



THE
AMERICAN
CHESTNUT
FOUNDATION®

THE AMERICAN CHESTNUT FOUNDATION

Asheville, North Carolina

Financial Statements

Years Ended June 30, 2022 and 2021

THE AMERICAN CHESTNUT FOUNDATION

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THE AMERICAN CHESTNUT FOUNDATION

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities - 2022	4
Statement of Activities - 2021	5
Statement of Functional Expenses - 2022	6-7
Statement of Functional Expenses - 2021	8-9
Statements of Cash Flows	10
Notes to Financial Statements	11-24

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The American Chestnut Foundation

Opinion

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, 2022 and 2021, 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 The American Chestnut Foundation as of June 30, 2022 and 2021, 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.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The American Chestnut Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 American Chestnut Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 American Chestnut 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 American Chestnut 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.

CARTER, P.C.

THE AMERICAN CHESTNUT FOUNDATION

Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 2,396,432	\$ 2,489,297
Restricted	254,760	253,613
Promises to give, current portion	22,500	22,500
Other receivables	2,370	213
Sales tax receivable	2,084	4,085
Inventory	4,043	
Prepaid expenses	28,182	6,267
Total current assets	2,710,371	2,779,511
Promises to give, net of current portion	40,000	
Investments	3,754,708	4,081,540
Property and equipment	1,761,987	1,835,326
Intangible assets	36,355	12,305
Total assets	\$ 8,303,421	\$ 8,708,682
Liabilities and net assets		
Current liabilities:		
Current maturities of notes payable	\$ 1,945	\$ 1,945
Accounts payable	155,221	68,008
Accrued expenses	107,871	95,115
Deferred revenue	2,075	
Chapter escrow funds	254,686	253,628
Total current liabilities	521,798	418,696
Notes payable, net of current maturities	4,406	6,381
Total liabilities	526,204	425,077
Net assets:		
Without donor restrictions	6,903,171	7,189,020
With donor restrictions	874,046	1,094,585
Total net assets	7,777,217	8,283,605
Total liabilities and net assets	\$ 8,303,421	\$ 8,708,682

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Activities
Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenues			
Contributions	\$ 1,574,331	\$ 687,781	\$ 2,262,112
Membership dues	507,844		507,844
Federal grants	75,000		75,000
Investment income, net	57,373		57,373
Merchandise sales	27,243		27,243
Other income	19,554		19,554
Net assets released from restrictions	<u>911,320</u>	<u>(911,320)</u>	
Total public support and revenues	<u>3,172,665</u>	<u>(223,539)</u>	<u>2,949,126</u>
Expenses			
Program services	2,566,407		2,566,407
Supporting services	<u>303,558</u>		<u>303,558</u>
Total expenses	<u>2,869,965</u>		<u>2,869,965</u>
Increase (decrease) in net assets before other gains (losses)	<u>302,700</u>	<u>(223,539)</u>	<u>79,161</u>
Other gains (losses)			
Net gains (losses) on investments	(596,149)	3,000	(593,149)
Gain on sale of property and equipment	<u>7,600</u>		<u>7,600</u>
Total other gains (losses)	<u>(588,549)</u>	<u>3,000</u>	<u>(585,549)</u>
Decrease in net assets	(285,849)	(220,539)	(506,388)
Net assets, beginning of year	<u>7,189,020</u>	<u>1,094,585</u>	<u>8,283,605</u>
Net assets, end of year	<u>\$ 6,903,171</u>	<u>\$ 874,046</u>	<u>\$ 7,777,217</u>

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Activities
Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenues			
Contributions	\$ 1,871,525	\$ 914,618	\$ 2,786,143
Membership dues	472,328		472,328
Federal grants	283,100		283,100
Investment income, net	114,562		114,562
Merchandise sales	22,789		22,789
Cooperative agreements	17,375		17,375
Other income	28,222		28,222
Net assets released from restrictions	<u>300,541</u>	<u>(300,541)</u>	
Total public support and revenues	<u>3,110,442</u>	<u>614,077</u>	<u>3,724,519</u>
Expenses			
Program services	2,130,995		2,130,995
Supporting services	<u>245,977</u>		<u>245,977</u>
Total expenses	<u>2,376,972</u>		<u>2,376,972</u>
Increase in net assets before other gains (losses)	<u>733,470</u>	<u>614,077</u>	<u>1,347,547</u>
Other gains (losses)			
Net gains on investments	841,860	6,590	848,450
Loss on sale of property and equipment	<u>(405)</u>		<u>(405)</u>
Total other gains	<u>841,455</u>	<u>6,590</u>	<u>848,045</u>
Increase in net assets	1,574,925	620,667	2,195,592
Net assets, beginning of year	<u>5,614,095</u>	<u>473,918</u>	<u>6,088,013</u>
Net assets, end of year	<u>\$ 7,189,020</u>	<u>\$ 1,094,585</u>	<u>\$ 8,283,605</u>

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services					
	External Research	National Office Operations	Marketing & Commun- ications	Science & Research	Chapter & Membership	Research Farm Operations
Salaries and wages	\$	351,331	\$ 83,834	\$ 287,156	\$ 74,058	\$ 257,746
Payroll taxes		24,476	6,439	22,922	5,671	27,569
Employee benefits		38,440	16,268	38,027	16,952	45,037
Total salaries and related expenses		414,247	106,541	348,105	96,681	330,352
Grants to others	288,675			285,778		
Direct program expenses			23,793	151,167	39,811	33,412
Legal and professional			2,899	64,638		
Office expenses			11,612	3,945	29,505	8,847
Telephone		328		1,758		4,554
Postage and shipping				5,282	15,191	5,507
Insurance						
Rent						
Utilities						
Equipment rental and maintenance				4,679		27,238
Printing and publications			1,869		28,558	30,932
Travel expenses				23,090		
Conferences and meetings				()		2,471
Chapter dues shares					64,995	781
Contract labor				17,790	6,080	
Other expenses			87	205		
Total expenses before depreciation and amortization		414,575	146,801	906,072	280,821	444,094
Depreciation		13,483				71,521
Amortization		365				
Total expenses	\$	428,423	\$ 146,801	\$ 906,072	\$ 280,821	\$ 515,615

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Functional Expenses (continued)
Year Ended June 30, 2022

	Supporting Services			
	Total Program Services	Management & General	Fundraising	Total Supporting Services
Salaries and wages	\$ 1,054,125	\$ 65,874	\$ 21,958	\$ 87,832
Payroll taxes	87,077	4,589	1,530	6,119
Employee benefits	154,724	7,208	2,403	9,611
Total salaries and related expenses	<u>1,295,926</u>	<u>77,671</u>	<u>25,891</u>	<u>103,562</u>
Grants to others	574,453			574,453
Direct program expenses	248,183			248,183
Legal and professional	67,537	44,179		44,179
Office expenses	53,909	16,645	590	17,235
Telephone	6,640	6,252		6,252
Postage and shipping	25,980	2,448	1,882	4,330
Insurance		15,461		15,461
Rent		59,533		59,533
Utilities	27,238	3,671		3,671
Equipment rental and maintenance	35,611			35,611
Printing and publications	30,427		9,102	9,102
Travel expenses	25,561	14,174	151	14,325
Conferences and meetings	416	16,295		16,295
Chapter dues shares	64,995			64,995
Contract labor	23,870			23,870
Other expenses	292	3,331	2,820	6,151
Total expenses before depreciation and amortization	<u>2,481,038</u>	<u>259,660</u>	<u>40,436</u>	<u>300,096</u>
Depreciation	85,004	2,528	843	3,371
Amortization	365	68	23	91
Total expenses	<u>\$ 2,566,407</u>	<u>\$ 262,256</u>	<u>\$ 41,302</u>	<u>\$ 303,558</u>
				<u>\$ 2,869,965</u>

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services									
	External Research	National Office Operations	Marketing & Commu- ications	Science & Research	Chapter & Membership	Research Farm Operations				
Salaries and wages	\$	352,009	\$	49,144	\$	238,252	\$	78,646	\$	200,144
Payroll taxes		22,082		3,722		19,529		5,862		24,383
Employee benefits		34,340		9,323		32,557		13,680		40,447
Total salaries and related expenses		<u>408,431</u>		<u>62,189</u>		<u>290,338</u>		<u>102,023</u>		<u>264,974</u>
Grants to others	351,834									
Direct program expenses				159,600				7,481		15,475
Professional and scientific			19,430		95,160					
Legal and professional			3,927		19,876					
Office expenses			17,530		8,788			26,979		1,609
Telephone			71		2,547			2,073		3,856
Postage and shipping					3,348			15,209		3,487
Insurance										7,465
Rent										19,519
Utilities										16,199
Equipment rental and maintenance										254
Printing and publications								25,357		761
Travel expenses			1,600		11,743					
Conferences and meetings								70,336		
Chapter dues shares								6,010		
Contract labor										
Other expenses					47					
Total expenses before depreciation and amortization								<u>253,395</u>		<u>333,599</u>
Depreciation										78,644
Amortization										
Total expenses	<u>\$</u>	<u>351,834</u>	<u>\$</u>	<u>415,205</u>	<u>\$</u>	<u>593,571</u>	<u>\$</u>	<u>253,395</u>	<u>\$</u>	<u>412,243</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, 2021

	Supporting Services			
	Total Program Services	Management & General	Fundraising	Total Supporting Services
Salaries and wages	\$ 918,195	\$ 66,002	\$ 22,001	\$ 88,003
Payroll taxes	75,578	4,140	1,380	5,520
Employee benefits	134,182	6,439	2,146	8,585
Total salaries and related expenses	1,127,955	76,581	25,527	102,108
Grants to others	511,434			511,434
Direct program expenses	137,546			137,546
Professional and scientific	19,876			19,876
Legal and professional	12,715	26,369		26,369
Office expenses	48,665	11,543	382	11,925
Telephone	5,929	6,687		6,687
Postage and shipping	22,115	5,710	1,792	7,502
Insurance	7,465	6,876		6,876
Rent		58,900		58,900
Utilities	19,519	3,767		3,767
Equipment rental and maintenance	16,199			16,199
Printing and publications	26,957		10,229	10,229
Travel expenses	11,997	1,582	265	1,847
Conferences and meetings	812	731		731
Chapter dues shares	70,336			70,336
Contract labor	6,010			6,010
Other expenses	47	4,769	2,573	7,342
Total expenses before depreciation and amortization	2,045,577	203,515	40,768	244,283
Depreciation	85,053	1,202	401	1,603
Amortization	365	68	23	91
Total expenses	\$ 2,130,995	\$ 204,785	\$ 41,192	\$ 245,977

Total expenses

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

THE AMERICAN CHESNUT FOUNDATION

Statements of Cash Flows Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (506,388)	\$ 2,195,592
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	88,375	86,656
Amortization	456	456
Bad debt expense		214
Receipt of donated stock	(17,372)	(213,888)
Net (gains) losses on investments	593,149	(848,450)
Paycheck Protection Program loan forgiveness		(208,100)
(Gains) losses on sale of property and equipment	(7,600)	405
Working capital changes - sources (uses):		
Promises to give	(40,000)	33,286
Other receivables	(2,157)	17,571
Sales tax receivable	2,001	(18)
Inventory	(507)	2,660
Prepaid expenses	(21,915)	4,079
Accounts payable	87,213	(23,002)
Accrued expenses	12,756	12,862
Deferred revenue	2,075	(1,475)
Chapter escrow funds	1,058	10,646
Net cash provided by operating activities	191,144	1,069,494
Cash flows from investing activities		
Proceeds from sale of investments	13,453	3,827,350
Proceeds from sale of property and equipment	7,600	2,500
Purchase of investments	(262,398)	(3,717,675)
Purchase of property and equipment	(15,036)	(140,249)
Purchase of intangible assets	(24,506)	
Net cash used by investing activities	(280,887)	(28,074)
Cash flows from financing activities		
Repayments on note payable	(1,975)	(1,399)
Net increase (decrease) in cash and equivalents and restricted cash	(91,718)	1,040,021
Cash and equivalents and restricted cash at beginning of year	2,742,910	1,702,889
Cash and equivalents and restricted cash at end of year	\$ 2,651,192	\$ 2,742,910
Schedule of noncash investing and financing activities		
Equipment acquired through debt	\$	\$ 9,725

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

THE AMERICAN CHESNUT FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

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. In addition, the Foundation qualifies for the charitable contribution deduction under section 170(b)(1)(A) and is not a private foundation.

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 statements of activities report 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, loss on sale of property and equipment, and other activities considered to be 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 reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates the estimates and assumptions based on new information. 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 notes payable, approximates fair value due to the relatively short-term nature of the financial instruments.

Fair value of investments is discussed in Note 5.

The carrying value of notes payable approximates fair value as any imputed interest would be immaterial.

Cash and Equivalents

For purposes 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 of 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 or explicitly waived by the donor. 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 the present value of their 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 pledges has not been established as management believes that all amounts are collectible.

Note 1 - Summary of Significant Accounting Policies (continued)

Other Receivables

Other receivables consist of amounts due from grants customers for services performed before fiscal year-end. Other receivables are stated at the amount management expects to collect from outstanding balances. As of June 30, 2022 and 2021, no allowance for doubtful accounts was recorded as management expects all amounts to be collected.

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 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 fair value 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. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed. The Foundation has adopted an accounting policy to capitalize all property and equipment with a cost greater than \$5,000 and estimated useful life extending beyond five years. Depreciation is computed using the straight-line method over the estimated useful life of the asset, ranging from five 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.

Intangible Assets

Intangible assets consist of a trademark and website design and are carried at cost. The Foundation determines the useful life of identifiable assets after considering the specific facts and circumstances related to the intangible asset. Trademarks are amortized using the straight-line method over the estimated useful life of forty years. Website design services are amortized over a period of three years using the straight-line method.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions, federal grants, and cooperative agreements are recognized when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return of the asset or right of release of the obligation - are not recognized until the conditions on which they depend have been met.

A portion of the Foundation's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position.

Membership dues are received from members who enroll in or renew an annual membership. These memberships are considered tax-deductible donations, and are accordingly recognized as revenue at the time of receipt.

Revenue is also generated from charging fees to customers to attend various annual meetings. Revenue is typically recognized at a single point in time as the service is provided and performance obligations are fulfilled.

The Foundation also generates revenue from the sale of products to customers on the online retail store. Those sales predominately contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks, and rewards transfer to the customer. Shipping and handling costs associated with merchandise sales are included in postage and shipping on the statements of functional expenses. Shipping and handling costs reimbursed by customers are included in merchandise sales.

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 supporting services. All expenses except for grants to others, direct program expenses, professional and scientific, rent, equipment rental and maintenance, chapter dues shares, and contract labor are allocated on the basis of estimates of time and effort. Rent is directly attributable to supporting services. All other expenses listed above are directly attributable to program services.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

Newly Adopted Accounting Pronouncement

During the year ended June 30, 2022, the Foundation adopted the requirements of Accounting Standards Update (ASU) No. 2020-07 (ASU 2020-07), *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 clarifies and expands the presentation and disclosure requirements of contributed nonfinancial assets for nonprofit entities for the purpose of enhancing transparency of such contributions received.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. Under the new standard, lessees will recognize a right-of-use asset and lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The lease liability will be equal to the present value of lease payments. For statement of activities purposes, leases continue to be classified as either operating or finance. Operating leases will result in straight-line expense, while finance leases will result in accelerated expense recognition, comparable to current capital leases. Classification will be based on criteria similar to those applied to current lease accounting. Additional disclosures will be required to provide details of revenue and expense recognized and expected to be recognized from existing agreements. The new standard will be effective beginning July 1, 2022. The Foundation is currently evaluating the effect this ASU will have on its financial statements.

Note 2 - Net Assets

Net assets are described as follows:

<u>At June 30</u>	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions:		
Undesignated	\$ 6,903,171	\$ 7,189,020
Net assets with donor restrictions:		
Subject to expenditure for specified purpose or time period:		
Research	533,746	791,572
Farm support	126,000	150,000
New England Chapter support	41,634	40,837
Tree database	17,375	16,013
Education Program support	12,920	14,471
Restoration Branch	11,301	11,301
Chapter support		8,042
Southern Region Chapter support	27,000	
Lancaster County Orchard support	4,047	4,297
Marketing		1,000
Promises to give	2,500	22,500
Total subject to expenditure for specified purpose	836,523	1,060,033
Not subject to spending policy or appropriation:		
Investment in perpetuity	37,523	34,552
Net assets with donor restrictions	874,046	1,094,585
<u>Net assets with donor restrictions</u>	<u>\$ 7,777,217</u>	<u>\$ 8,283,605</u>

Note 3 - Liquidity and Availability of Financial Assets

The Foundation's primary source of support is contributions, portions of which are 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.

Line of Credit

The Foundation maintains a line of credit with a local bank to meet short-term working capital needs. Maximum borrowings are \$300,000 with interest charged at the prime rate, with a floor of 3.25%. The line of credit is secured by property owned by the Foundation and matures in January 2024. There was no outstanding balance on the line of credit at June 30, 2022 and 2021.

Note 3 - Liquidity and Availability of Financial Assets (continued)

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

<u>At June 30</u>	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and equivalents	\$ 2,651,192	\$ 2,742,910
Promises to give	62,500	22,500
Other receivables	2,370	213
Sales tax receivable	2,084	4,085
Investments	<u>3,754,708</u>	<u>4,081,540</u>
Total financial assets	<u>6,472,854</u>	<u>6,851,248</u>
Amounts not available for general expenditure:		
Net assets with donor restrictions	(874,046)	(1,094,585)
Add back: promises to give, current portion	<u>22,500</u>	<u>22,500</u>
Total amounts not available for general expenditure	<u>(851,546)</u>	<u>(1,072,085)</u>
Net financial assets available to meet cash needs for <u>general expenditures within one year</u>	<u>\$ 5,621,308</u>	<u>\$ 5,779,163</u>

Note 4 - Contract Assets and Liabilities

Other receivables and promises to give represent the Foundation's contract assets with an unconditional right to receive consideration from customers. Other receivables are recorded at invoiced amounts or amounts expected to be receivable based on contractual terms without conditions. Promises to give are recorded at net realizable value.

The following table provides information about contract assets:

<u>At June 30</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Promises to give:			
Due in less than one year	\$ 22,500	\$ 22,500	\$ 46,000
One to five years	<u>40,000</u>	<u> </u>	<u>10,000</u>
Promises to give	62,500	22,500	56,000
Other receivables	<u>2,370</u>	<u>213</u>	<u>17,784</u>
<u>Total contract assets</u>	<u>\$ 64,870</u>	<u>\$ 4,085</u>	<u>\$ 73,784</u>

Note 4 - Contract Assets and Liabilities (continued)

Contract liabilities are recorded when a customer pays consideration, or the Foundation has a right to an amount of consideration that is unconditional, before the transfer of a good or performance of a service to the customer. Thus, the Foundation has an obligation to transfer the good or service to the customer at a future date. The Foundation's contract liabilities consist of deferred revenue and chapter escrow funds. Deferred revenue consists of conditional contributions. Conditional contributions will be recognized as revenue once the conditions have essentially been fulfilled.

The Foundation acts as an administrator for several state chapters in which they collect and hold membership fees in escrow accounts. The funds are held in separate checking accounts and distributed monthly to the umbrella chapters. Accordingly, the receipts and disbursements are not included in the accompanying financial statements as the Foundation acts as an agent in administering the membership dues and does not retain a processing fee related to the services provided.

Significant changes in contract liabilities from contracts with customers are as follows:

<u>At June 30</u>	<u>2022</u>	<u>2021</u>
Deferred revenue, beginning of year	\$	\$ 1,475
Revenue recognized that was included in deferred revenue at the beginning of the year		(1,475)
Increase in deferred revenue due to cash received during the year	<u>2,075</u>	<u> </u>
Deferred revenue, end of year	<u>2,075</u>	<u> </u>
Chapter escrow funds, beginning of year	253,628	242,982
Cash received from members during the year	139,138	74,753
Escrow funds disbursed to umbrella chapters during the year	<u>(138,080)</u>	<u>(64,107)</u>
Chapter escrow funds, end of year	<u>254,686</u>	<u>253,628</u>
<u>Total contract liabilities</u>	<u>\$ 256,761</u>	<u>\$ 253,628</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 corporate stocks and daily traded mutual funds. 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, with no valuation adjustments applied.

Note 5 - Fair Value Measurements (continued)

The fair values of investments were as follows:

<u>At June 30</u>	<u>2022</u>	<u>2021</u>
Equity investments:		
Mutual funds - equity index	\$ 3,019,433	\$ 3,315,893
Mutual funds - bond index	692,608	731,095
Common stock	<u>42,667</u>	<u>34,552</u>
<u>Investments</u>	<u>\$ 3,754,708</u>	<u>\$ 4,081,540</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 are present.

Note 6 - Property and Equipment

A description of property and equipment is as follows:

<u>At June 30</u>	<u>2022</u>	<u>2021</u>
Land	\$ 839,853	\$ 839,853
Land improvements	173,736	173,736
Farm equipment	0	632,588
Farm buildings	972,496	0
Office equipment	84,557	84,557
Leasehold improvements	<u>32,563</u>	<u>32,563</u>
	2,694,401	2,735,793
Less, accumulated depreciation	<u>(932,414)</u>	<u>(900,467)</u>
<u>Property and equipment</u>	<u>\$ 1,761,987</u>	<u>\$ 1,835,326</u>

Depreciation expense for the years ended June 30, 2022 and 2021, was \$88,375 and \$86,656, respectively.

Note 7 - Intangible Assets

Intangible assets consist of a trademark and website design purchased by the Foundation at a cost of \$42,738 and \$18,232, as of June 30, 2022 and 2021. This includes \$24,506 in website expenses that have not been placed in service as of June 30, 2022. Accumulated amortization as of June 30, 2022 and 2021, was \$6,383 and \$5,927, respectively. Amortization expense was \$456 for each of the years ended June 30, 2022 and 2021.

Note 7 - Intangible Assets (continued)

Future amortization expense is as follows:

<u>Years Ending June 30</u>	<u>Amortization</u>
2023	\$ 4,540
2024	8,625
2025	8,625
2026	4,540
2027	456
Thereafter	<u>9,569</u>
<u>Total future amortization expense</u>	<u>\$ 36,355</u>

Note 8 - Notes Payable

Notes payable is described as follows:

<u>At June 30</u>	<u>2022</u>	<u>2021</u>
Noninterest bearing note payable due in 60 monthly installments of \$162 through September 2025, secured by office equipment.	\$ 6,351	\$ 8,326
Less, current maturities	<u>(1,945)</u>	<u>(1,945)</u>
<u>Notes payable, less current maturities</u>	<u>\$ 4,406</u>	<u>\$ 6,381</u>

Principal repayments on notes payable are as follows:

<u>Years Ending June 30</u>	
2023	\$ 1,945
2024	1,945
2025	1,945
2026	516
2027	<u> </u>
<u>Total principal repayments</u>	<u>\$ 6,351</u>

Note 9 - Commitments and Contingencies

Government Assisted Programs

The Foundation has received proceeds from governmental agencies. Periodic audits of these grants and third-party reimbursements are required and certain costs may be questioned as not being appropriate expenditures under the agreements. Such audits could result in the refund or reimbursement to the grantor or third-party agencies. Management believes that refunds or reimbursements, should any be determined, would be immaterial. No provisions have been made in the accompanying financial statements for the repayment of any grant monies or third-party reimbursements.

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, 2022 and 2021, was \$61,537 and \$59,902, respectively.

The future minimum lease payments required under all operating leases are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2023	\$ 66,500
2024	60,958
2025	
2026	
2027	
<u>Total future minimum lease payments</u>	<u>\$ 127,458</u>

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 volunteers; and natural disasters. The Foundation carries commercial and professional liability insurance coverage for risks of loss. Claims have not exceeded coverage in any period since inception.

Note 10 - Retirement Plan

The Foundation offers a 403(b) retirement plan for eligible employees. Employees may elect to defer a portion of their compensation, subject to certain limitations. Employees who have met certain eligibility requirements will receive an employer match up to 5% of deferred wages. Employer contributions for the years ended June 30, 2022 and 2021, were \$41,018 and \$41,004, respectively.

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, 2022 and 2021, the uninsured balance was \$2,410,793 and \$2,300,442, respectively.

Each brokerage balance is protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to \$500,000, including \$250,000 for claims of uninvested cash balances. The SIPC does not protect against market losses on investments. There were no SIPC uninsured cash balances at June 30, 2022 and 2021.

Investments

The Foundation's investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these investments and the level of uncertainty related to changes in the fair value of investments, it is at least reasonably possible that changes in the various risk factors could occur in the near term and materially affect the Foundation's financial position.

Related Party Major Donor

Major donors exist when revenue from a single individual equals 10% or more of the Foundation's total contributions. During the years ended June 30, 2022 and 2021, the Foundation received contributions of \$976,000 and \$1,169,000, respectively, from a Board member's donor-advised fund. These amounts represent approximately 40%, each year, of the Foundation's total contributions.

Note 12 - 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 that are 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, 2021, 2020, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Note 13 - Chapter Affiliates

The Foundation provides support to chapter affiliates. During the years ended June 30, 2022 and 2021, the Foundation provided \$50,426 and \$50,798, respectively, in grants and other support to chapter affiliates. Amounts due to chapter affiliates totaled \$9,755 and \$26,568, at June 30, 2022 and 2021, respectively. The Foundation also acts as an agent in administering membership dues for some of the chapters as discussed in Note 4.

Note 14 - Subsequent Events

Management has evaluated subsequent events through November 16, 2022, which is the date the financial statements were available to be issued.

From July 2022 through the audit report date, the Foundation's investments continue to experience declines in fair value. While recovery is uncertain and material adverse impacts could occur, the decline is expected to be temporary.