



THE
AMERICAN
CHESTNUT
FOUNDATION®

THE AMERICAN CHESTNUT FOUNDATION

Asheville, North Carolina

Financial Statements

Year Ended June 30, 2018

THE AMERICAN CHESTNUT FOUNDATION

OFFICERS

Michael D. Doochin
Dr. Brian C. McCarthy
Catherine D. Mayes
Steve Barilovits, III
Barbara Tormoehlen

Chair
Science and Technology Chair
Promotion and Outreach Chair
Treasurer
Secretary

BOARD OF DIRECTORS

Steve Barilovits, III
Yurij Bihun
Dr. Hill Craddock
William Jay Cude
Michael D. Doochin
Dr. Carolyn Howes Keiffer
Jack LaMonica
Lewis Lobdell
Catherine D. Mayes
Dr. Brian C. McCarthy
Dr. Gregory Miller

David W. Morris
Allen Nichols
Z. Cartter Patten
Dr. Jeanne Romero-Severson
Brad Stanback
Dr. Kim Steiner
Barbara Tormoehlen
Bruce Wakeland
John H. Wenderoth
Donald C. Willeke

President & CEO

Lisa Thomson

THE AMERICAN CHESTNUT FOUNDATION

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5-7
Statement of Cash Flows	8
Notes to Financial Statements	9-19

PROOF

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The American Chestnut Foundation

We have audited the accompanying financial statements of The American Chestnut Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Directors
The American Chestnut Foundation
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The American Chestnut Foundation as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The America Chestnut Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CARTER, P.C.

Asheville, North Carolina
October 26, 2018

PROOF

THE AMERICAN CHESTNUT FOUNDATION

Statement of Financial Position
June 30, 2018
(With Comparative Totals for 2017)

	2018	2017
Assets		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 815,926	\$ 1,475,444
Restricted	218,698	161,204
Promises to give	67,350	90,850
Grants receivable	25,000	25,000
Other receivables	9,567	9,857
Inventory	11,207	11,207
Prepaid expenses	18,086	18,940
Total current assets	1,165,834	1,792,502
Investments	2,946,102	2,517,046
Property and equipment	1,863,307	1,834,070
Intangible asset	13,672	14,128
Total assets	\$ 5,988,915	\$ 6,157,746
Liabilities and net assets		
Current liabilities:		
Current maturities of note payable	\$ 4,447	\$ 8,126
Accounts payable	166,412	82,629
Accrued expenses	74,652	81,115
Deferred revenue	1,315	895
Chapter funds escrow	221,431	213,691
Total current liabilities	468,257	386,456
Note payable, net of current maturities		3,793
Total liabilities	468,257	390,249
Net assets:		
Unrestricted	4,791,581	4,943,025
Temporarily restricted	701,399	795,215
Permanently restricted	27,678	29,257
Total net assets	5,520,658	5,767,497
Total liabilities and net assets	\$ 5,988,915	\$ 6,157,746

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Activities
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Public support and revenues					
Contributions	\$ 1,197,634	\$ 495,750	\$	\$ 1,693,384	\$ 2,795,877
Membership dues	380,915			380,915	404,007
Federal grants	162,755			162,755	58,357
Investment income	202,119			202,119	143,553
Merchandise sales	12,056			12,056	12,758
Realized gains (losses) on investments	(171,192)			(171,192)	20,054
Other income	30,577			30,577	29,772
Gain on sale of assets	1,200			1,200	35,000
Net assets released from restrictions	<u>589,566</u>	<u>(589,566)</u>			
Total public support and revenues	<u>2,405,630</u>	<u>(93,816)</u>		<u>2,311,814</u>	<u>3,499,378</u>
Expenses					
Program services:					
External research	430,769			430,769	312,122
National office operations	434,035			434,035	418,119
Marketing and communications	75,329			75,329	132,714
Regional science	798,055			798,055	596,790
Education and outreach	913			913	3,832
Chapter and membership	221,140			221,140	219,245
Research farm operations	418,139			418,139	421,017
Forestry and mine land	<u>32,591</u>			<u>32,591</u>	<u>34,197</u>
Total program services	<u>2,410,971</u>			<u>2,410,971</u>	<u>2,138,036</u>
Supporting services:					
Management and general	312,962			312,962	316,964
Fundraising	<u>51,230</u>			<u>51,230</u>	<u>58,795</u>
Total supporting services	<u>364,192</u>			<u>364,192</u>	<u>375,759</u>
Total expenses	<u>2,775,163</u>			<u>2,775,163</u>	<u>2,513,795</u>
Increase (decrease) in net assets before net unrealized gains (losses) on investments	(369,533)	(93,816)		(463,349)	985,583
Net unrealized gains (losses) on investments	<u>218,089</u>		<u>(1,579)</u>	<u>216,510</u>	<u>118,623</u>
Increase (decrease) in net assets	(151,444)	(93,816)	(1,579)	(246,839)	1,104,206
Net assets, beginning of year	<u>4,943,025</u>	<u>795,215</u>	<u>29,257</u>	<u>5,767,497</u>	<u>4,663,291</u>
Net assets, end of year	<u>\$ 4,791,581</u>	<u>\$ 701,399</u>	<u>\$ 27,678</u>	<u>\$ 5,520,658</u>	<u>\$ 5,767,497</u>

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Functional Expenses
 Year Ended June 30, 2018
 (With Comparative Totals for 2017)

	Program Services				
	External Research	National Office Operations	Marketing & Commu- nications	Regional Science	Education & Outreach
Salaries and wages	\$	\$ 355,441	\$ 51,160	\$ 255,431	\$
Payroll taxes		31,379	3,653	24,388	
Employees benefits		34,901	7,550	37,097	
Total salaries and related		421,721	62,363	316,916	
Grants to others	422,519			280,238	
Direct program expenses	8,250		1,174	21,602	189
Professional & scientific				30,257	
Legal & professional				97,650	
Office expenses			10,706	2,317	
Telephone				1,627	
Postage & shipping			17	2,780	22
Insurance					
Rent					
Utilities					
Equipment rental & maintenance					
Printing & publications			1,039		
Travel expenses		5,032		26,393	83
Conferences & meetings				2,311	619
Chapter dues shares					
Contract labor				15,683	
Investment expenses					
Other expenses			30	281	
Total expenses before interest, depreciation, and amortization	430,769	426,753	75,329	798,055	913
Interest					
Depreciation and amortization		7,282			
Total expenses	\$ 430,769	\$ 434,035	\$ 75,329	\$ 798,055	\$ 913

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Functional Expenses (continued)
 Year Ended June 30, 2018
 (With Comparative Totals for 2017)

	Program Services			Total Program Services
	Chapter & Membership	Research Farm Operations	Forestry & Mine Land	
Salaries and wages	\$ 64,179	\$ 157,022	\$ 22,526	\$ 905,759
Payroll taxes	4,833	25,934	3,754	93,941
Employees benefits	<u>14,865</u>	<u>34,755</u>		<u>129,168</u>
Total salaries and related	83,877	217,711	26,280	1,128,868
Grants to others				702,757
Direct program expenses	9,300	61,900	2,104	104,519
Professional & scientific				30,257
Legal & professional				97,650
Office expenses	18,012	1,997	96	33,128
Telephone		3,019	439	5,085
Postage & shipping	13,789	5,392	123	22,123
Insurance		9,723		9,723
Rent				
Utilities		14,348		14,348
Equipment rental & maintenance		24,200		24,200
Printing & publications	30,767			31,806
Travel expenses		559	3,549	35,616
Conferences & meetings		1,278		4,208
Chapter dues shares	58,155			58,155
Contract labor	7,240			22,923
Investment expenses				
Other expenses				311
Total expenses before interest, depreciation, and amortization	221,140	340,127	32,591	2,325,677
Interest		467		467
Depreciation and amortization		<u>77,545</u>		<u>84,827</u>
Total expenses	<u>\$ 221,140</u>	<u>\$ 418,139</u>	<u>\$ 32,591</u>	<u>\$ 2,410,971</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, 2018
 (With Comparative Totals for 2017)

	Supporting Services			2018 Total	2017 Total
	Management and General	Fundraising	Total Supporting Services		
Salaries and wages	\$ 66,645	\$ 22,215	\$ 88,860	\$ 994,619	\$ 1,026,946
Payroll taxes	5,884	1,961	7,845	101,786	108,669
Employees benefits	<u>6,544</u>	<u>2,181</u>	<u>8,725</u>	<u>137,893</u>	<u>121,315</u>
Total salaries and related	79,073	26,357	105,430	1,234,298	1,256,930
Grants to others				702,757	470,846
Direct program expenses				104,519	76,893
Professional & scientific				30,257	37,871
Legal & professional	24,009		24,009	121,659	69,904
Office expenses	20,479	6,223	26,702	59,830	49,573
Telephone	7,616	316	7,932	13,017	14,699
Postage & shipping	2,116	1,519	3,635	25,758	23,990
Insurance	3,638		3,638	13,361	16,124
Rent	44,208		44,208	44,208	47,975
Utilities	4,641		4,641	18,989	18,596
Equipment rental & maintenance				24,200	40,113
Printing & publications		7,131	7,131	38,937	54,754
Travel expenses	34,966	6,750	41,716	77,332	88,194
Conferences & meetings	69,537		69,537	73,745	60,049
Chapter dues shares				58,155	63,518
Contract labor				22,923	15,019
Investment expenses	19,493		19,493	19,493	17,937
Other expenses	<u>1,821</u>	<u>2,479</u>	<u>4,300</u>	<u>4,611</u>	<u>3,525</u>
Total expenses before interest, depreciation, and amortization	311,597	50,775	362,372	2,688,049	2,426,510
Interest				467	3,003
Depreciation and amortization	<u>1,365</u>	<u>455</u>	<u>1,820</u>	<u>86,647</u>	<u>84,282</u>
Total expenses	<u>\$ 312,962</u>	<u>\$ 51,230</u>	<u>\$ 364,192</u>	<u>\$ 2,775,163</u>	<u>\$ 2,513,795</u>

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

THE AMERICAN CHESNUT FOUNDATION

Statement of Cash Flows
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (246,839)	\$ 1,104,206
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	86,647	84,282
Donated stock	(16,869)	(10,252)
Net unrealized gains on investments	(216,510)	(118,623)
Realized (gains) losses on investments	171,192	(20,054)
Gain on sale of assets	(1,200)	(35,000)
Working capital changes - sources (uses):		
Promises to give	23,500	(56,016)
Grants receivable		96,281
Other receivables	290	
Prepaid expenses	854	25,783
Accounts payable	83,783	(4,354)
Accrued expenses	(6,463)	(19,439)
Deferred revenue	420	(280)
Chapter funds escrow	7,740	15,849
Net cash provided (used) by operating activities	(113,455)	1,062,383
Cash flows from investing activities		
Proceeds from sales of investments	719,084	32,153
Proceeds from sales of property and equipment	1,200	35,000
Purchase of investments	(1,085,953)	(126,198)
Purchase of property and equipment	(115,428)	(178,911)
Net cash used by investing activities	(481,097)	(237,956)
Cash flows from financing activities		
Deferred compensation payments		(86,528)
Proceeds from line of credit		250,000
Payments on line of credit		(250,000)
Payments on long-term debt	(7,472)	(8,309)
Net cash used by financing activities	(7,472)	(94,837)
Net increase (decrease) in cash and equivalents	(602,024)	729,590
Cash and equivalents at beginning of year	1,636,648	907,058
Cash and equivalents at end of year	\$ 1,034,624	\$ 1,636,648
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 467	\$ 3,003

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

THE AMERICAN CHESNUT FOUNDATION

Notes to Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies

Organization

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

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Income Tax Status

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

Basis of Presentation

Net assets of the Foundation and changes therein are classified and reported as follows:

- *Unrestricted net assets*: Net assets that are not subject to donor-imposed stipulations.
- *Temporarily restricted net assets*: Net assets subject to donor-imposed stipulations that will be met either by the actions of the Foundation or the passage of time.
- *Permanently restricted net assets*: Net assets subject to donor-imposed stipulations that must be maintained permanently. Generally, the donors of these assets permit the Foundation to use all or part of the earnings on the related investments for general or specific purposes.

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed stipulations. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Expenses are recorded as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Donated Assets

Donated materials are recorded as contributions in the accompanying financial statements at their fair value 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.

Cash and Equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with original maturities of three months or less to be cash equivalents. Restricted cash consists of chapter funds held on behalf chapters operating under the nonprofit status of the Foundation.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. At June 30, 2018, all promises to give are expected to be collected within one year. An allowance for doubtful accounts has not been established, as management believes that all amounts are collectible.

Note 1 - Summary of Significant Accounting Policies (continued)

Grants Receivable

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

Inventory

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

Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair value. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements and Disclosures

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

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

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data.

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful life of assets are capitalized. Purchased property and equipment are carried at cost.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	5 - 40 years
Building contents	5 - 25 years
Vehicles	5 - 10 years
Recreational facilities	5 - 30 years
Land improvements	15 - 40 years

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Those donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Membership Dues

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

Federal Grants

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

Functional Allocation of Expenses

The costs of providing various program and supporting activities are summarized on a functional basis in the statements of activities and functional expenses. Accordingly, all costs have been allocated among the program and supporting services benefitted.

Note 1 - Summary of Significant Accounting Policies (continued)

Advertising

Advertising costs are expensed as incurred. For the years ended June 30, 2018 and 2017, costs charged to expense were \$0 and \$231, respectively.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Foundation regularly assesses these estimates and, while actual results could differ, management believes that the estimates are reasonable.

Fair Value of Financial Instruments

The fair value of substantially all reported assets and liabilities which represent financial instruments, none of which are held for trading purposes, approximate the carrying values of such amounts.

Reclassifications

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

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class or natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require a lessee to recognize a lease liability and a right-of-use asset for most leases, including operating leases. The standard will be effective for annual periods ending after December 15, 2019. Early adoption is permitted. The Foundation is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

Note 1 - Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

In August 2016, the FASB issued Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 is intended to improve not-for-profit (NFP) financial statements and provide more useful information to donors, grantors, creditors, and other financial statement users. The standard will change the way all NFPs classify net assets and prepare financial statements, and will result in significant changes to financial reporting and disclosures for NFPs. The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018.

In November 2016, FASB issued Accounting Standards Update 2016-18, *Restricted Cash*, (ASU 2016-18). ASU 2016-18 is intended to clarify the classification and presentation of restricted cash and cash equivalents in the statement of cash flows. The ASU will require amounts generally described as restricted cash to be included with cash and equivalents on the statement of cash flows. The standard is effective for annual financial statements issued for years beginning after December 15, 2018. This guidance will not impact the presentation of the statement of cash flows.

Note 2 - Restrictions on Assets

Temporarily restricted net assets are available for the following purposes:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Norcross Wildlife	\$ 564	\$ 564
Manton Foundation	310	9,808
Ohrstrom Foundation		45,000
Delmarva	1,212	1,212
Raystown Lake	5,380	5,380
Restoration Branches	4,709	4,709
Tucker Foundation	9,699	27,000
Colcom	72,448	100,000
Munson Foundation	4,043	14,000
Cole		33,039
Greenewalt		3,349
Dorr Foundation	20,591	20,744
Shenk Foundation	6,000	3,000
Foundation for the Carolinas	356,882	411,560
Mellon Foundation	98,438	
Gibbs Foundation	2,165	
Fidelity	26,608	
Promises to give	67,350	90,850
Grants receivable	<u>25,000</u>	<u>25,000</u>
<u>Temporarily restricted net assets</u>	<u>\$ 701,399</u>	<u>\$ 795,215</u>

Note 2 - Restrictions on Assets (continued)

Permanently restricted net assets consist of donated stock, where the same permanent restrictions are imposed on the related income and expense. Permanently restricted net assets totaled \$27,678 and \$29,257 at June 30, 2018 and 2017, respectively.

Note 3 - Receivables

Other receivables consist of the following:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Other receivables	\$ 5,368	\$ 5,140
Sales tax receivable	<u>4,199</u>	<u>4,717</u>
<u>Other receivables</u>	<u>\$ 9,567</u>	<u>\$ 9,857</u>

Note 4 - Fair Value Measurements

Investments consist of equity investments. The costs of investments and their related carrying value (market) were as follows:

<u>At June 30</u>	<u>2018</u>		<u>2017</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Equity investments:				
Mutual funds	\$ 2,918,424	\$ 2,724,981	\$ 1,993,251	\$ 1,813,543
Equities held at brokerage			494,538	698,892
Equity securities	<u>27,678</u>	<u>18,753</u>	<u>29,257</u>	<u>18,753</u>
<u>Total investments</u>	<u>\$ 2,946,102</u>	<u>\$ 2,743,734</u>	<u>\$ 2,517,046</u>	<u>\$ 2,531,188</u>

Investment management fees for the years ended June 30, 2018 and 2017, were \$19,493 and \$17,855, respectively.

Fair values of investments are determined as follows:

Equity Investments

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

Note 5 - Property and Equipment

A description of property and equipment is as follows:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Land	\$ 839,853	\$ 839,853
Land improvements	122,981	122,981
Farm equipment	609,008	690,279
Farm buildings	887,101	786,304
Office equipment	42,125	100,061
Leasehold improvements	<u>32,563</u>	<u>32,563</u>
	2,533,631	2,572,041
Less, accumulated depreciation	<u>670,324</u>	<u>737,971</u>
<u>Property and equipment</u>	<u>\$ 1,863,307</u>	<u>\$ 1,834,070</u>

Depreciation expense for the years ended June 30, 2018 and 2017, was \$86,191 and \$83,846, respectively.

Note 6 - Intangible Asset

Intangible asset consists of a trademark purchased by the Foundation at a cost of \$18,232, which is being amortized over its useful life. Accumulated amortization as of June 30, 2018 and 2017, was \$4,560 and \$4,104, respectively. Amortization expense was \$456 for each of the years ended June 30, 2018 and 2017.

Future amortization expense is as follows:

<u>Years Ending June 30</u>	<u>Amortization</u>
2019	\$ 456
2020	456
2021	456
2022	456
2023	456
Thereafter	<u>11,392</u>
<u>Total future amortization expense</u>	<u>\$ 13,672</u>

Note 7 - Line of Credit

The Foundation maintains a line of credit with maximum borrowings of \$1,000,000 and an interest rate of LIBOR plus 3%. There were no advances on the line of credit during the year ended June 30, 2018, and there were no outstanding balances as of June 30, 2018 and 2017. This line of credit is collateralized by investments.

Note 7 - Line of Credit (continued)

Additionally, the Foundation maintains a line of credit with maximum borrowings of \$300,000 and interest at the prime rate. There were no outstanding balances at June 30, 2018 and 2017. This line of credit is secured by buildings on land owned by the Foundation.

Note 8 - Note Payable

The Foundation has a note payable requiring 120 monthly installments of \$722 including interest at 6%. The note matures in January 2019 and is collateralized by land. The outstanding balance on this note was \$4,447 and \$11,919 at June 30, 2018 and 2017, respectively. The balance of \$4,447 is due during the year ending June 30, 2019.

Note 9 - Lease Commitments

The Foundation leases office space and equipment under non-cancelable operating leases. The leases require various monthly payments and expire through May 2024. Total rent expense for the years ended June 30, 2018 and 2017, was \$58,202 and \$61,048, respectively.

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

<u>Years Ending June 30</u>	<u>Amount</u>
2019	\$ 65,168
2020	67,152
2021	62,311
2022	59,533
2023	66,500
Thereafter	<u>60,958</u>
<u>Total future minimum rental payments</u>	<u>\$ 381,622</u>

Note 10 - Concentrations of Credit Risk

Uninsured Cash Balances

The Foundation maintains its cash and equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2018 and 2017, the uninsured balance was \$753,181 and \$1,180,941, respectively.

Contributions

During the years ended June 30, 2018 and 2017, the Foundation received contributions of \$850,000 and \$1,011,560, respectively, which approximates 34% and 29%, respectively, of the Foundation's total support and revenues from an individual Board member's donor-advised fund.

Note 11 - Retirement Plan

The Foundation participates in a retirement plan for employees who may defer a portion of their compensation. Employees who have served two years are eligible to receive an employer match up to 5% of their salary. Employees who have served eight years and participated in the retirement plan for two years are eligible for an employer match up to the maximum allowable by law. Employer contributions for the years ended June 30, 2018 and 2017, were \$28,606 and \$22,239, respectively.

Note 12 - Income Taxes

Uncertain Tax Positions

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions 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, 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Note 13 - Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Risk Management

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

Note 14 - Related Party Transactions

Board members contribute funds to the Foundation in support of its operations. These amounts are discussed in Note 10.

Note 15 - Prior Period Adjustment

During the year ended June 30, 2018, it was discovered that certain amounts were not recognized in the financial statements for the year ended June 30, 2017. As a result, adjustments were made to increase promises to give, contributions, and net assets by \$80,000 from the amounts previously reported for the year ended June 30, 2017.

Note 16 - Subsequent Events

Subsequent events have been evaluated through October 26, 2018, which is the date the financial statements were available to be issued.

PROOF