



THE
AMERICAN
CHESTNUT
FOUNDATION®

THE AMERICAN CHESTNUT FOUNDATION

Asheville, North Carolina

Financial Statements

Years Ended June 30, 2024 and 2023

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 - 2024 | 4 |
| Statement of Activities - 2023 | 5 |
| Statement of Functional Expenses - 2024 | 6-7 |
| Statement of Functional Expenses - 2023 | 8-9 |
| Statements of Cash Flows | 10 |
| Notes to Financial Statements | 11-25 |



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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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023

| | 2024 | 2023 |
|--|--------------|--------------|
| Assets | | |
| Current assets: | | |
| Cash and equivalents: | | |
| Unrestricted | \$ 1,131,497 | \$ 1,691,051 |
| Restricted | 255,052 | 254,995 |
| Promises to give, current portion | 220,000 | 40,000 |
| Other receivables | 95,472 | 255,735 |
| Sales tax receivable | 3,189 | 3,261 |
| Inventory | 803 | 4,567 |
| Prepaid expenses | 41,706 | 5,450 |
| Total current assets | 1,747,719 | 2,255,059 |
| | | |
| Promises to give, net of current portion | 40,000 | 80,000 |
| Investments | 5,931,918 | 4,911,596 |
| Operating lease right-of-use asset | 89,545 | 59,771 |
| Property and equipment | 1,988,686 | 1,855,335 |
| Intangible assets | 145,793 | 41,786 |
| | | |
| Total assets | \$ 9,943,661 | \$ 9,203,547 |
| | | |
| Liabilities and net assets | | |
| Current liabilities: | | |
| Current maturities of operating lease liability | \$ 44,273 | \$ 59,771 |
| Current maturities of notes payable | 1,945 | 1,945 |
| Accounts payable | 160,765 | 82,634 |
| Accrued expenses | 173,383 | 142,886 |
| Chapter escrow funds | 264,008 | 260,881 |
| Total current liabilities | 644,374 | 548,117 |
| | | |
| Operating lease liability, net of current maturities | 45,334 | |
| Notes payable, net of current maturities | 307 | 2,383 |
| | | |
| Total liabilities | 690,015 | 550,500 |
| | | |
| Net assets: | | |
| Without donor restrictions | 8,742,055 | 7,957,859 |
| With donor restrictions | 511,591 | 695,188 |
| Total net assets | 9,253,646 | 8,653,047 |
| | | |
| Total liabilities and net assets | \$ 9,943,661 | \$ 9,203,547 |

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Activities
Year Ended June 30, 2024

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---|--|---------------------|
| Public support and revenues | | | |
| Contributions | \$ 2,214,300 | \$ 361,352 | \$ 2,575,652 |
| Membership dues | 526,372 | | 526,372 |
| Federal grants | 10,765 | | 10,765 |
| Investment income, net | 141,757 | | 141,757 |
| Merchandise sales | 24,839 | | 24,839 |
| Annual meeting | 9,763 | | 9,763 |
| Other income | 11,844 | | 11,844 |
| Net assets released from restrictions | <u>548,621</u> | <u>(548,621)</u> | |
| Total public support and revenues | <u>3,488,261</u> | <u>(187,269)</u> | <u>3,300,992</u> |
| Expenses | | | |
| Program services | 3,107,392 | | 3,107,392 |
| Supporting services | <u>576,369</u> | | <u>576,369</u> |
| Total expenses | <u>3,683,761</u> | | <u>3,683,761</u> |
| Decrease in net assets before other gains | <u>(195,500)</u> | <u>(187,269)</u> | <u>(382,769)</u> |
| Other gains | | | |
| Net gains on investments | 913,314 | 3,672 | 916,986 |
| Gain on sale of property and equipment | <u>66,382</u> | | <u>66,382</u> |
| Total other gains | <u>979,696</u> | <u>3,672</u> | <u>983,368</u> |
| Increase (decrease) in net assets | 784,196 | (183,597) | 600,599 |
| Net assets, beginning of year | <u>7,957,859</u> | <u>695,188</u> | <u>8,653,047</u> |
| Net assets, end of year | <u>\$ 8,742,055</u> | <u>\$ 511,591</u> | <u>\$ 9,253,646</u> |

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> |
|--|---|--|---------------------|
| Public support and revenues | | | |
| 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> |
| Expenses | | | |
| 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> |
| Other gains (losses) | | | |
| Net gains (losses) on investments | 593,256 | (6,115) | 587,141 |
| Losses 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 Functional Expenses Year Ended June 30, 2024

| | Program Services | | | | | |
|--|----------------------|----------------------------------|------------------------------------|-----------------------|-------------------------|--------------------------------|
| | External Research | National Office Operations | Marketing & Commu- nications | Science & Research | Chapter & Membership | Research Farm Operations |
| Salaries and wages | \$ | \$ 511,363 | \$ 132,618 | \$ 488,673 | \$ 125,579 | \$ 339,212 |
| Payroll taxes | | 40,705 | 10,650 | 40,595 | 9,595 | 31,551 |
| Employee benefits | | 29,778 | 19,867 | 66,546 | 16,462 | 55,380 |
| Total salaries and related expenses | | 581,846 | 163,135 | 595,814 | 151,636 | 426,143 |
| Grants to others | 44,478 | | | 142,195 | | |
| Direct program expenses | | | 6,451 | 241,405 | 13,382 | 96,668 |
| Professional and scientific | | | | 5,112 | | |
| Legal and professional | | | 37,046 | 118,863 | | |
| Office expenses | | | 14,563 | 3,922 | 39,818 | 2,615 |
| Telephone | | 604 | | 2,934 | | 3,898 |
| Postage and shipping | | | 24 | 3,631 | 27,900 | 6,696 |
| Insurance | | | | | | 3,335 |
| Rent | | | | | | |
| Utilities | | | | | | 34,756 |
| Equipment rental and maintenance | | | | 4,509 | | 32,823 |
| Printing and publications | | | 6,275 | | 38,219 | |
| Travel expenses | | | | 50,464 | | 705 |
| Conferences and meetings | | | | 4,193 | | 635 |
| Chapter dues shares | | | | | 70,830 | |
| Contract labor | | | | | 2,000 | |
| Other expenses | | | 57 | 186 | | |
| Total expenses before depreciation and amortization | 44,478 | 582,450 | 227,551 | 1,173,228 | 343,785 | 608,274 |
| Depreciation | | 12,510 | | | | 95,542 |
| Amortization | | 19,574 | | | | |
| Total expenses | <u>\$ 44,478</u> | <u>\$ 614,534</u> | <u>\$ 227,551</u> | <u>\$ 1,173,228</u> | <u>\$ 343,785</u> | <u>\$ 703,816</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, 2024

| | Total Program Services | Supporting Services | | Total Supporting Services | Total |
|--|------------------------------|-------------------------|------------------|---------------------------------|---------------------|
| | | Management & General | Fundraising | | |
| Salaries and wages | \$ 1,597,445 | \$ 95,880 | \$ 31,960 | \$ 127,840 | \$ 1,725,285 |
| Payroll taxes | 133,096 | 7,632 | 2,544 | 10,176 | 143,272 |
| Employee benefits | 188,033 | 5,583 | 1,861 | 7,444 | 195,477 |
| Total salaries and related expenses | 1,918,574 | 109,095 | 36,365 | 145,460 | 2,064,034 |
| Grants to others | 186,673 | | | | 186,673 |
| Direct program expenses | 357,906 | | | | 357,906 |
| Professional and scientific | 5,112 | | | | 5,112 |
| Legal and professional | 155,909 | 141,385 | 1,200 | 142,585 | 298,494 |
| Office expenses | 60,918 | 22,741 | 1,152 | 23,893 | 84,811 |
| Telephone | 7,436 | 9,208 | | 9,208 | 16,644 |
| Postage and shipping | 38,251 | 1,187 | 2,031 | 3,218 | 41,469 |
| Insurance | 3,335 | 6,254 | | 6,254 | 9,589 |
| Rent | | 66,562 | | 66,562 | 66,562 |
| Utilities | 34,756 | 5,044 | | 5,044 | 39,800 |
| Equipment rental and maintenance | 37,332 | | | | 37,332 |
| Printing and publications | 44,494 | | 3,828 | 3,828 | 48,322 |
| Travel expenses | 51,169 | 68,539 | 344 | 68,883 | 120,052 |
| Conferences and meetings | 4,828 | 45,329 | 159 | 45,488 | 50,316 |
| Chapter dues shares | 70,830 | | | | 70,830 |
| Contract labor | 2,000 | 20,266 | | 20,266 | 22,266 |
| Other expenses | 243 | 9,947 | 17,712 | 27,659 | 27,902 |
| Total expenses before depreciation and amortization | 2,979,766 | 505,557 | 62,791 | 568,348 | 3,548,114 |
| Depreciation | 108,052 | 2,346 | 782 | 3,128 | 111,180 |
| Amortization | 19,574 | 3,670 | 1,223 | 4,893 | 24,467 |
| Total expenses | <u>\$ 3,107,392</u> | <u>\$ 511,573</u> | <u>\$ 64,796</u> | <u>\$ 576,369</u> | <u>\$ 3,683,761</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 | | <u>58,922</u> | <u>14,093</u> | <u>37,895</u> | <u>15,682</u> | <u>50,814</u> |
| 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 | | | <u>1,150</u> | <u>221</u> | | |
| Total expenses before depreciation and amortization | 296,635 | 499,398 | 278,587 | 798,939 | 346,179 | 525,097 |
| Depreciation | | 14,744 | | | | 88,932 |
| Amortization | | <u>3,576</u> | | | | |
| 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 CHESNUT FOUNDATION

Statements of Cash Flows Years Ended June 30, 2024 and 2023

| | 2024 | 2023 |
|--|--------------|--------------|
| Cash flows from operating activities | | |
| Increase in net assets | \$ 600,599 | \$ 875,830 |
| Adjustments to reconcile changes in net assets to net cash used by operating activities: | | |
| Depreciation | 111,180 | 107,361 |
| Amortization | 24,467 | 4,469 |
| Amortization of right-of-use asset | 63,346 | 62,309 |
| Receipt of donated stock | (20,203) | (520,869) |
| Net gains on investments | (916,986) | (587,141) |
| (Gains) losses on sale of property and equipment | (66,382) | 122,466 |
| Working capital changes - sources (uses): | | |
| Promises to give | (140,000) | (57,500) |
| Other receivables | 160,263 | (253,365) |
| Sales tax receivable | 72 | (1,177) |
| Inventory | 3,764 | (524) |
| Prepaid expenses | (36,256) | 22,732 |
| Accounts payable | 78,131 | (72,587) |
| Accrued expenses | 30,497 | 35,015 |
| Deferred revenue | | (2,075) |
| Chapter escrow funds | 3,127 | 6,195 |
| Operating lease liability | (63,284) | (62,309) |
| Net cash used by operating activities | (167,665) | (321,170) |
| Cash flows from investing activities | | |
| Proceeds from sale of investments | 19,765 | 526,820 |
| Proceeds from sale of property and equipment | 66,382 | 86,591 |
| Purchase of investments | (102,898) | (575,698) |
| Purchase of property and equipment | (356,332) | (409,766) |
| Purchase of intangible assets | (16,673) | (9,900) |
| Net cash used by investing activities | (389,756) | (381,953) |
| Cash flows from financing activities | | |
| Repayments on note payable | (2,076) | (2,023) |
| Net decrease in cash and equivalents and restricted cash | (559,497) | (705,146) |
| Cash and equivalents and restricted cash at beginning of year | 1,946,046 | 2,651,192 |
| Cash and equivalents and restricted cash at end of year | \$ 1,386,549 | \$ 1,946,046 |
| Schedule of noncash investing and financing activities | | |
| Right-of-use asset in exchange for operating lease liability | \$ 93,120 | \$ 122,080 |

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

THE AMERICAN CHESNUT FOUNDATION

Notes to Financial Statements
June 30, 2024 and 2023

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, gains and losses 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.

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.

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

Other Receivables and Credit Losses

Other receivables consist of grants and amounts due from customers for services performed before fiscal year-end. Other receivables are stated at net realizable value, which is the amount management expects to collect from outstanding balances. The Foundation has not experienced significant difficulties in collecting receivables and therefore does not assess finance charges. In reviewing aged receivables, management considers their knowledge of customers, historical losses, and past, current, and future economic conditions. No allowance for credit losses has been recorded, as management believes that all amounts will be collected based on significant judgement.

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.

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.

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

Fair Value Measurements and Disclosures (continued)

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.

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, website design, and a documentary film 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. The documentary film is amortized over the estimated service life of five years using the straight-line method.

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

Leases

The Foundation determines if 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) at inception. Operating leases are included as operating lease right-of-use (ROU) assets and operating lease liabilities in the accompanying statements of financial position.

ROU assets represent the Foundation's right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments, discounted using the Foundation's incremental borrowing rate.

Lease terms may include options to renew when it is reasonably certain the Foundation will exercise those options. Lease agreements do not contain any material residual value guarantees or restrictive covenants.

The Foundation has elected to apply the short-term lease exception to all leases with a remaining term of 12 months or less.

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.

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.

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

Revenue Recognition (continued)

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.

Advertising

The Foundation uses advertising to promote various programs. Advertising costs are not expected to extend beyond the current period and are expensed as incurred. Advertising expense for the years ended June 30, 2024 and 2023, was \$0 and \$11,445, respectively.

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, and chapter dues shares 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 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Newly Adopted Accounting Pronouncements

During the year ended June 30, 2024, the Foundation adopted the requirements of Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). The FASB also subsequently issued the following additional ASUs, which amend and clarify the ASU: ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*; ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*; and ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments*; ASU 2020-03, *Codification Improvements to Financial Instruments*. ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires entities to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. The implementation of these standards did not materially affect the accompanying financial statements.

Note 2 - Net Assets

Net assets are described as follows:

| <u>At June 30</u> | <u>2024</u> | <u>2023</u> |
|--|---------------------|---------------------|
| Net assets without donor restrictions: | | |
| Undesignated | <u>\$ 8,742,055</u> | <u>\$ 7,957,859</u> |
| Net assets with donor restrictions: | | |
| Subject to expenditure for specified purpose or time period: | | |
| Research | 94,298 | 312,122 |
| Farm support | | 135,000 |
| New England Chapter support | | 44,690 |
| Tree database | 5,989 | 35,000 |
| Education Program support | 12,920 | 12,920 |
| Greenhouse and solar arrays | 34,995 | |
| Internships | 25,465 | |
| Chapter support | 38,796 | |
| Lancaster County Orchard support | 4,047 | 4,047 |
| Promises to give | <u>260,000</u> | <u>120,000</u> |
| Total subject to expenditure for specified purpose | 476,510 | 663,779 |
| Not subject to spending policy or appropriation: | | |
| Investment in perpetuity | <u>35,081</u> | <u>31,409</u> |
| Net assets with donor restrictions | <u>511,591</u> | <u>695,188</u> |
| <u>Net assets with donor restrictions</u> | <u>\$ 9,253,646</u> | <u>\$ 8,653,047</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.

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

| <u>At June 30</u> | <u>2024</u> | <u>2023</u> |
|--|---------------------|---------------------|
| Financial assets: | | |
| Cash and equivalents | \$ 1,386,549 | \$ 1,946,046 |
| Promises to give | 260,000 | 120,000 |
| Other receivables | 95,472 | 255,735 |
| Sales tax receivable | 3,189 | 3,261 |
| Investments | <u>5,931,918</u> | <u>4,911,596</u> |
| Total financial assets | <u>7,677,128</u> | <u>7,236,638</u> |
| Amounts not available for general expenditure: | | |
| Net assets with donor restrictions | (511,591) | (695,188) |
| Add back: promises to give, current portion | <u>220,000</u> | <u>40,000</u> |
| Total amounts not available for general expenditure | <u>(291,591)</u> | <u>(655,188)</u> |
| Net financial assets available to meet cash needs for <u>general expenditures within one year</u> | <u>\$ 7,385,537</u> | <u>\$ 6,581,450</u> |

Line of Credit

The Foundation maintained 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 matured in January 2024 and was not renewed. There was no outstanding balance on the line of credit at June 30, 2023.

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.

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.

The fair values of investments were as follows:

| <u>At June 30</u> | <u>2024</u> | <u>2023</u> |
|-----------------------------|---------------------|---------------------|
| Equity investments: | | |
| Mutual funds - equity index | \$ 5,171,095 | \$ 4,186,286 |
| Mutual funds - bond index | 725,742 | 693,901 |
| Common stock | <u>35,081</u> | <u>31,409</u> |
| <u>Investments</u> | <u>\$ 5,931,918</u> | <u>\$ 4,911,596</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>2024</u> | <u>2023</u> |
|-----------------------------------|---------------------|---------------------|
| Land | \$ 636,756 | \$ 636,756 |
| Land improvements | 288,169 | 288,169 |
| Farm equipment | 672,452 | 687,400 |
| Farm buildings | 963,147 | 963,146 |
| Office equipment | 124,470 | 124,467 |
| Leasehold improvements | 32,564 | 32,563 |
| CIP - Documentary film production | | 111,801 |
| CIP - Greenhouse and solar arrays | <u>235,005</u> | |
| | 2,952,563 | 2,844,302 |
| Less, accumulated depreciation | <u>(963,877)</u> | <u>(988,967)</u> |
| <u>Property and equipment</u> | <u>\$ 1,988,686</u> | <u>\$ 1,855,335</u> |

Depreciation expense for the years ended June 30, 2024 and 2023, was \$111,180 and \$107,361, respectively.

Note 7 - Intangible Assets

Intangible assets consist of a trademark, website design, and documentary film purchased by the Foundation at a cost of \$181,112 and \$52,638, as of June 30, 2024 and 2023. Accumulated amortization as of June 30, 2024 and 2023, was \$35,319 and \$10,852, respectively. Amortization expense was \$24,467 and \$4,469, for the years ended June 30, 2024 and 2023, respectively.

Future amortization expense is as follows:

| <u>Years Ending June 30</u> | |
|--|-------------------|
| 2025 | \$ 25,695 |
| 2026 | 25,695 |
| 2027 | 25,695 |
| 2028 | 25,695 |
| 2029 | 9,021 |
| Thereafter | <u>33,992</u> |
| <u>Total future amortization expense</u> | <u>\$ 145,793</u> |

Note 8 - Notes Payable

Notes payable is described as follows:

| <u>At June 30</u> | <u>2024</u> | <u>2023</u> |
|---|----------------|-----------------|
| Noninterest bearing note payable due in 60 monthly installments of \$162 through September 2025, secured by office equipment. | \$ 2,252 | \$ 4,328 |
| Less, current maturities | <u>(1,945)</u> | <u>(1,945)</u> |
| <u>Notes payable, less current maturities</u> | <u>\$ 307</u> | <u>\$ 2,383</u> |

Principal repayments on notes payable are as follows:

| <u>Years Ending June 30</u> | |
|-----------------------------------|-----------------|
| 2025 | \$ 1,945 |
| 2026 | 307 |
| 2027 | |
| 2028 | |
| 2029 | <u></u> |
| <u>Total principal repayments</u> | <u>\$ 2,252</u> |

Note 9 - Leases

The Foundation has an operating lease for office space expiring in May 2026. The lease agreement includes variable payments based on usage rates which are not determinable at lease commencement and are not included in the measurement of lease assets and liabilities.

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

| <u>At June 30</u> | <u>2024</u> | <u>2023</u> |
|------------------------------------|------------------|------------------|
| Operating lease | | |
| Operating lease right-of-use asset | <u>\$ 89,545</u> | <u>\$ 59,771</u> |
| Operating lease liability | <u>\$ 89,607</u> | <u>\$ 59,771</u> |

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

| <u>At June 30</u> | <u>2024</u> | <u>2023</u> |
|--|-------------|-------------|
| Weighted Average Remaining Lease Term | | |
| Operating leases | 1.9 years | 1 year |
| Weighted Average Discount Rate | | |
| Operating leases | 8.50% | 4.75% |

Future minimum payments under the lease agreements are as follows:

| <u>Years Ending June 30</u> | |
|-------------------------------|------------------|
| 2025 | \$ 49,843 |
| 2026 | 46,951 |
| 2027 | |
| 2028 | |
| 2029 | |
| Total payments | <u>96,794</u> |
| Less, imputed interest | <u>(7,187)</u> |
| Total lease obligation | <u>\$ 89,607</u> |

Note 9 - Leases (continued)

The Foundation also leases office equipment. Leases with a remaining term of 12 months or less at lease inception, or those that are considered immaterial, are not recorded in the statements 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 summarize the line items in the accompanying statement of functional expenses which include the components of lease costs:

| <u>Years Ended June 30</u> | <u>2024</u> | <u>2023</u> |
|---|------------------|------------------|
| Short-term and immaterial operating leases included in postage and shipping | \$ 2,060 | \$ 1,503 |
| Operating lease costs: | | |
| Rent | <u>66,562</u> | <u>66,500</u> |
| <u>Total lease costs</u> | <u>\$ 68,622</u> | <u>\$ 68,003</u> |

The following summarizes cash flow information related to leases:

| <u>Years Ended June 30</u> | <u>2024</u> | <u>2023</u> |
|---|------------------|-------------------|
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flow from operating lease | <u>\$ 65,101</u> | <u>\$ 66,500</u> |
| Assets obtained in exchange for lease obligations: | | |
| Operating lease | <u>\$ 93,120</u> | <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, 2024 and 2023, were \$33,070 and \$41,829, 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.

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, 2024 and 2023, the Foundation received contributions of \$650,000 and \$650,000, respectively, from a single donor. These amounts represent approximately 40% and 20%, 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, 2023, 2022, and 2021 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, 2024 and 2023, the Foundation provided \$41,742 and \$46,000, respectively, in grants and other support to chapter affiliates. 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 October 21, 2024, which is the date the financial statements were available to be issued.