



THE
AMERICAN
CHESTNUT
FOUNDATION®

THE AMERICAN CHESTNUT FOUNDATION

Asheville, North Carolina

Financial Statements

Years Ended June 30, 2020 and 2019

THE AMERICAN CHESTNUT FOUNDATION

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THE AMERICAN CHESTNUT FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The American Chestnut Foundation

We have audited the accompanying financial statements of The American Chestnut Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Directors
The American Chestnut Foundation
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The American Chestnut Foundation as of June 30, 2020 and 2019, and the 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.

CARTER, P.C.

Asheville, North Carolina
October 19, 2020

THE AMERICAN CHESTNUT FOUNDATION

Statements of Financial Position
June 30, 2020

	2020	2019
Assets		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 1,464,525	\$ 1,228,380
Restricted	238,364	238,364
Promises to give, current portion	46,000	42,350
Grants receivable		25,000
Other receivables	21,851	8,893
Inventory	6,196	11,207
Prepaid expenses	10,346	8,776
Total current assets	1,787,282	1,562,970
Promises to give, net of current portion	10,000	40,000
Investments	3,128,877	3,066,292
Property and equipment	1,774,913	1,853,451
Intangible asset	12,761	13,217
Total assets	\$ 6,713,833	\$ 6,535,930
Liabilities and net assets		
Current liabilities:		
Current maturities of note payable	\$ 91,525	\$ 64,851
Accounts payable	91,010	64,851
Accrued expenses	82,253	78,313
Deferred revenue	1,475	1,475
Chapter escrow funds	242,982	240,049
Total current liabilities	509,245	384,688
Note payable, net of current maturities	116,575	
Total liabilities	625,820	384,688
Net assets:		
Without donor restrictions	5,614,095	5,274,079
With donor restrictions	473,918	877,163
Total net assets	6,088,013	6,151,242
Total liabilities and net assets	\$ 6,713,833	\$ 6,535,930

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Activities
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenues			
Contributions	\$ 1,550,054	\$ 412,939	\$ 1,962,993
Membership dues	436,631		436,631
Federal grants	75,388		75,388
Investment income	124,665		124,665
Merchandise sales	21,678		21,678
Annual meeting fees	59,853		59,853
Other income	50,561		50,561
Net assets released from restrictions	<u>813,262</u>	<u>(813,262)</u>	
Total public support and revenues	<u>3,132,092</u>	<u>(400,323)</u>	<u>2,731,769</u>
Expenses			
Program services	2,334,843		2,334,843
Supporting services	<u>337,494</u>		<u>337,494</u>
Total expenses	<u>2,672,337</u>		<u>2,672,337</u>
Increase (decrease) in net assets before other losses	459,755	(400,323)	59,432
Other losses			
Net losses on investments	<u>(119,739)</u>	<u>(2,922)</u>	<u>(122,661)</u>
Increase (decrease) in net assets	340,016	(403,245)	(63,229)
Net assets, beginning of year	<u>5,274,079</u>	<u>877,163</u>	<u>6,151,242</u>
Net assets, end of year	<u>\$ 5,614,095</u>	<u>\$ 473,918</u>	<u>\$ 6,088,013</u>

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Activities
Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenues			
Contributions	\$ 1,122,992	\$ 1,247,100	\$ 2,370,092
Membership dues	434,771		434,771
Federal grants	75,000		75,000
Investment income	192,045		192,045
Merchandise sales	24,284		24,284
Annual meeting fees	28,973		28,973
Other income	17,354		17,354
Gain on sale of assets	756		756
Net assets released from restrictions	<u>1,102,220</u>	<u>(1,102,220)</u>	
Total public support and revenues	<u>2,998,395</u>	<u>144,880</u>	<u>3,143,275</u>
Expenses			
Program services	2,168,048		2,168,048
Supporting services	<u>312,446</u>		<u>312,446</u>
Total expenses	<u>2,480,494</u>		<u>2,480,494</u>
 Increase in net assets before other gains (losses)	 517,901	 144,880	 662,781
Other gains (losses)			
Net gains (losses) on investments	<u>(35,403)</u>	<u>3,206</u>	<u>(32,197)</u>
 Increase in net assets	 482,498	 148,086	 630,584
 Net assets, beginning of year	 <u>4,791,581</u>	 <u>729,077</u>	 <u>5,520,658</u>
 Net assets, end of year	 <u>\$ 5,274,079</u>	 <u>\$ 877,163</u>	 <u>\$ 6,151,242</u>

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Functional Expenses Year Ended June 30, 2020

	Program Services					
	External Research	National Office Operations	Marketing & Commu- nications	Science & Research	Chapter & Membership	Research Farm Operations
Salaries and wages	\$	\$ 342,777	\$ 50,673	\$ 262,365	\$ 74,033	\$ 186,397
Payroll taxes		27,253	3,751	22,456	5,493	34,594
Employee benefits		36,089	9,220	36,408	16,496	38,531
Total salaries and related expenses		406,119	63,644	321,229	96,022	259,522
Grants to others	337,166			242,663		
Direct program expenses			28,850	40,245	12,384	18,274
Professional and scientific				13,176		
Legal and professional			61,560	88,656		
Office expenses			9,553	1,403	20,224	210
Telephone				1,971		3,678
Postage and shipping			95	4,883	11,269	1,286
Insurance						6,835
Rent						
Utilities						18,211
Equipment rental and maintenance						21,147
Printing and publications			1,600		26,992	
Travel expenses		5,032		22,954		124
Conferences and meetings				6,246		606
Chapter dues shares					64,130	
Contract labor					6,395	28,611
Other expenses			68	402		
Total expenses before depreciation and amortization	337,166	411,151	165,370	743,828	237,416	358,504
Depreciation		3,814				77,229
Amortization		365				
Total expenses	<u>\$ 337,166</u>	<u>\$ 415,330</u>	<u>\$ 165,370</u>	<u>\$ 743,828</u>	<u>\$ 237,416</u>	<u>\$ 435,733</u>

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Functional Expenses (continued) Year Ended June 30, 2020

	Total Program Services	Supporting Services		Total Supporting Services	Total
		Management & General	Fundraising		
Salaries and wages	\$ 916,245	\$ 64,271	\$ 21,424	\$ 85,695	\$ 1,001,940
Payroll taxes	93,547	5,110	1,703	6,813	100,360
Employee benefits	136,744	6,767	2,256	9,023	145,767
Total salaries and related expenses	<u>1,146,536</u>	<u>76,148</u>	<u>25,383</u>	<u>101,531</u>	<u>1,248,067</u>
Grants to others	579,829				579,829
Direct program expenses	99,753		748	748	100,501
Professional and scientific	13,176				13,176
Legal and professional	150,216	18,668		18,668	168,884
Office expenses	31,390	14,424	108	14,532	45,922
Telephone	5,649	8,654		8,654	14,303
Postage and shipping	17,533	3,235	1,157	4,392	21,925
Insurance	6,835	6,894		6,894	13,729
Rent		54,210		54,210	54,210
Utilities	18,211	4,437		4,437	22,648
Equipment rental and maintenance	21,147				21,147
Printing and publications	28,592		7,029	7,029	35,621
Travel expenses	28,110	16,390		16,390	44,500
Conferences and meetings	6,852	87,960		87,960	94,812
Chapter dues shares	64,130				64,130
Contract labor	35,006				35,006
Other expenses	470	6,442	4,563	11,005	11,475
Total expenses before depreciation and amortization	<u>2,253,435</u>	<u>297,462</u>	<u>38,988</u>	<u>336,450</u>	<u>2,589,885</u>
Depreciation	81,043	715	238	953	81,996
Amortization	365	68	23	91	456
Total expenses	<u>\$ 2,334,843</u>	<u>\$ 298,245</u>	<u>\$ 39,249</u>	<u>\$ 337,494</u>	<u>\$ 2,672,337</u>

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Functional Expenses Year Ended June 30, 2019

	Program Services					
	External Research	National Office Operations	Marketing & Commun- ications	Science & Research	Chapter & Membership	Research Farm Operations
Salaries and wages	\$	\$ 354,093	\$ 45,655	\$ 271,131	\$ 69,395	\$ 196,833
Payroll taxes		27,301	3,679	24,060	5,653	31,565
Employee benefits		37,981	9,286	39,321	15,544	39,310
Total salaries and related expenses		419,375	58,620	334,512	90,592	267,708
Grants to others	368,102			77,997		
Direct program expenses	8,250			23,497	9,190	28,074
Professional and scientific				50,401		
Legal and professional			7,600	50,797		
Office expenses			13,212	2,321	12,885	1,384
Telephone				1,840		3,745
Postage and shipping			38	3,228	13,427	7,030
Insurance						7,018
Rent						
Utilities						18,480
Equipment rental and maintenance						26,174
Printing and publications			1,131		28,291	400
Travel expenses		5,033		40,842		1,004
Conferences and meetings				2,691		1,134
Chapter dues shares					64,890	
Contract labor				525	6,320	22,500
Other expenses			89	2,218		
Total expenses before interest, depreciation, and amortization	376,352	424,408	80,690	590,869	225,595	384,651
Interest						81
Depreciation		4,137				80,901
Amortization		364				
Total expenses	<u>\$ 376,352</u>	<u>\$ 428,909</u>	<u>\$ 80,690</u>	<u>\$ 590,869</u>	<u>\$ 225,595</u>	<u>\$ 465,633</u>

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Functional Expenses (continued) Year Ended June 30, 2019

	Total Program Services	Supporting Services			Total
		Management & General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 937,107	\$ 66,392	\$ 22,131	\$ 88,523	\$ 1,025,630
Payroll taxes	92,258	5,119	1,706	6,825	99,083
Employee benefits	<u>141,442</u>	<u>7,121</u>	<u>2,374</u>	<u>9,495</u>	<u>150,937</u>
Total salaries and related expenses	1,170,807	78,632	26,211	104,843	1,275,650
Grants to others	446,099				446,099
Direct program expenses	69,011		900	900	69,911
Professional and scientific	50,401				50,401
Legal and professional	58,397	16,027		16,027	74,424
Office expenses	29,802	14,012	2,477	16,489	46,291
Telephone	5,585	8,474		8,474	14,059
Postage and shipping	23,723	55	1,443	1,498	25,221
Insurance	7,018	13,163		13,163	20,181
Rent		51,300		51,300	51,300
Utilities	18,480	5,328		5,328	23,808
Equipment rental and maintenance	26,174				26,174
Printing and publications	29,822		7,424	7,424	37,246
Travel expenses	46,879	25,471	211	25,682	72,561
Conferences and meetings	3,825	60,971		60,971	64,796
Chapter dues shares	64,890				64,890
Contract labor	29,345				29,345
Other expenses	<u>2,307</u>	<u>(3,445)</u>	<u>2,666</u>	<u>(779)</u>	<u>1,528</u>
Total expenses before interest, depreciation, and amortization	2,082,565	269,988	41,332	311,320	2,393,885
Interest	81				81
Depreciation	85,038	776	259	1,035	86,073
Amortization	<u>364</u>	<u>68</u>	<u>23</u>	<u>91</u>	<u>455</u>
Total expenses	<u>\$ 2,168,048</u>	<u>\$ 270,832</u>	<u>\$ 41,614</u>	<u>\$ 312,446</u>	<u>\$ 2,480,494</u>

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

THE AMERICAN CHESNUT FOUNDATION

Statements of Cash Flows
Years Ended June 30, 2020

	2020	2019
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (63,229)	\$ 630,584
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	81,996	86,073
Amortization	456	455
Donated stock	(16,116)	(5,203)
Net losses on investments	122,661	32,197
Gain on sale of assets		(756)
Working capital changes - sources (uses):		
Promises to give	26,350	(15,000)
Grant receivables	25,000	
Other receivables	(12,958)	674
Inventory	5,011	
Prepaid expenses	(1,570)	9,310
Accounts payable	26,159	(104,782)
Accrued expenses	3,940	6,882
Deferred revenue		160
Chapter escrow funds	2,933	18,618
Net cash provided by operating activities	200,633	659,212
Cash flows from investing activities		
Proceeds from sales of investments	19,870	331,194
Proceeds from sales of property and equipment		756
Purchase of investments	(189,000)	(478,378)
Purchase of property and equipment	(3,458)	(76,217)
Net cash used by investing activities	(172,588)	(222,645)
Cash flows from financing activities		
Proceeds from note payable	208,100	
Payments on long-term debt		(4,447)
Net cash provided (used) by financing activities	208,100	(4,447)
Net increase in cash and equivalents	236,145	432,120
Cash and equivalents at beginning of year	1,466,744	1,034,624
Cash and equivalents at end of year	\$ 1,702,889	\$ 1,466,744
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ _____	\$ 81

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

THE AMERICAN CHESNUT FOUNDATION

Notes to Financial Statements
June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies

Organization

The American Chestnut Foundation (the Foundation) was incorporated in June 1983 as a nonprofit corporation. The Foundation conducts research to develop a blight-resistant American chestnut tree for reintroduction back into forest ecosystems within the native range of this species.

Income Tax Status

The Foundation is incorporated as a nonprofit corporation under the laws of the District of Columbia and is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. The Foundation qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization other than a private foundation under section 509(a)(2).

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of Foundation's management and Board of Directors.
- *Net assets with donor restrictions:* Net assets subject to donor-imposed time or purpose restrictions. These restrictions limit the spending options when using these resources because the Foundation has a fiduciary responsibility to follow the donors' instructions. Net assets with donor restrictions generally result from donor-restricted contributions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation, or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Support is recorded as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (that is, the donor-stipulated purpose has been fulfilled and/or time period has elapsed) are reported as net assets released from restrictions. The Foundation has adopted a policy to classify donor restricted support as without donor restrictions to the extent that restrictions were met in the reporting period the support was recognized.

Note 1 - Summary of Significant Accounting Policies (continued)

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Foundation's ongoing program services and interest and dividends earned on investments. Non-operating activities are limited to gains and losses on investments and other activities considered to be a more unusual or nonrecurring in nature.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying value of substantially all reported assets and liabilities, other than investments and note payable, approximates fair value due to the relatively short-term nature of the financial instruments.

Fair value of investments is discussed in Note 5.

Amounts recognized for long-term debt approximates fair value due to the market rate of interest charged at borrowing.

Cash and Equivalents

For the purpose of the statements of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Restricted cash consists of chapter funds held on behalf chapters operating under the nonprofit status of the Foundation.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of future cash flows. Management feels that any net present value adjustment on long-term promises to give would not be material to the financial statements, therefore, no such adjustment has been made. An allowance for uncollectible promises to give has not been recorded as it is management's belief that all promises to give will be collected.

Note 1 - Summary of Significant Accounting Policies (continued)

Grants Receivable

Grants receivable consists of amounts due from grants awarded by governmental agencies but not yet received as of year-end. An allowance for doubtful accounts has not been established, as management believes that all amounts are collectible.

Inventory

Inventory consists of merchandise available for sale on the Foundation's website. Inventories are stated at the lower of cost or net realizable value determined by the average cost method.

Investments

Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statements of activities.

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements and Disclosures

The Foundation applies the U.S. GAAP authoritative guidance for fair value measurements and disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation 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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements and Disclosures (continued)

Assets and liabilities within the hierarchy are based on the lowest (or least observable) input that is significant to the measurement. The Foundation's assessment of the significance of an input requires judgment, which may affect the valuation and classification within the fair value hierarchy.

Property and Equipment

Additions to property and equipment, if purchased, are recorded at cost. Major renewals and replacements are capitalized as incurred. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed as incurred. The Organization has adopted an accounting practice to capitalize all property and equipment with a cost greater than \$5,000 and estimated useful life extending beyond one year. Depreciation is computed using the straight-line method over the estimated useful life of the asset, ranging from three to forty years.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at the estimated fair value at the date of the gift. The Foundation reports gifts of property and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are recorded as net assets with donor restrictions until such assets are acquired or placed in service.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, and are performed by people with those skills, and would otherwise be purchased by the Foundation. No amounts have been reflected in the accompanying financial statements for donated services since recognition criteria were not met.

Membership Dues

Membership dues are received from members who enroll in or renew an annual membership with the Foundation. Revenue is recognized at the time of receipt.

Note 1 - Summary of Significant Accounting Policies (continued)

Federal Grants

Federal grants consist of awards from governmental agencies which are recognized at the time of the award.

Functional Allocation of Expenses

The costs of providing program activities and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Certain categories of expenses are attributable to programs and support. All expenses except for grants to others are allocated on the basis of estimates of time and effort.

Advertising

Advertising costs are not expected to extend beyond the current period and are expensed as incurred. For the years ended June 30, 2020 and 2019, costs charged to expense were \$0 and \$231, respectively.

New Accounting Pronouncements

During the year ended June 30, 2020, the Organization adopted the requirements the following standards set by the Financial Accounting Standards Board (FASB). The implementation of these standards were retroactively applied to prior years and did not materially impact the Organization's financial statements.

- Accounting Standards Update No. 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01). ASU 2016-01 changes certain aspects of recognition, measurement, presentation, and disclosure of financial instruments.
- Accounting Standards Update No. 2016-18, *Restricted Cash* (ASU 2016-18). This ASU clarifies the classification and presentation of restricted cash and equivalents in the statements of cash flows. The ASU requires amounts generally described as restricted cash to be included with cash and equivalents when reconciling beginning and ending amounts on the statements of cash flows.
- Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, (ASU 2018-08). This ASU clarifies and improves the guidance about the distinction between contributions and exchange transactions and determining whether a contribution is conditional.

Note 1 - Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). This ASU replaces nearly all existing U.S. GAAP guidance on revenue recognition. In May 2020, the FASB voted to extend the effective date for nonpublic entities and nonprofit organizations to fiscal years ending after December 15, 2020, with early adoption permitted. The Foundation did not early implement this standard and is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases*. ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require lessees to recognize a lease liability and right-of-use asset for most leases, including operating leases. The standard is effective for annual periods beginning after December 15, 2021. Early adoption is permitted. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

Note 2 - Net Assets

Net assets with donor restrictions are as follows:

<u>At June 30</u>	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose or period:		
Chapter support	\$ 14,792	\$ 22,551
Deer fencing		564
Education Program support	14,471	14,471
ESF Research		247,500
Grants receivable		25,000
Lancaster County Orchard support	4,547	4,797
Marketing	5,040	5,040
New England Chapter support	53,601	29,353
Promises to give	56,000	82,350
Research	264,106	348,527
Restoration Branch	11,301	11,301
Southern Region Chapter support		8,825
Training	2,098	5,000
Tree database	<u>20,000</u>	<u>41,000</u>
Total subject to expenditure for specified purpose or period	445,956	846,279
Not subject to spending policy or appropriation:		
Investment in perpetuity	<u>27,962</u>	<u>30,884</u>
<u>Net assets with donor restrictions</u>	<u>\$ 473,918</u>	<u>\$ 877,163</u>

Note 3 - Liquidity and Availability of Financial Assets

The Foundation's primary source of support is contributions, portions of which is required to be used in accordance with the purpose restrictions imposed by the donors.

The Foundation manages liquidity and reserves utilizing three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets to fund near-term operating needs, and
- Monitoring expenses closely.

The Foundation maintains lines of credit with maximum total borrowings of \$1,300,000 to meet short-term working capital needs.

The following reflects the liquidity and availability of the Foundation's financial assets:

<u>At June 30</u>	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and equivalents	\$ 1,464,525	\$ 1,228,380
Promises to give	56,000	82,350
Grants receivable		25,000
Other receivables	21,851	8,893
Investments	<u>3,128,877</u>	<u>3,066,292</u>
Total financial assets	<u>4,671,253</u>	<u>4,410,915</u>
Amounts not available for general expenditure:		
Net assets with donor restrictions	(473,918)	(877,163)
Add back: promises to give, current portion	<u>46,000</u>	<u>42,350</u>
Total amounts not available for general expenditure	<u>(427,918)</u>	<u>(834,813)</u>
Net financial assets available to meet cash needs for <u>general expenditures within one year</u>	<u>\$ 4,243,335</u>	<u>\$ 3,576,102</u>

Note 4 - Other Receivables

Other receivables consist of the following:

<u>At June 30</u>	<u>2020</u>	<u>2019</u>
Other receivables	\$ 17,784	\$ 4,960
Sales tax receivable	<u>4,067</u>	<u>3,933</u>
<u>Other receivables</u>	<u>\$ 21,851</u>	<u>\$ 8,893</u>

Note 5 - Fair Value Measurements

Investments are reported in the accompanying financial statements at estimated fair value in accordance with the fair value hierarchy. The following is a description of the valuation methodologies used for assets measured at fair value.

Equity Investments

Equity investments consist of daily traded mutual funds and corporate stocks. These investments are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are categorized as Level 1 inputs, with no valuation adjustments applied.

Equity Securities

Equity investments consist of corporate stocks which are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are categorized as Level 1 inputs, with no valuation adjustments applied.

The fair values of investments were as follows:

<u>At June 30</u>	<u>2020</u>	<u>2019</u>
Equity investments:		
Mutual funds	\$ 3,100,915	\$ 3,035,408
Common stock	<u>27,962</u>	<u>30,884</u>
<u>Investments</u>	<u>\$ 3,128,877</u>	<u>\$ 3,066,292</u>

The Foundation's investments in the above schedule are reported at fair value according to Level 1 inputs. No Level 2 or 3 inputs were present.

Note 6 - Property and Equipment

A description of property and equipment is as follows:

<u>At June 30</u>	<u>2020</u>	<u>2019</u>
Land	\$ 839,853	\$ 839,853
Land improvements	122,981	122,981
Farm equipment	601,258	659,813
Farm buildings	953,247	892,101
Office equipment	39,917	39,050
Leasehold improvements	<u>32,563</u>	<u>32,563</u>
	2,589,819	2,586,361
Less, accumulated depreciation	<u>814,906</u>	<u>732,910</u>
<u>Property and equipment</u>	<u>\$ 1,774,913</u>	<u>\$ 1,853,451</u>

Depreciation expense for the years ended June 30, 2020 and 2019, was \$81,996 and \$86,073, respectively.

Note 7 - Intangible Asset

Intangible asset consists of a trademark purchased by the Foundation at a cost of \$18,232, which is being amortized over its useful life. Accumulated amortization as of June 30, 2020 and 2019, was \$5,471 and \$5,015, respectively. Amortization expense was \$456 and \$455 for the years ended June 30, 2020 and 2019, respectively.

Future amortization expense is as follows:

<u>Years Ending June 30</u>	<u>Amortization</u>
2021	\$ 456
2022	456
2023	456
2024	456
2025	456
Thereafter	<u>10,481</u>
<u>Total future amortization expense</u>	<u>\$ 12,761</u>

Note 8 - Lines of Credit

The Foundation maintains a line of credit with maximum borrowings of \$1,000,000 and an interest rate of LIBOR plus 3%. This line of credit is built into the investment policy and has no maturity date. There were no advances on the line of credit during the years ended June 30, 2020 and 2019, and there were no outstanding balances as of June 30, 2020 and 2019. This line of credit is collateralized by investments.

Additionally, the Foundation maintains a line of credit with maximum borrowings of \$300,000 and interest at the prime rate. This line of credit matures in January 2022. There were no outstanding balances at June 30, 2020 and 2019. This line of credit is secured by buildings on land owned by the Foundation.

Note 9 - Note Payable

Note payable is described as follows:

<u>At June 30</u>	<u>2020</u>	<u>2019</u>
Paycheck Protection Program (PPP) note payable due in 18 monthly payments of \$11,711, beginning in November 2020, maturing in April 2022, including principal and interest at 1%, unsecured.	\$ 208,100	\$
Less, current maturities	<u>91,525</u>	<u> </u>
<u>Note payable, less current maturities</u>	<u>\$ 116,575</u>	<u>\$</u>

Note 9 - Note Payable (continued)

If PPP funds are used for certain expenses, predominantly salaries and related costs, all or a portion of the balance could be forgiven. There was no interest expense related to note payable for the year ended June 30, 2020.

Principal repayments on note payable are as follows:

<u>Years Ending June 30</u>	
2021	\$ 91,525
2022	116,575
2023	
2024	
2025	
<u>Total principal repayments</u>	<u>\$ 208,100</u>

Note 10 - Lease Commitments

The Foundation leases office space and equipment under non-cancelable operating leases. The leases require various monthly payments and expire through May 2024. Total rent expense for the years ended June 30, 2020 and 2019, was \$57,552 and \$63,219, respectively.

Future minimum payments for the Foundation under all operating leases are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2021	\$ 62,311
2022	59,533
2023	66,500
2024	60,958
2025	
<u>Total future minimum rental payments</u>	<u>\$ 249,034</u>

Note 11 - Concentrations of Credit Risk**Uninsured Cash Balances**

The Foundation maintains its cash and equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020 and 2019, the uninsured balance was \$1,463,445 and \$1,223,207, respectively.

Note 11 - Concentrations of Credit Risk (continued)

Contributions

During the years ended June 30, 2020 and 2019, the Foundation received contributions of \$600,000 and \$1,002,000, respectively, which approximates 31% and 42%, respectively, of the Foundation's total support and revenues from an individual Board member's donor-advised fund.

Note 12 - Retirement Plan

The Foundation participates in a retirement plan for employees who may defer a portion of their compensation. Employees who have served two years are eligible to receive an employer match up to 5% of their salary. Employees who have served eight years and participated in the retirement plan for two years are eligible for an employer match up to the maximum allowable by law. Employer contributions for the years ended June 30, 2020 and 2019, were \$41,854 and \$37,120, respectively.

Note 13 - Income Taxes

Uncertain Tax Positions

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions material to the financial statements.

Open Tax Years

The Foundation's Return of Organization Exempt from Income Tax (Form 990) for the fiscal years ended June 30, 2019, 2018, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

Note 14 - Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Foundation has received proceeds from several federal grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Note 14 - Summary Disclosure of Significant Contingencies (continued)

Risk Management

The Foundation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Foundation carries commercial insurance coverage for risks of loss. Claims have not exceeded coverage in any period since inception.

Note 15 - Related Party Transactions

Board members contribute funds to the Foundation in support of its operations. Material contributions by board members are discussed in Note 11.

Note 16 - Subsequent Events

Subsequent events have been evaluated through October 19, 2020 which is the date the financial statements were available to be issued.