>			
	<u>Education</u>	<u>Preservation and Conservation</u>	<u>Land and Biodiversity</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
PAYROLL AND RELATED EXPENSES							
Salaries	\$ 967,893	\$ 283,061	\$ 473,259	\$ 1,724,213	\$ 275,062	\$ 154,605	\$ 2,153,880
Payroll Taxes	70,703	20,677	34,571	125,951	20,093	11,294	157,338
Employee Benefits	113,942	46,917	68,186	229,045	36,441	24,869	290,355
TOTAL PAYROLL AND RELATED EXPENSES	1,152,538	350,655	576,016	2,079,209	331,596	190,768	2,601,573
EXPENSES							
Bank and Merchant Fees	40,573	-	-	40,573	-	-	40,573
Contributions and Assistance	7,726	-	-	7,726	-	-	7,726
Depreciation and Amortization	245,304	23,012	171,698	440,014	14,207	3,698	457,919
Dues and Licenses	1,680	577	896	3,153	10,685	48	13,886
Facility Maintenance and Repair	60,133	5,497	48,037	113,667	1,961	883	116,511
Insurance	65,952	8,370	46,162	120,484	1,533	993	123,010
Interest Expense	-	-	-	-	1,156	-	1,156
Major Trip Expenses	4,062	-	-	4,062	-	-	4,062
Marketing and Communications	15,813	5,205	-	21,018	1,863	3,962	26,843
Office Equipment	24,269	13,047	17,726	55,042	10,682	6,387	72,111
Office Supplies	1,613	102	159	1,874	38,051	5,046	44,971
Postage and Delivery	-	-	-	-	2,511	11,901	14,412
Professional Services	22,658	17,960	68,064	108,682	2,331	7,156	118,169
Rent Expense	-	19,200	-	19,200	500	-	19,700
Supplies and Services	102,609	95,754	181,251	379,614	174	46,260	426,048
Telephone	2,666	1,684	1,965	6,315	1,403	841	8,559
Training and Travel	9,007	2,849	7,383	19,239	2,868	235	22,342
Utilities	57,778	5,357	45,168	108,303	1,911	860	111,074
Vehicle Maintenance and Repair	4,366	410	12,961	17,737	146	65	17,948
TOTAL EXPENSES	<u>\$ 1,818,747</u>	<u>\$ 549,679</u>	<u>\$ 1,177,486</u>	<u>\$ 3,545,912</u>	<u>\$ 423,578</u>	<u>\$ 279,103</u>	<u>\$ 4,248,593</u>

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

DELAWARE NATURE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Operations	\$ 3,938,584	\$ 3,513,269
Cash Paid to Suppliers and Employees	(4,402,626)	(3,783,685)
NET CASH FROM OPERATING ACTIVITIES	(464,042)	(270,416)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Withdrawals from (Transfers to) Investments	908,080	1,536,560
Reinvestment of Interest and Dividends, Net	(614,352)	(505,858)
Purchase of Fixed Assets	(336,754)	(389,422)
NET CASH FROM INVESTING ACTIVITIES	(43,026)	641,280
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Long-Term Purposes	-	358,287
Payments on Finance Lease Liability	(8,338)	(8,072)
NET CASH FROM FINANCING ACTIVITIES	(8,338)	350,215
NET CHANGE IN CASH AND CASH EQUIVALENTS	(515,406)	721,079
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of Year	1,902,736	1,181,657
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of Year	\$ 1,387,330	\$ 1,902,736
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,499,177	\$ (5,301,932)
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Depreciation and Amortization	439,643	457,919
Bad Debt	11,825	-
Net Losses (Gains) on Investments	(2,769,292)	4,602,250
Donated Investments Received	(124,293)	(92,478)
Contributions Restricted for Long-Term Purposes	-	(358,287)
Changes in Assets and Liabilities		
(Increase) Decrease in		
Accounts Receivable	(134,583)	9,121
Contributions and Grants Receivable	(469,480)	407,976
Prepaid Expenses	(7,943)	744
Increase (Decrease) in		
Accounts Payable and Accrued Expenses	90,589	6,245
Deferred Revenue	315	(1,974)
Total Adjustments	(2,963,219)	5,031,516
NET CASH FROM OPERATING ACTIVITIES	\$ (464,042)	\$ (270,416)
NONCASH INVESTING AND FINANCING ACTIVITIES		
Right of Use Finance Lease Asset Acquired Through Finance Lease Liability	\$ -	\$ 38,989

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

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: NATURE OF ACTIVITIES

Delaware Nature Society, Inc. (Society) fosters understanding, appreciation, and enjoyment of the natural world through education, preserves ecologically significant areas, and advocates stewardship and conservation of natural resources.

The Society provides educational programs throughout the state of Delaware operating from Ashland Nature Center, Coverdale Farm, Abbott's Mill Nature Center, and the DuPont Environmental Education Center.

Preservation and conservation of natural resources are promoted through the Society's Land Trust, Watershed Stewardship Program, and advocacy efforts. The Society is the state affiliate of the National Wildlife Federation.

The Society owns or manages over 2,000 acres of land for wildlife habitat and education preserves.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Society's policy is to prepare its financial statements on the accrual basis of accounting.

Change in Accounting Principle - In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses* (Topic 326), which significantly changes how organizations measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through changes in net assets. The most significant change is a shift from the incurred loss model to the expected loss model. Under Topic 326, disclosures are required to provide users of the financial statements with useful information in analyzing an organization's exposure to credit risk and the measurement of credit losses. Financial assets held by the Society that are subject to the guidance in Topic 326 are trade accounts receivable.

The Society adopted Topic 326 effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

Revenue Recognition - In accordance with the Financial Accounting Standards Boards Accounting Standards Codification (FASB ASC) Topic 606, *Revenue from Contracts with Customers*, the Society recognizes revenue resulting from contracts with customers when it satisfies its performance obligations by transferring control over a product or service to a customer. The following is a description of principal exchange transactions from which the Society generates revenue:

Fees, Admissions, and Tuition - Fees, admissions, and tuition are recognized over time in the period the programs and related services are delivered. Unconditional amounts due from customers for services in

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - Continued

Fees, Admissions, and Tuition - Continued - which the Society has met its performance obligations are recorded as accounts receivable on the statements of financial position.

At times, the Society may receive fees, admissions, and tuition prior to the period in which the Society will provide the programs and related services. These payments represent contract liabilities and are recorded as deferred revenue on the statements of financial position. The Society recognizes contract liabilities as revenue in the period services are provided.

Membership Dues - Membership dues, which are nonrefundable, are comprised of an exchange element based on the benefits received, and a contribution element for the difference. The Society recognizes the exchange portion of membership dues over the membership period, and the contribution portion immediately.

Special Events - The Society recognizes special events revenue equal to the cost of direct benefits provided to the donor, and contribution revenue for the difference. Special event revenue equal to the cost of direct benefits provided to the donor is recognized at the time the benefit is delivered. Contribution revenue resulting from special events is recognized immediately.

Contract Revenue - The Society receives revenue from contracts with customers primarily related to project monitoring and management. The Society recognizes contract revenue over time as performance obligations are met. Unconditional amounts due from customers for services in which the Society has met its performance obligations are recorded as accounts receivable on the statements of financial position.

Other Income - Other income includes revenue derived from the sale of agricultural products and visitor center items and trail fees. Revenue is recognized at the time the product is delivered or when the service is provided.

The following is a description of principal activities from which the Society generates revenue which fall outside the scope of FASB ASC 606:

Contributions and Grants - The Society recognizes contributions and grants when cash, securities or other financial assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - Continued

Contributions and Grants - Continued

At times, the Society may receive contributions and grants that are a combination of exchange and nonexchange transactions. The Society recognizes the exchange portion of contributions and grants when the products are transferred and/or when the services are provided, and the non-exchange portion immediately.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed 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 may be 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. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents - The Society considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents, excluding cash held in investment accounts.

Cash Restricted for Endowment - Uninvested contributions with donor restrictions for endowment are recorded as cash restricted for endowment on the statements of financial position.

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash Restricted for Capital Investment - Cash restricted for investment in capital assets is presented separately in the statements of financial position.

Receivables - Accounts receivable primarily consist of amounts billed to organizations for project monitoring and management as well as for participation in Society programs. At each statement of financial position date, the Society recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. Accounts receivables are evaluated individually when they do not share similar risk characteristics.

The allowance estimate is originally derived from a review of the Society's historical losses based on the aging of receivables and subsequently adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Society. The Society believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Society's portfolio segments have remained constant since the Society's inception.

The Society did not record an allowance for credit losses as of December 31, 2023 or 2022, because the amount was not material to the financial statements. The Society writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Society's accounting policy election. The total amount of write-offs was \$11,825 and \$0 for the years ended December 31, 2023 and 2022, respectively.

Contributions and grants receivable (promises to give) are stated at the amount the Society expects to collect from outstanding balances discounted to net present value on an annual basis. An allowance for promises to give is provided, if necessary, based on management's judgment including such factors as prior collection history, types of contributions, and nature of the fundraising activity. As of December 31, 2023 and 2022, long-term promises to give totaled \$0.

Investments - Investments are carried at fair value. Gains and losses and investment income derived from investments are accounted for as net assets with donor restrictions and net assets without donor restrictions based on restrictions, if any, imposed by donors. Realized and unrealized gains and losses on the Society's unrestricted and donor-restricted long-term investments are reflected as increases or decreases in net assets with donor restrictions and net assets without donor restrictions, respectively.

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments - Continued

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the financial statements. The Society's carrying values for investments are not intended to reflect the amounts to be eventually realized upon sale at some future period.

Fair Value Hierarchy - FASB ASC 820-10, *Fair Value Measurements Disclosures*, establishes a fair value hierarchy and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The asset's 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Property and Equipment - Property and equipment are stated at cost or, if donated, at the fair value on the date of donation. Assets other than land are depreciated over their estimated useful lives using the straight-line method. On sale or retirement, the asset cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is included in income.

Capital expenditures greater than \$1,000 are capitalized and recorded as increases to fixed assets and depreciated over their useful lives.

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment - Continued

The Society receives donations of conservation easements without receiving an interest in, or possession of, the land related to the easement. These donated easements are not recognized in the financial statements by the Society.

Works of art are stated at cost, which is purchase price, if purchased, or fair value at date of donation, if acquired by gift. Works of art are not depreciated.

Leases - The Society, as a lessee, classifies its leasing arrangements as operating leases or finance leases in accordance with Topic 842.

Operating Leases - For operating leases, the Society is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments in the statements of financial position. The Society recognizes a single lease cost, allocated over the lease term on a straight-line basis in the statements of activities. The Society classifies all cash payments within operating activities in the statements of cash flows.

Finance Leases - For finance leases, the Society is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments in the statements of financial position. The Society recognizes interest on the lease liability separately from the amortization of the right-of-use asset in the statements of activities. The Society classifies repayments of the principal portion of the lease liability within financing activities and payments of interest on the lease liability and variable lease payments within operating activities in the statements of cash flows.

The Society has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

The Society elected the practical expedient to not separate lease and non-lease components.

Contributed Services and In-Kind Donations - Contributed services are recognized as contributions in accordance with the FASB ASC 958, *Not-for-Profit Entities*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society. Volunteers perform a variety of tasks that assist the Society with program services and fundraising events throughout the year which are not recognized as contributions in the financial statements since the criteria for ASC 958 have not been met. Contributed nonfinancial assets are recognized at fair value as revenue when received and expense at the time the items are placed in service or distributed.

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes - The Society is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and is classified by the Internal Revenue Service (IRS) as a publicly supported charitable organization. The Society is responsible for taxes on unrelated business income in excess of \$1,000. During the years ended December 31, 2023 and 2022, the Society did not realize any unrelated business income that would be subject to tax.

The Society's policy is to expense all interest and penalties as incurred, if any. No amounts of interest or penalties were recognized by the Society during the years ended December 31, 2023 and 2022.

The federal informational returns of the Society for the years ended December 31, 2020, 2021, and 2022 are subject to examination by the IRS, generally for three years after they were filed.

Advertising - The Society expenses advertising costs as incurred. Advertising expense was \$6,037 and \$3,665 for the years ended December 31, 2023 and 2022, respectively.

Expense Allocation - The costs of providing various programs and other activities of the Society have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates in the Preparation of Financial Statements - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - The Society's policy is to evaluate events and transactions subsequent to its year end for potential recognition in the financial statements or disclosure in the notes to the financial statements. Management has evaluated events and transactions through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 3: AVAILABILITY AND LIQUIDITY

The following reflects the Society's financial assets, as of the date of the statements of financial position, reduced by amounts not available for general use because of contractual, board designation, or donor-imposed restrictions within one year of the statements of financial position date.

	<u>2023</u>	<u>2022</u>
Financial Assets as of December 31		
Cash and Cash Equivalents	\$ 1,124,104	\$ 1,473,505
Cash Restricted for Endowment	70,944	82,891
Cash Restricted for Capital Investment	192,282	346,340
Accounts Receivable, Net	248,952	126,194
Contributions and Grants Receivable, Net	979,630	510,150
Investments - Endowment	23,946,455	21,492,768
Investments - Other	<u>304,077</u>	<u>157,907</u>
Financial Assets as of December 31	26,866,444	24,189,755
Less: Amounts Not Available to be Used Within a Year		
Donor-Restricted - For Specified Purpose	2,012,858	1,387,088
Endowment in Excess of Spending Policy Allocation	23,085,667	20,639,170
Uninvested Contributions Restricted for Endowment	<u>70,944</u>	<u>82,891</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,696,975</u>	<u>\$ 2,080,606</u>

The Society's short-term liquidity plan is to maintain readily available resources, including operating cash, to cover expenses as they are incurred. The majority of the Society's cash inflow is from services provided in carrying out its mission and are received consistently throughout the year based on the level of service provided. As a result, operating cash balances are consistently above 30 days of operating expenses. Although the Society does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts could be made available if necessary.

NOTE 4: LEASES

The Society leases the Ashland Nature Center property from the Mt. Cuba Corporation for \$1 per year. The lease terms include the leasing of the core and management land area beginning January 1, 2010, and terminating December 31, 2030, as well as the right to use an additional remote area for five years beginning January 1, 2010, automatically renewable for three more five-year terms. In addition, the Society has a lease with the Delaware Division of Historical & Cultural Affairs for the Abbott's Mill Nature Center for \$1 per year. The Society is responsible for maintaining the grounds, trail systems, and buildings located on the properties.

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 4: LEASES - CONTINUED

The Society entered into a ground lease with the Town of Slaughter Beach (Town) beginning August 7, 2018. Lease terms include the Society leasing the Town a portion of its owned land located in Sussex County, Delaware for use as a public park, which will contain a boardwalk into the Marvel Tract Marshlands, for a period of 99 years at a cost of \$1 per year. The Society is responsible for payment of all taxes and assessments (current and future), repair and maintenance costs, and utility charges (if any).

No amount has been set for the fair market value of the rents since there are no comparable properties on which to base the appraisal. Consequently, rent expense has not been recorded at fair market value, and the contribution income has not been recorded in the financial statements. Management does not believe that there is a material effect on the financial statements taken as a whole.

The Society leases office equipment under an agreement that is classified as a finance lease. The lease expires in July 2026 and requires monthly payments of \$769.

As of December 31, 2023, future minimum lease payments under noncancelable leases with terms greater than one year are as follows:

	<u>Finance Lease</u>
2024	\$ 9,228
2025	9,228
2026	5,383
Total Future Minimum Lease Payments	23,839
Less: Amount Representing Imputed Interest	1,003
Present Value of Future Minimum Lease Payments	22,836
Less: Current Maturities	8,613
Lease Obligations - Net of Current Maturities	\$ 14,223

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 4: LEASES - CONTINUED

The following represents lease cost for the year ended December 31:

	<u>2023</u>	<u>2022</u>
Finance Lease Cost		
Amortization of Right-of-Use Assets	\$ 8,507	\$ 8,507
Interest on Lease Liability	890	1,156
	<u>9,397</u>	<u>9,663</u>
Total Finance Lease Cost	<u>\$ 9,397</u>	<u>\$ 9,663</u>

The following are required lease disclosures as of and for the year ended December 31:

	<u>2023</u>	<u>2022</u>
Cash Paid for Amounts in the Measurement of Lease Liabilities		
Operating Cash Flows for Finance Leases	\$ 890	\$ 1,156
Finance Cash Flows from Finance Leases	8,338	8,072
	<u>9,228</u>	<u>9,228</u>
Total Cash Paid for Amounts in the Measurement of Lease Liabilities	<u>\$ 9,228</u>	<u>\$ 9,228</u>
Right-of-Use Asset Obtained in Exchange for Finance Lease Liability	<u>\$ -</u>	<u>\$ 38,989</u>
Weighted-Average Remaining Lease Term - Finance Leases	2.58 Years	3.58 Years
Weighted-Average Discount Rate - Finance Leases	3.25%	3.25%

NOTE 5: RETIREMENT PLAN

The Society has a defined contribution money purchase pension plan covering substantially all eligible employees. All employees who are eligible must participate in the plan. Currently, minimum contributions of 3.3% of salary are required. The Society contributed 3.3% of each participant's salary during the years ended December 31, 2023 and 2022. The Society's contributions to the Teachers' Insurance and Annuity Association (TIAA) plan amounted to \$69,976 and \$53,515 during the years ended December 31, 2023 and 2022, respectively.

Contributions are forwarded semi-monthly to the TIAA and are applied to accounts maintained for each participant by TIAA.

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	2023	2022
Land	\$ 18,111,154	\$ 18,111,154
Office Furniture	130,264	114,226
Office Machines	295,297	257,477
Other Equipment	556,418	549,504
Buildings and Site Improvements	12,021,941	11,745,959
Vehicles	435,115	435,115
Exhibits	11,506	11,506
Other	26,530	26,530
	31,588,225	31,251,471
Less: Accumulated Depreciation	7,381,320	6,950,184
	\$ 24,206,905	\$ 24,301,287

NOTE 7: INVESTMENTS

Investments consisted of the following as of December 31:

	2023			Cost	
	Fair Value		Total		Total
	Endowment	Other			
Money Market Funds	\$ 349,453	\$ 5,505	\$ 354,958	\$ 354,958	
Bond Mutual Funds	7,483,006	98,340	7,581,346	8,551,401	
Domestic Equity Mutual Funds	10,758,689	131,618	10,890,307	5,703,362	
International Equity Mutual Funds	5,355,307	68,614	5,423,921	4,831,512	
Total Investments	\$ 23,946,455	\$ 304,077	\$ 24,250,532	\$ 19,441,233	
	2022				
	Fair Value		Total	Cost	
	Endowment	Other			
Money Market Funds	\$ 173,761	\$ 1,726	\$ 175,487	\$ 165,447	
Bond Mutual Funds	7,151,176	54,266	7,205,442	8,440,807	
Domestic Equity Mutual Funds	9,389,031	66,473	9,455,504	5,913,441	
International Equity Mutual Funds	4,778,800	35,442	4,814,242	4,782,615	
Total Investments	\$ 21,492,768	\$ 157,907	\$ 21,650,675	\$ 19,302,310	

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 7: INVESTMENTS - CONTINUED

All investments have been assigned a fair value hierarchy of Level 1 based on the availability of quoted prices in active markets for identical assets.

Investment income is reported net of management fees in the amount of \$56,319 and \$58,967 for the years ended December 31, 2023 and 2022, respectively.

NOTE 8: ENDOWMENT FUNDS

The Society's Endowment Fund (Fund) consists of 16 individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Delaware Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As of December 31, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, the Society retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Fund and (b) any accumulations to the endowment made in accordance with direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The Society's mission and purpose supported by the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- The Society's other resources; and,
- The investment policies of the Society.

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 8: ENDOWMENT FUNDS - CONTINUED

The Fund's net asset composition based on the existence or absence of donor-imposed restrictions as of December 31, 2023 was:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Fund	\$ 8,478,591	\$ 15,467,864	\$ 23,946,455

The Fund's net asset composition based on the existence or absence of donor-imposed restrictions as of December 31, 2022 was:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Fund	\$ 7,581,598	\$ 13,911,170	\$ 21,492,768

Endowment Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Society to retain as a fund of perpetual duration.

As of December 31, 2023, endowment deficiencies existed in four donor-restricted endowment funds, which together had an original gift value of \$4,812,201, a fair value of \$4,419,342, and a deficiency of \$392,859. These deficiencies resulted from unfavorable market fluctuations during the year ended December 31, 2022, and continued appropriation for certain programs that were deemed prudent by the Board of Directors.

As of December 31, 2022, endowment deficiencies existed in five donor-restricted endowment funds, which together had an original gift value of \$5,800,254, a fair value of \$4,894,798, and a deficiency of \$905,456. These deficiencies resulted from unfavorable market fluctuations during the year ended December 31, 2022, and continued appropriation for certain programs that were deemed prudent by the Board of Directors.

Investment Return Objectives and Risk Parameters - The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 8: ENDOWMENT FUNDS - CONTINUED

Under this policy, as approved by the Board of Directors; the endowment assets are invested in a manner that is intended to maintain the level of financial support currently provided while assuming a moderate level of investment risk. The Society expects its endowment funds, over time, to provide an average rate of return of at least 8 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate of return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a strategic asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objective Relates to Spending Policy - The Society has a policy of appropriating for distribution each year up to five percent of the endowment fund's average fair market value over the prior 20 quarters through the third quarter preceding the calendar year in which the distribution is planned, except when the donor has directed otherwise. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow at an average of three percent annually. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the years ended December 31, 2023 and 2022, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, Net Assets - December 31, 2021	\$ 9,672,449	\$ 17,165,919	\$ 26,838,368
Investment Return	(1,580,821)	(2,528,266)	(4,109,087)
Appropriation of Assets for Expenditure	(510,030)	(726,483)	(1,236,513)
Endowment, Net Assets - December 31, 2022	7,581,598	13,911,170	21,492,768
Investment Return	1,254,758	2,107,009	3,361,767
Appropriation of Assets for Expenditure	(357,765)	(562,262)	(920,027)
Deposits	-	11,947	11,947
Endowment, Net Assets - December 31, 2023	<u>\$ 8,478,591</u>	<u>\$ 15,467,864</u>	<u>\$ 23,946,455</u>

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes and periods as of December 31:

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specified Purpose		
Education	\$ 644,574	\$ 657,784
Preservation and Conservation	836,002	382,964
Capital Projects	<u>532,282</u>	<u>346,340</u>
Total Subject to Expenditure for Specified Purpose	<u>2,012,858</u>	<u>1,387,088</u>
Subject to Time Restriction in Subsequent Year	<u>40,000</u>	<u>40,000</u>
Subject to Endowment Spending Policy and Appropriation		
Original Gift Values to Support		
Education	3,640,346	3,628,399
Land and Biodiversity Management	6,400,588	6,400,588
Preservation and Conservation	<u>2,162,996</u>	<u>2,162,996</u>
	<u>12,203,930</u>	<u>12,191,983</u>
Amount Above Original Gift Values which is Expendable to Support		
Education	83,570	27,393
Land and Biodiversity Management	3,075,788	2,267,324
Preservation and Conservation	<u>497,435</u>	<u>329,926</u>
	<u>3,656,793</u>	<u>2,624,643</u>
Endowment Deficiency	<u>(392,859)</u>	<u>(905,456)</u>
Total Subject to Endowment Spending Policy and Appropriation	<u>15,467,864</u>	<u>13,911,170</u>
Not Subject to Appropriation or Expenditure		
Uninvested Contributions Restricted for Endowment	70,944	82,891
Land to be Held in Perpetuity	<u>15,706,984</u>	<u>15,706,984</u>
Total Not Subject to Appropriation or Expenditure	<u>15,777,928</u>	<u>15,789,875</u>
Total Net Assets With Donor Restrictions	<u>\$ 33,298,650</u>	<u>\$ 31,128,133</u>

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 10: ASSETS HELD BY THE DELAWARE COMMUNITY FOUNDATION

The Society is the beneficiary of an endowment fund held by the Delaware Community Foundation (Foundation). The endowment fund was established in 2001 with assets that were gifted to the Foundation in the name of the Society, through an agreement that states that the endowment is owned and held by the Foundation. These assets are not recorded on the Society's statements of financial position. The agreement states that future gifts will be invested and held by the Foundation, and that a portion of the invested gifts and related income will be distributed periodically to the Society at the Foundation's discretion.

The endowment fund consists of invested gifts, appreciation, and related income, net of administration and investment charges. The Society will recognize the distributions from the Foundation as revenue on the statements of activities. The value of the fund was \$24,917 and \$22,083 as of December 31, 2023 and 2022, respectively.

NOTE 11: CONCENTRATIONS OF CREDIT RISK

The Society maintains its cash balances with two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. From time to time, in the normal course of business, the Society's cash balances may exceed federally insured limits. As of December 31, 2023 and 2022, uninsured cash totaled \$854,669 and \$1,398,581, respectively. Management believes that the risk of loss is remote.

NOTE 12: FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Based on estimates of full-time equivalency and direct costs, the Society allocates certain expenses, including payroll and related expenses, office equipment, and telephone, between the programs and functions benefited. Based on estimates of square footage, the Society allocates certain expenses, including facility maintenance and repair, depreciation, utilities, and insurance, between the programs and functions benefited.

NOTE 13: REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue from Contracts with Customers - The following table disaggregates the Society's revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

	2023	2022
Performance Obligations Satisfied at a Point in Time	\$ 380,356	\$ 348,597
Performance Obligations Satisfied Over Time	1,230,642	1,253,811

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 13: REVENUE FROM CONTRACTS WITH CUSTOMERS - CONTINUED

Contract Balances - Accounts receivable and contract balances from customers are as follows:

	<u>Accounts Receivable</u>		<u>Contract Assets</u>		<u>Contract Liabilities</u>	
	2023	2022	2023	2022	2023	2022
Beginning of Year	\$ 126,194	\$ 135,315	\$ -	\$ -	\$ 18,435	\$ 20,409
End of Year	248,952	126,194	-	-	18,750	18,435

NOTE 14: CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents, as reported on the statements of cash flows:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 1,124,104	\$ 1,473,505
Cash Restricted for Endowment	70,944	82,891
Cash Restricted for Capital Investment	192,282	346,340
 Total Cash and Cash Equivalents Reported on the Statements of Cash Flows	 <u>\$ 1,387,330</u>	 <u>\$ 1,902,736</u>