ECDYSIS FOUNDATION

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2023

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ecdysis Foundation
Estelline, South Dakota 57234

Opinion

We have audited the accompanying financial statements of Ecdysis Foundation (a nonprofit organization) (the Foundation), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 the Foundation as of December 31, 2023, 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. 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 the Foundation 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 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 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 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 risks 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 the Foundation'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 the Foundation'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.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
October 7, 2024

ECDYSIS FOUNDATION

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

Assets

CURRENT ASSETS		
Cash and cash equivalents	$	446,558
Certificates of deposit		750,000
Promises to give		1,217,648
Accrued interest receivable		814
Total current assets		2,415,020
OTHER ASSETS		
Property & equipment, net		86,519
Total other assets		86,519
Total assets	$	2,501,539

Liabilities and Net Assets

CURRENT LIABILITIES		
Accounts payable	$	137,408
Accrued expenses		43,564
Current portion of long-term liabilities		22,787
Total current liabilities		203,759
LONG-TERM LIABILITIES		
Lease payable, less current maturities		11,827
Total long-term liabilities		11,827
Total liabilities		215,586
NET ASSETS		
Without donor restrictions:		
Undesignated		431,747
Total net assets without donor restrictions		431,747
With donor restrictions		1,854,206
Total net assets		2,285,953
Total liabilities and net assets	$	2,501,539

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

ECDYSIS FOUNDATION

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Grant revenue	$ 1,798,350	$ 3,057,600	$ 4,855,950
Contributions	33,758	-	33,758
Interest income	952	-	952
Miscellaneous revenue	13,254	-	13,254
Total revenues, gains and other support	1,846,314	3,057,600	4,903,914
Expenses			
Program services	3,114,360	-	3,114,360
General and administrative	243,976	-	243,976
Fundraising	20,788	-	20,788
Total expenses	3,379,124	-	3,379,124
Reclassification of Net Assets			
Net assets released from purpose and time restrictions	3,057,600	(3,057,600)	-
Change in net assets	1,524,790	-	1,524,790
Net assets - beginning of year	(1,093,043)	1,854,206	761,163
Net assets - end of year	$ 431,747	$ 1,854,206	$ 2,285,953

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

ECDYSIS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services	General and Administrative	Fundraising	Total
Salaries	$ 1,403,450	$ 40,400	$ 16,500	$ 1,460,350
Research	1,075,981	-	-	1,075,981
Travel	288,309	-	-	288,309
Contractual	61,110	56,957	-	118,067
Payroll taxes	111,558	3,087	1,261	115,906
Payroll benefits	89,079	3,749	2,812	95,640
Supplies	63,957	6,252	-	70,209
Depreciation & amortization	-	56,386	-	56,386
Computer & software	-	19,732	-	19,732
Repairs & maintenance	-	18,884	-	18,884
Workers' compensation	17,497	525	215	18,237
Insurance	-	15,693	-	15,693
Mailing, printing, & copying	-	10,865	-	10,865
Occupancy	-	4,328	-	4,328
Events	3,419	-	-	3,419
Fees	-	2,479	-	2,479
Interest expense	-	2,322	-	2,322
Advertising	-	1,322	-	1,322
Vehicle registration and tax	-	963	-	963
Subscriptions	-	32	-	32
Total expenses	$ 3,114,360	$ 243,976	$ 20,788	$ 3,379,124

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

ECDYSIS FOUNDATION

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

Cash Flows From Operating Activities	
Change in net assets	$ 1,524,790
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	56,386
Changes in operating assets and liabilities	
(Increase) decrease in:	
Promises to give	(1,184,235)
Accrued interest receivable	(814)
Increase (decrease) in:	
Accounts payable	133,481
Accrued expenses	41,339
Net cash provided by (used in) operating activities	570,947
Cash Flows From Investing Activities	
Purchase of certificates of deposits	(750,000)
Net cash provided by (used in) investing activities	(750,000)
Cash Flows From Financing Activities	
Payments on leases payable	(21,678)
Net cash provided by (used in) financing activities	(21,678)
Net change in cash and cash equivalents	(200,731)
Cash and cash equivalents, beginning of year	647,289
Cash and cash equivalents, end of year	$ 446,558
Supplemental Disclosures	
Cash payments for:	
Interest	$ 2,322

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

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Ecdysis Foundation (the Foundation) is a non-profit organization established to perform cutting edge research to transform agriculture with regenerative principles. Currently, the farmers and ranchers are leading the innovation of food production systems ahead of the researchers. Science is necessary to make regenerative food systems a reality, and the Foundation is rethinking how to apply science in order to get there.

Agriculture can be used to solve many of the world's problems, and the Foundation provides the research and development that can make innovative practices scalable and transferable to as many operations as possible. The Foundation anticipates a paradigm shift in the way food is produced in this country, and they want to have answers ready for farmers when they are ready to farm in nature's image.

Summary of Significant Accounting Policies

This summary of significant accounting policies of the Foundation is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Foundation's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB). The FASB requires the Foundation 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.

Cash and Cash Equivalents

For financial statements reporting purposes, the Foundation includes all cash accounts and highly liquid financial instruments, not subject to withdrawal restrictions or penalties, treasury bills, commercial paper, and money market funds with maturity of three months or less when purchased, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. Certificates of deposit, regardless of maturity, are not considered to be cash and cash equivalents.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

Property and Equipment

Purchased property and equipment are recorded at cost. Donated property and equipment are valued at estimated fair value on the date donated and are reported as contributions without donor restrictions when placed in service unless the donor has restricted the use for the asset to a specific purpose or time period.

Contributions of cash or other assets that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions until the assets are acquired and placed in service as instructed by the donor, unless the donor has also required that the acquired asset be used for a specific purpose or time period. If the donor requires property and equipment to be used for a specific purpose, restrictions on net assets are released as the asset is depreciated. If the donor requires property and equipment to be used for a specific time period, restrictions on net assets are released evenly over the period required.

Costs in excess of $1,000 for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Costs for maintenance and repairs are charged to expense currently. When depreciable properties are retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is provided for over the estimated useful lives of the individual assets using the straight-line method. The estimated useful lives used in the computation of depreciation are as follows:

	Years
Buildings and improvements	3 - 30
Furniture and equipment	3 - 20
Vehicles	3 - 7
Software	3 - 5

Leased Assets

Leased assets are recorded at the discounted present value of the underlying lease payable. All acquisitions of leased assets valued in excess of $1,000 are capitalized. Amortization is provided using the discounted present value over the life of the lease payable.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value Measurements

Unless otherwise indicated, the fair value of all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

Leases Payable

The Foundation recognizes a lease liability and an intangible right-to-use leased asset (leased asset) in the financial statements. The Foundation recognizes lease liabilities with an initial, individual value of $1,000.

At the commencement of a lease, the Foundation initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. The leased asset is amortized on a discounted present value over the life of the lease payable.

Key estimates and judgments related to leases include how the Foundation determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Foundation uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Foundation generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the Foundation is reasonably certain to exercise.

The Foundation monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly effect the amount of the lease liability.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

Net Assets

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

- *Net Asset Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor or certain grantor-imposed restrictions.

- *Net Assets With Donor Restrictions* – Net assets subject to donor or certain grantor-imposes restrictions. Some donor or grantor-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 or grantor. Other donor or grantor-imposed restrictions are perpetual in nature, where the donor stipulates that resourced be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor or grantor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resourced was restricted has been fulfilled, or both.

Revenue, Gains, and Other Support

The Foundation's public support and revenue is recognized when received or unconditionally pledged and is recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and nature of any donor imposed restrictions. Support and revenue that are restricted by the donor are reported as increases in net assets with donor restrictions in the reporting period in which the support and revenue are recognized and are reclassified as net assets without donor restrictions upon satisfaction of the time or purpose restrictions.

Donated Services and Contributed Nonfinancial Assets

GAAP requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Most of the services received by the Foundation do not meet these criteria. Contributions of tangible assets are recognized at fair value when received.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

Donated Services and Contributed Nonfinancial Assets, continued

For the year ended December 31, 2023, no donated services were recognized as revenue. Board members and other volunteers have contributed a significant amount of time to the activities of the Foundation without compensation. The financial statements do not reflect the value of those contributed services since they do not meet the criteria for recognition.

Advertising Costs

The Foundation expenses the costs of advertising as incurred.

Functional Allocation of Expenses

The costs of program services and supporting activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Income Taxes

The Foundation is a nonprofit organization operating under Section 501(c)(3) of the Internal Revenue Code and is generally exempt from federal income taxes and, accordingly, no provision for income taxes is included in the financial statements.

Fundraising

The Foundation does not maintain a formal fundraising or solicitation department. Currently, it does not conduct door-to-door solicitations, telethons, mass mailings, or special fundraising events. The Director does, however, meet with potential donors and puts on presentations.

Use of Estimates

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 and disclosure of contingent 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 the estimates.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

Implementation of New Accounting Standards

In 2023, the Foundation implemented the provisions of FASB ASU 2016-02, Leases (Topic 842). ASU 2016-02 affects any entity that enters into a lease. The main difference between previous US GAAP and ASU 2016-02 is the recognition of an intangible leased asset and lease liability for the lessee and the recognition of a lease receivable and an unearned revenue for the lessor. There was no effect on the beginning net position as a result of implementation of the standard.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the financial position date, comprise the following:

Cash and cash equivalents	$ 392,352
Promises to give	167,648
Accrued interest receivable	814
	$ 560,814

3. CONCENTRATION OF CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation maintains its bank deposits at one financial institution. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to $250,000 per financial institution. At times throughout the year, the Foundation's balances may exceed the FDIC limit. At December 31, 2023, the Foundation had an uninsured cash balance of $21,420.

4. PROMISES TO GIVE

During the year ended December 31, 2023, the Foundation received pledges from various donors for program services.

Management reviews the status of all promises to give balances for collectability. Each promise to give balance is assessed based on management's knowledge of, and relationship with, the donor and the age of the promise to give.

4. PROMISES TO GIVE, continued

Promises to give that are expected to be collected within two years are recorded at fair value with no associated allowance. Promises to give that are expected to be collected after two years are recorded with an associated allowance of 5%. At December 31, 2023, all promises to give of the Foundation were expected to be collected within two years; therefore, no allowance was recorded.

Unconditional promises to give are estimated to be collected as follows at December 31, 2023:

Due in less than one year	$ 1,167,648
Due in one to five years	50,000
	1,217,648
Less: Allowance	-
	$ 1,217,648

5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2023, consists of the following:

Machinery and Equipment	$ 141,782
Furniture and Fixtures	89,387
Accumulated depreciation	(179,263)
Net property and equipment	$ 51,906

Depreciation expense for the year ended December 31, 2023 was $34,708.

6. LEASED ASSETS

Leased assets at December 31, 2023, consists of the following:

Building	$ 93,720
Accumulated Amortization	(59,106)
	$ 34,614

Amortization expense for the year ended December 31, 2023 was $21,678.

7. LEASES PAYABLE

Leases payable at December 31, 2023, consist of the following:

Building Lease, 5% discount rate, due in monthly installments of $2,000, final maturity June 2025	$ 34,614
Total leases payable	34,614
Less: current portion	(22,787)
	$ 11,827

Maturities of leases payable is as follows:

December 31,	Maturities
	Building
2024	$ 22,787
2025	11,827
	$ 34,614

8. NET ASSETS

Net assets with donor restrictions at December 31, 2023, consist of the following:

Subject to expenditure for specified purposes:	
Edacious	$ 400,000
1000 Farms Initiative	1,354,206
	1,754,206
Subject to the passage of time:	
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	100,000
	$ 1,854,206

ECDYSIS FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

9. SUBSEQUENT EVENTS

Events occurring after December 31, 2023, were evaluated by management on October 7, 2024, the date the financial statements were available to be issued, to ensure that any subsequent events that met the criteria for recognition and/or disclosure in these financial statements have been included. There are no significant subsequent events needing disclosure.