



THE  
AMERICAN  
CHESTNUT  
FOUNDATION®

**THE AMERICAN CHESTNUT FOUNDATION**

Asheville, North Carolina

Financial Statements

Years Ended June 30, 2023 and 2022

# 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

### **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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The American Chestnut Foundation as of June 30, 2023 and 2022, 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, 2023 and 2022

	2023	2022
<b>Assets</b>		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 1,691,051	\$ 2,396,432
Restricted	254,995	254,760
Promises to give, current portion	40,000	22,500
Other receivables	255,735	2,370
Sales tax receivable	3,261	2,084
Inventory	4,567	4,043
Prepaid expenses	5,450	28,182
Total current assets	2,255,059	2,710,371
Promises to give, net of current portion	80,000	40,000
Investments	4,911,596	3,754,708
Operating lease right-of-use asset	59,771	
Property and equipment	1,855,335	1,761,987
Intangible assets	41,786	36,355
Total assets	\$ 9,203,547	\$ 8,303,421
<b>Liabilities and net assets</b>		
Current liabilities:		
Current maturities of operating lease liability	\$ 59,771	\$
Current maturities of notes payable	1,945	1,945
Accounts payable	82,634	155,221
Accrued expenses	142,886	107,871
Deferred revenue		2,075
Chapter escrow funds	260,881	254,686
Total current liabilities	548,117	521,798
Notes payable, net of current maturities	2,383	4,406
Total liabilities	550,500	526,204
Net assets:		
Without donor restrictions	7,957,859	6,903,171
With donor restrictions	695,188	874,046
Total net assets	8,653,047	7,777,217
Total liabilities and net assets	\$ 9,203,547	\$ 8,303,421

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

**THE AMERICAN CHESTNUT FOUNDATION**

Statement of Activities  
Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Public support and revenues</b>			
Contributions	\$ 2,489,393	\$ 574,858	\$ 3,064,251
Membership dues	521,670		521,670
Federal grants	64,235		64,235
Investment income, net	92,844		92,844
Merchandise sales	40,460		40,460
Annual meeting	24,735		24,735
Other income	21,280		21,280
Net assets released from restrictions	<u>747,601</u>	<u>(747,601)</u>	
Total public support and revenues	<u>4,002,218</u>	<u>(172,743)</u>	<u>3,829,475</u>
<b>Expenses</b>			
Program services	2,852,087		2,852,087
Supporting services	<u>566,233</u>		<u>566,233</u>
Total expenses	<u>3,418,320</u>		<u>3,418,320</u>
Increase (decrease) in net assets before other gains (losses)	<u>583,898</u>	<u>(172,743)</u>	<u>411,155</u>
<b>Other gains (losses)</b>			
Net gains (losses) on investments	593,256	(6,115)	587,141
Loss on sale of property and equipment	<u>(122,466)</u>		<u>(122,466)</u>
Total other gains (losses)	<u>470,790</u>	<u>(6,115)</u>	<u>464,675</u>
Increase (decrease) in net assets	1,054,688	(178,858)	875,830
Net assets, beginning of year	<u>6,903,171</u>	<u>874,046</u>	<u>7,777,217</u>
Net assets, end of year	<u>\$ 7,957,859</u>	<u>\$ 695,188</u>	<u>\$ 8,653,047</u>

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>
<b>Public support and revenues</b>			
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>
<b>Expenses</b>			
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>
<b>Other gains (losses)</b>			
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 Functional Expenses Year Ended June 30, 2023

	Program Services					
	External Research	National Office Operations	Marketing & Commun- ications	Science & Research	Chapter & Membership	Research Farm Operations
Salaries and wages	\$	\$ 408,055	\$ 97,012	\$ 342,175	\$ 105,009	\$ 318,704
Payroll taxes		32,421	7,262	27,303	8,279	30,230
Employee benefits		58,922	14,093	37,895	15,682	50,814
Total salaries and related expenses		499,398	118,367	407,373	128,970	399,748
Grants to others	296,635			184,017		
Direct program expenses			22,895	140,813	53,589	57,103
Legal and professional			103,094	10,519		
Office expenses			17,912	6,384	40,021	4,229
Telephone				3,188		4,875
Postage and shipping			24	6,112	24,879	4,677
Insurance						
Rent						
Utilities						31,684
Equipment rental and maintenance				1,025		21,508
Printing and publications			15,145		38,615	
Travel expenses				28,097		797
Conferences and meetings				4,190		476
Chapter dues shares					55,915	
Contract labor				7,000	4,190	
Other expenses			1,150	221		
Total expenses before depreciation and amortization	296,635	499,398	278,587	798,939	346,179	525,097
Depreciation		14,744				88,932
Amortization		3,576				
Total expenses	<u>\$ 296,635</u>	<u>\$ 517,718</u>	<u>\$ 278,587</u>	<u>\$ 798,939</u>	<u>\$ 346,179</u>	<u>\$ 614,029</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, 2023

	Total Program Services	Supporting Services		Total Supporting Services	Total
		Management & General	Fundraising		
Salaries and wages	\$ 1,270,955	\$ 76,510	\$ 25,503	\$ 102,013	\$ 1,372,968
Payroll taxes	105,495	6,079	2,026	8,105	113,600
Employee benefits	177,406	11,048	3,683	14,731	192,137
Total salaries and related expenses	1,553,856	93,637	31,212	124,849	1,678,705
Grants to others	480,652				480,652
Direct program expenses	274,400				274,400
Legal and professional	113,613	97,116		97,116	210,729
Office expenses	68,546	47,144	1,549	48,693	117,239
Telephone	8,063	5,513		5,513	13,576
Postage and shipping	35,692	1,291	1,998	3,289	38,981
Insurance		16,620		16,620	16,620
Rent		66,500		66,500	66,500
Utilities	31,684	3,543		3,543	35,227
Equipment rental and maintenance	22,533				22,533
Printing and publications	53,760		6,445	6,445	60,205
Travel expenses	28,894	36,048	581	36,629	65,523
Conferences and meetings	4,666	73,597	22	73,619	78,285
Chapter dues shares	55,915				55,915
Contract labor	11,190				11,190
Other expenses	1,371	77,983	856	78,839	80,210
Total expenses before depreciation and amortization	2,744,835	518,992	42,663	561,655	3,306,490
Depreciation	103,676	2,764	921	3,685	107,361
Amortization	3,576	670	223	893	4,469
Total expenses	<u>\$ 2,852,087</u>	<u>\$ 522,426</u>	<u>\$ 43,807</u>	<u>\$ 566,233</u>	<u>\$ 3,418,320</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						27,238
Equipment rental and maintenance				4,679		30,932
Printing and publications			1,869		28,558	
Travel expenses				23,090		2,471
Conferences and meetings				(365)		781
Chapter dues shares					64,995	
Contract labor				17,790	6,080	
Other expenses			87	205		
Total expenses before depreciation and amortization	288,675	414,575	146,801	906,072	280,821	444,094
Depreciation		13,483				71,521
Amortization		365				
Total expenses	<u>\$ 288,675</u>	<u>\$ 428,423</u>	<u>\$ 146,801</u>	<u>\$ 906,072</u>	<u>\$ 280,821</u>	<u>\$ 515,615</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, 2022

	Total Program Services	Supporting Services			Total Supporting Services	Total
		Management & General	Fundraising			
Salaries and wages	\$ 1,054,125	\$ 65,874	\$ 21,958	\$ 87,832	\$ 1,141,957	
Payroll taxes	87,077	4,589	1,530	6,119	93,196	
Employee benefits	154,724	7,208	2,403	9,611	164,335	
Total salaries and related expenses	<u>1,295,926</u>	<u>77,671</u>	<u>25,891</u>	<u>103,562</u>	<u>1,399,488</u>	
Grants to others	574,453				574,453	
Direct program expenses	248,183				248,183	
Legal and professional	67,537	44,179		44,179	111,716	
Office expenses	53,909	16,645	590	17,235	71,144	
Telephone	6,640	6,252		6,252	12,892	
Postage and shipping	25,980	2,448	1,882	4,330	30,310	
Insurance		15,461		15,461	15,461	
Rent		59,533		59,533	59,533	
Utilities	27,238	3,671		3,671	30,909	
Equipment rental and maintenance	35,611				35,611	
Printing and publications	30,427		9,102	9,102	39,529	
Travel expenses	25,561	14,174	151	14,325	39,886	
Conferences and meetings	416	16,295		16,295	16,711	
Chapter dues shares	64,995				64,995	
Contract labor	23,870				23,870	
Other expenses	292	3,331	2,820	6,151	6,443	
Total expenses before depreciation and amortization	<u>2,481,038</u>	<u>259,660</u>	<u>40,436</u>	<u>300,096</u>	<u>2,781,134</u>	
Depreciation	85,004	2,528	843	3,371	88,375	
Amortization	365	68	23	91	456	
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 CHESNUT FOUNDATION

### Statements of Cash Flows Years Ended June 30, 2023 and 2022

	2023	2022
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ 875,830	\$ (506,388)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	107,361	88,375
Amortization	4,469	456
Amortization of right-of-use asset	62,309	
Receipt of donated stock	(520,869)	(17,372)
Net (gains) losses on investments	(587,141)	593,149
(Gains) losses on sale of property and equipment	122,466	(7,600)
Working capital changes - sources (uses):		
Promises to give	(57,500)	(40,000)
Other receivables	(253,365)	(2,157)
Sales tax receivable	(1,177)	2,001
Inventory	(524)	(507)
Prepaid expenses	22,732	(21,915)
Accounts payable	(72,587)	87,213
Accrued expenses	35,015	12,756
Deferred revenue	(2,075)	2,075
Chapter escrow funds	6,195	1,058
Operating lease liability	(62,309)	
Net cash provided (used) by operating activities	(321,170)	191,144
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	526,820	13,453
Proceeds from sale of property and equipment	86,591	7,600
Purchase of investments	(575,698)	(262,398)
Purchase of property and equipment	(409,766)	(15,036)
Purchase of intangible assets	(9,900)	(24,506)
Net cash used by investing activities	(381,953)	(280,887)
<b>Cash flows from financing activities</b>		
Repayments on note payable	(2,023)	(1,975)
Net decrease in cash and equivalents and restricted cash	(705,146)	(91,718)
Cash and equivalents and restricted cash at beginning of year	2,651,192	2,742,910
Cash and equivalents and restricted cash at end of year	\$ 1,946,046	\$ 2,651,192
<b>Schedule of noncash investing and financing activities</b>		
Right-of-use asset in exchange for operating lease liability	\$ 122,080	\$ _____

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

# THE AMERICAN CHESNUT FOUNDATION

Notes to Financial Statements  
June 30, 2023 and 2022

## **Note 1 - Nature of Organization and 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 - Nature of Organization and 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, operating lease right-of-use asset, operating lease liability, 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.

Amounts recognized for operating lease right-of-use asset and operating lease liability approximate fair value due to present value adjustment determined by the Foundation's incremental borrowing rate.

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.

### Other Receivables

Other receivables consist of grants and amounts due from 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, 2023 and 2022, no allowance for doubtful accounts was recorded as management expects all amounts to be collected.

## **Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)**

### 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.

### 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.



## **Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)**

### Fair Value Measurements and Disclosures (continued)

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

### 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 - Nature of Organization and Summary of Significant Accounting Policies (continued)**

### 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.

### 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.

## **Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)**

### Newly Adopted Accounting Pronouncements

During the year ended June 30, 2023, the Foundation adopted the requirements of the following Accounting Standards Updates (ASUs) set by the Financial Accounting Standards Board (FASB). The implementation of these standards did not materially impact the financial statements, except as noted below.

- ASU No. 2018-15, *Intangibles – Goodwill and Other – Internal Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract* (ASU 2018-15). ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. ASU 2018-15 did not materially impact the Foundation’s financial statements.
- ASU No. 2016-02, *Leases (Topic 842)*, (ASU 2016-02) which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify ASU 2016-02, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

The Foundation elected to adopt these ASUs effective July 1, 2022. The Foundation did not adjust the prior period statement of financial position.

An election has been made to apply the short-term lease exception to all leases with a term of 12 months or less. Short-term lease costs do not reflect ongoing short-term lease commitments which are described in Note 9.

The Foundation applied the package of practical expedients allowed by the standard, upon adoption of ASU 2016-02. The Foundation did not reassess:

- Whether any expired or existing contracts are or contain leases under the new definition;
- The lease classification of any expired or existing leases; or
- Whether previously capitalized costs continue to qualify as initial direct costs.

As a result of the adoption of the new lease accounting guidance, on July 1, 2022, the Foundation recognized an operating lease liability of \$122,080, which represents the present value of the remaining operating lease payments, discounted using the Foundation’s incremental borrowing rate of 4.75%. A right-of-use asset in the amount of \$122,080, was also recorded at that time.

## **Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)**

### **Recently Issued Accounting Pronouncement**

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 is intended to improve financial reporting about credit losses on certain receivable balances. The new standard will be effective beginning July 1, 2023. The Foundation 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 are described as follows:

<u>At June 30</u>	<u>2023</u>	<u>2022</u>
Net assets without donor restrictions:		
Undesignated	<u>\$ 7,957,859</u>	<u>\$ 6,903,171</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose or time period:		
Research	312,122	533,746
Farm support	135,000	126,000
New England Chapter support	44,690	41,634
Tree database	35,000	17,375
Education Program support	12,920	12,920
Restoration Branch		11,301
Southern Region Chapter support		27,000
Lancaster County Orchard support	4,047	4,047
Promises to give	<u>120,000</u>	<u>62,500</u>
Total subject to expenditure for specified purpose	<u>663,779</u>	<u>836,523</u>
Not subject to spending policy or appropriation:		
Investment in perpetuity	<u>31,409</u>	<u>37,523</u>
Net assets with donor restrictions	<u>695,188</u>	<u>874,046</u>
<u>Net assets with donor restrictions</u>	<u>\$ 8,653,047</u>	<u>\$ 7,777,217</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.

### **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>2023</u>	<u>2022</u>
Financial assets:		
Cash and equivalents	\$ 1,946,046	\$ 2,651,192
Promises to give	120,000	62,500
Other receivables	255,735	2,370
Sales tax receivable	3,261	2,084
Investments	<u>4,911,596</u>	<u>3,754,708</u>
Total financial assets	<u>7,236,638</u>	<u>6,472,854</u>
Amounts not available for general expenditure:		
Net assets with donor restrictions	(695,188)	(874,046)
Add back: promises to give, current portion	<u>40,000</u>	<u>22,500</u>
Total amounts not available for general expenditure	<u>(655,188)</u>	<u>(851,546)</u>
Net financial assets available to meet cash needs for <u>general expenditures within one year</u>	<u>\$ 6,581,450</u>	<u>\$ 5,621,308</u>

#### 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, 2023 and 2022.

### **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>2023</u>	<u>2022</u>	<u>2021</u>
Promises to give:			
Due in less than one year	\$ 40,000	\$ 22,500	\$ 22,500
One to five years	<u>80,000</u>	<u>40,000</u>	<u>        </u>
Promises to give	120,000	62,500	22,500
Other receivables	<u>255,735</u>	<u>2,370</u>	<u>213</u>
Total contract assets	<u>\$ 375,735</u>	<u>\$ 64,870</u>	<u>\$ 22,713</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>2023</u>	<u>2022</u>
Deferred revenue, beginning of year	\$ 2,075	\$
Revenue recognized that was included in deferred revenue at the beginning of the year	(2,075)	
Increase in deferred revenue due to cash received during the year		<u>2,075</u>
Deferred revenue, end of year	<u></u>	<u>2,075</u>
Chapter escrow funds, beginning of year	254,686	253,628
Cash received from members during the year	85,834	139,138
Escrow funds disbursed to umbrella chapters during the year	<u>(79,639)</u>	<u>(138,080)</u>
Chapter escrow funds, end of year	<u>260,881</u>	<u>254,686</u>
<u>Total contract liabilities</u>	<u>\$ 260,881</u>	<u>\$ 256,761</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>2023</u>	<u>2022</u>
Equity investments:		
Mutual funds - equity index	\$ 4,186,286	\$ 3,019,433
Mutual funds - bond index	693,901	692,608
Common stock	<u>31,409</u>	<u>42,667</u>
<u>Investments</u>	<u>\$ 4,911,596</u>	<u>\$ 3,754,708</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>2023</u>	<u>2022</u>
Land	\$ 636,756	\$ 839,853
Land improvements	288,169	173,736
Farm equipment	687,400	591,196
Farm buildings	963,146	972,496
Office equipment	124,467	84,557
Leasehold improvements	32,563	32,563
CIP - Documentary film production	<u>111,801</u>	<u>          </u>
	2,844,302	2,694,401
Less, accumulated depreciation	<u>(988,967)</u>	<u>(932,414)</u>
<u>Property and equipment</u>	<u>\$ 1,855,335</u>	<u>\$ 1,761,987</u>

Depreciation expense for the years ended June 30, 2023 and 2022, was \$107,361 and \$88,375, respectively.

### **Note 7 - Intangible Assets**

Intangible assets consist of a trademark and website design purchased by the Foundation at a cost of \$52,638 and \$42,738, as of June 30, 2023 and 2022. Accumulated amortization as of June 30, 2023 and 2022, was \$10,852 and \$6,383, respectively. Amortization expense was \$4,469 and \$456, for the years ended June 30, 2023 and 2022, respectively.

**Note 7 - Intangible Assets (continued)**

Future amortization expense is as follows:

<u>Years Ending June 30</u>	
2024	\$ 7,337
2025	7,337
2026	7,337
2027	7,337
2028	3,323
Thereafter	<u>9,115</u>
<u>Total future amortization expense</u>	<u>\$ 41,786</u>

**Note 8 - Notes Payable**

Notes payable is described as follows:

<u>At June 30</u>	<u>2023</u>	<u>2022</u>
Noninterest bearing note payable due in 60 monthly installments of \$162 through September 2025, secured by office equipment.	\$ 4,328	\$ 6,351
Less, current maturities	<u>(1,945)</u>	<u>(1,945)</u>
<u>Notes payable, less current maturities</u>	<u>\$ 2,383</u>	<u>\$ 4,406</u>

Principal repayments on notes payable are as follows:

<u>Years Ending June 30</u>	
2024	\$ 1,945
2025	1,945
2026	438
2027	
2028	<u></u>
<u>Total principal repayments</u>	<u>\$ 4,328</u>



## Note 9 - Leases

The Foundation has an operating lease for office space. The lease expires in May 2024.

The following summarizes the line items in the accompanying statement of financial position which includes amounts for leases.

At June 30	2023
<b>Operating lease</b>	
Operating lease right-of-use asset	\$ 59,771
Operating lease liability	\$ 59,771

The following summarizes the weighted average remaining lease term and discount rate on lease obligations:

At June 30	2023
<b>Weighted Average Remaining Lease Term</b>	
Operating leases	1 year
<b>Weighted Average Discount Rate</b>	
Operating leases	4.75%

Future minimum payments under the lease agreements are as follows:

Years Ending June 30	
2024	\$ 60,959
2025	
2026	
2027	
2028	
Total payments	60,959
Less, imputed interest	(1,188)
<b>Total lease obligation</b>	<b>\$ 59,771</b>

## **Note 9 - Leases (continued)**

The following summarize the line items in the accompanying statement of functional expenses which include the components of lease costs:

<u>Year Ended June 30</u>	<u>2023</u>
Short-term and immaterial operating leases included in postage and shipping	\$ 1,503
Operating lease costs:	
Rent	<u>66,500</u>
<u>Total lease costs</u>	<u>\$ 68,003</u>

The Foundation also leases office equipment. The Foundation assessed whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) during the year ended June 30, 2023, when FASB ASU 2016-02, *Leases* was adopted. The Foundation has elected to apply the short-term lease exception to all leases with a term of 12 months or less. Leases with a remaining term of 12 months or less, or those that are considered immaterial, are not recorded in the statement of financial position. Management has determined all remaining operating leases meet this criterion and has not recognized operating lease agreements as operating lease liabilities. Lease expense is recognized for these leases on a straight-line basis over the lease term. The remaining lease term is on a month-to-month basis.

The following summarizes cash flow information related to leases:

<u>Year Ended June 30</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flow from operating lease	<u>\$ 66,500</u>
Assets obtained in exchange for lease obligations:	
Operating lease	<u>\$ 122,080</u>

## **Note 10 - 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.

## **Note 10 - Commitments and 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 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 11 - 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, 2023 and 2022, were \$41,829 and \$41,018, respectively.

## **Note 12 - 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 (FDIC) up to \$250,000. Generally, cash balances will exceed the FDIC insurance limits or be partially uninsured.

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. Generally, investment balances will exceed SIPC insurance limits or be partially uninsured.

### **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, 2023 and 2022, the Foundation received contributions of \$650,000 and \$976,000, respectively, from a Board member's donor-advised fund. These amounts represent approximately 20% and 40%, respectively, of the Foundation's total contributions.

## **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 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, 2022, 2021, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

## **Note 14 - Chapter Affiliates**

The Foundation provides support to chapter affiliates. During the years ended June 30, 2023 and 2022, the Foundation provided \$46,000 and \$50,426, respectively, in grants and other support to chapter affiliates. Amounts due to chapter affiliates totaled \$0 and \$9,755, at June 30, 2023 and 2022, respectively. The Foundation also acts as an agent in administering membership dues for some of the chapters as discussed in Note 4.

## **Note 15 - Subsequent Events**

Management has evaluated subsequent events through January 25, 2024, which is the date the financial statements were available to be issued.

During July 2023, the Foundation received a \$450,000 gift consisting of \$270,000 in cash and a \$180,000 pledge to build a year-round greenhouse.

Through November 2023, farm equipment was purchased totaling approximately \$100,000.

In January 2024, the line of credit matured, and management opted to not renew.