



THE
AMERICAN
CHESTNUT
FOUNDATION®

THE AMERICAN CHESTNUT FOUNDATION

Asheville, North Carolina

Financial Statements

Year Ended June 30, 2019

THE AMERICAN CHESTNUT FOUNDATION

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THE AMERICAN CHESTNUT FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The American Chestnut Foundation

We have audited the accompanying financial statements of The American Chestnut Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the Board of Directors
The American Chestnut Foundation
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The American Chestnut Foundation as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CARTER, P.C.

Asheville, North Carolina
October 30, 2019

THE AMERICAN CHESTNUT FOUNDATION

Statements of Financial Position
June 30, 2019

	2019	2018
Assets		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 1,228,380	\$ 815,926
Restricted	238,364	218,698
Promises to give, current portion	42,350	7,350
Grants receivable	25,000	25,000
Other receivables	8,893	9,567
Inventory	11,207	11,207
Prepaid expenses	8,776	18,086
Total current assets	1,562,970	1,105,834
Promises to give, net of current portion	40,000	60,000
Investments	3,066,292	2,946,102
Property and equipment	1,853,451	1,863,307
Intangible asset	13,217	13,672
Total assets	\$ 6,535,930	\$ 5,988,915
 Liabilities and net assets		
Current liabilities:		
Current maturities of note payable	\$	\$ 4,447
Accounts payable	64,851	169,633
Accrued expenses	78,313	71,431
Deferred revenue	1,475	1,315
Chapter funds escrow	240,049	221,431
Total liabilities	384,688	468,257
Net assets:		
Without donor restrictions	5,274,079	4,791,581
With donor restrictions	877,163	729,077
Total net assets	6,151,242	5,520,658
Total liabilities and net assets	\$ 6,535,930	\$ 5,988,915

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues			
Contributions	\$ 1,122,992	\$ 1,247,100	\$ 2,370,092
Membership dues	434,771		434,771
Federal grants	75,000		75,000
Investment income	192,045		192,045
Merchandise sales	24,284		24,284
Annual meeting fees	28,973		28,973
Other income	17,354		17,354
Gain on sale of assets	756		756
Net assets released from restrictions	<u>1,102,220</u>	<u>(1,102,220)</u>	
Total public support and revenues	<u>2,998,395</u>	<u>144,880</u>	<u>3,143,275</u>
Expenses			
Program services:			
External research	376,352		376,352
National office operations	428,908		428,908
Marketing and communications	80,690		80,690
Science and research	590,869		590,869
Education and outreach	1,390		1,390
Chapter and membership	225,595		225,595
Research farm operations	451,049		451,049
Forestry and mine land	<u>13,194</u>		<u>13,194</u>
Total program services	<u>2,168,048</u>		<u>2,168,408</u>
Supporting services:			
Management and general	270,832		270,832
Fundraising	<u>41,615</u>		<u>41,615</u>
Total supporting services	<u>312,447</u>		<u>312,447</u>
Total expenses	<u>2,480,494</u>		<u>2,480,494</u>
Increase in net assets before other gains (losses)	517,901	144,880	662,781
Other gains (losses)			
Net gains (losses) on investments	<u>(35,403)</u>	<u>3,206</u>	<u>(32,197)</u>
Increase in net assets	482,498	148,086	630,584
Net assets, beginning of year	<u>4,791,581</u>	<u>729,077</u>	<u>5,520,658</u>
Net assets, end of year	<u>\$ 5,274,079</u>	<u>\$ 877,163</u>	<u>\$ 6,151,242</u>

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Activities
Year Ended June 30, 2018

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Public support and revenues			
Contributions	\$ 1,178,539	\$ 495,750	\$ 1,674,289
Membership dues	380,915		380,915
Federal grants	162,755		162,755
Investment income	182,626		182,626
Merchandise sales	12,056		12,056
Annual meeting fees	19,095		19,095
Other income	30,577		30,577
Gain on sale of assets	1,200		1,200
Net assets released from restrictions	<u>589,566</u>	<u>(589,566)</u>	
Total public support and revenues	<u>2,557,329</u>	<u>(93,816)</u>	<u>2,463,513</u>
Expenses			
Program services:			
External research	430,769		430,769
National office operations	432,328		432,328
Marketing and communications	75,329		75,329
Science and research	799,762		799,762
Education and outreach	913		913
Chapter and membership	221,140		221,140
Research farm operations	418,139		418,139
Forestry and mine land	<u>32,591</u>		<u>32,591</u>
Total program services	<u>2,410,971</u>		<u>2,410,971</u>
Supporting services:			
Management and general	293,469		293,469
Fundraising	<u>51,230</u>		<u>51,230</u>
Total supporting services	<u>344,699</u>		<u>344,699</u>
Total expenses	<u>2,755,670</u>		<u>2,755,670</u>
Decrease in net assets before other gains (losses)	(198,341)	(93,816)	(292,157)
Other gains (losses)			
Net gains (losses) on investments	<u>46,897</u>	<u>(1,579)</u>	<u>45,318</u>
Decrease in net assets	(151,444)	(95,395)	(246,839)
Net assets, beginning of year	<u>4,943,025</u>	<u>824,472</u>	<u>5,767,497</u>
Net assets, end of year	<u>\$ 4,791,581</u>	<u>\$ 729,077</u>	<u>\$ 5,520,658</u>

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services				
	External Research	National Office Operations	Marketing & Commu- nications	Science & Research	Education & Outreach
Salaries and wages	\$	\$ 354,093	\$ 45,655	\$ 271,131	\$
Payroll taxes		27,301	3,679	24,060	
Employee benefits		37,981	9,286	39,321	
Total salaries and related		419,375	58,620	334,512	
Grants to others	368,102			77,997	
Direct program expenses	8,250			23,497	960
Professional and scientific				50,401	
Legal and professional			7,600	50,797	
Office expenses			13,212	2,321	
Telephone				1,840	
Postage and shipping			38	3,228	30
Insurance					
Rent					
Utilities					
Equipment rental and maintenance					
Printing and publications			1,131		400
Travel expenses		5,033		40,842	
Conferences and meetings				2,691	
Chapter dues shares					
Contract labor				525	
Other expenses			89	2,218	
Total expenses before interest, depreciation, and amortization	376,352	424,408	80,690	590,869	1,390
Interest					
Depreciation		4,137			
Amortization		364			
Total expenses	<u>\$ 376,352</u>	<u>\$ 428,909</u>	<u>\$ 80,690</u>	<u>\$ 590,869</u>	<u>\$ 1,390</u>

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

THE AMERICAN CHESTNUT FOUNDATION

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

	Program Services			Total Program Services
	Chapter & Membership	Research Farm Operations	Forestry & Mine Land	
Salaries and wages	\$ 69,395	\$ 196,503	\$ 330	\$ 937,107
Payroll taxes	5,653	31,981	(416)	92,258
Employee benefits	15,544	39,310		141,442
Total salaries and related	90,592	267,794	(86)	1,170,807
Grants to others				446,099
Direct program expenses	9,190	13,889	13,225	69,011
Professional and scientific				50,401
Legal and professional				58,397
Office expenses	12,885	1,322	62	29,802
Telephone		3,752	(7)	5,585
Postage and shipping	13,427	7,000		23,723
Insurance		7,018		7,018
Rent				
Utilities		18,480		18,480
Equipment rental and maintenance		26,174		26,174
Printing and publications	28,291			29,822
Travel expenses		1,004		46,879
Conferences and meetings		1,134		3,825
Chapter dues shares	64,890			64,890
Contract labor	6,320	22,500		29,345
Other expenses				2,307
Total expenses before interest, depreciation, and amortization	225,595	370,067	13,194	2,082,565
Interest		81		81
Depreciation		80,901		85,038
Amortization				364
Total expenses	\$ 225,595	\$ 451,049	\$ 13,194	\$ 2,168,048

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

THE AMERICAN CHESTNUT FOUNDATION

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

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

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services				
	External Research	National Office Operations	Marketing & Commu- nications	Science & Research	Education & Outreach
Salaries and wages	\$	\$ 353,734	\$ 51,160	\$ 257,138	\$
Payroll taxes		31,379	3,653	24,388	
Employee benefits		34,901	7,550	37,097	
Total salaries and related		420,014	62,363	318,623	
Grants to others	422,519			277,968	
Direct program expenses	8,250		1,174	23,872	189
Professional and scientific				30,257	
Legal and professional				97,650	
Office expenses			10,706	2,317	
Telephone				1,627	
Postage and shipping			17	2,780	22
Insurance					
Rent					
Utilities					
Equipment rental and maintenance					
Printing and publications			1,039		
Travel expenses		5,032		26,393	83
Conferences and meetings				2,311	619
Chapter dues shares					
Contract labor				15,683	
Other expenses			30	281	
Total expenses before interest, depreciation, and amortization	430,769	425,046	75,329	799,762	913
Interest					
Depreciation		6,917			
Amortization		365			
Total expenses	<u>\$ 430,769</u>	<u>\$ 432,328</u>	<u>\$ 75,329</u>	<u>\$ 799,762</u>	<u>\$ 913</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

	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
Employee benefits	14,865	34,755		129,168
Total salaries and related	83,877	217,711	26,280	1,128,868
Grants to others				700,487
Direct program expenses	9,262	63,530	2,104	108,381
Professional and scientific				30,257
Legal and professional				97,650
Office expenses	17,823	1,997	96	32,939
Telephone		3,019	439	5,085
Postage and shipping	14,016	5,392	123	22,350
Insurance		9,723		9,723
Rent				
Utilities		14,348		14,348
Equipment rental and maintenance		22,570		22,570
Printing and publications	30,767			31,806
Travel expenses		559	3,549	35,616
Conferences and meetings		1,278		4,208
Chapter dues shares	58,155			58,155
Contract labor	7,240			22,923
Other expenses				311
Total expenses before interest, depreciation, and amortization	221,140	340,127	32,591	2,325,677
Interest		467		467
Depreciation		77,545		84,462
Amortization				365
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

	Supporting Services			Total
	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 66,645	\$ 22,215	\$ 88,860	\$ 994,619
Payroll taxes	5,884	1,961	7,845	101,786
Employee benefits	6,544	2,181	8,725	137,893
Total salaries and related	79,073	26,357	105,430	1,234,298
Grants to others				700,487
Direct program expenses				108,381
Professional and scientific				30,257
Legal and professional	24,009		24,009	121,659
Office expenses	20,479	6,223	26,702	59,641
Telephone	7,616	316	7,932	13,017
Postage and shipping	2,116	1,519	3,635	25,985
Insurance	3,638		3,638	13,361
Rent	44,208		44,208	44,208
Utilities	4,641		4,641	18,989
Equipment rental and maintenance				22,570
Printing and publications		7,131	7,131	38,937
Travel expenses	34,966	6,750	41,716	77,332
Conferences and meetings	69,537		69,537	73,745
Chapter dues shares				58,155
Contract labor				22,923
Other expenses	1,821	2,479	4,300	4,611
Total expenses before interest, depreciation, and amortization	292,104	50,775	342,879	2,668,556
Interest				467
Depreciation	1,297	432	1,729	86,191
Amortization	68	23	91	456
Total expenses	\$ 293,469	\$ 51,230	\$ 344,699	\$ 2,755,670

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

THE AMERICAN CHESNUT FOUNDATION

Statements of Cash Flows Years Ended June 30, 2019

	2019	2018
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 630,584	\$ (246,839)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	86,073	86,191
Amortization	455	456
Donated stock	(5,203)	(16,869)
Net (gains) losses on investments	32,197	(45,318)
Gain on sale of assets	(756)	(1,200)
Working capital changes - sources (uses):		
Promises to give	(15,000)	23,500
Other receivables	674	290
Prepaid expenses	9,310	854
Accounts payable	(104,782)	83,783
Accrued expenses	6,882	(6,463)
Deferred revenue	160	420
Chapter funds escrow	18,618	7,740
Net cash provided (used) by operating activities	659,212	(113,455)
Cash flows from investing activities		
Proceeds from sales of investments	331,194	719,084
Proceeds from sales of property and equipment	756	1,200
Purchase of investments	(478,378)	(1,085,953)
Purchase of property and equipment	(76,217)	(115,428)
Net cash used by investing activities	(222,645)	(481,097)
Cash flows from financing activities		
Payments on long-term debt	(4,447)	(7,472)
Net increase (decrease) in cash and equivalents	432,120	(602,024)
Cash and equivalents at beginning of year	1,034,624	1,636,648
Cash and equivalents at end of year	\$ 1,466,744	\$ 1,034,624
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 81	\$ 467

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

THE AMERICAN CHESNUT FOUNDATION

Notes to Financial Statements
June 30, 2019

Note 1 - Summary of Significant Accounting Policies

Organization

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

Income Tax Status

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

Basis of Presentation

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

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.

Measure of Operations

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

Cash and Equivalents

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

Promises to Give

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

Grants Receivable

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

Inventory

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

Note 1 - Summary of Significant Accounting Policies (continued)

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value in the statements of financial position. Realized and unrealized gains and losses are reflected in the change in net assets in the accompanying statements of activities.

Investment Income and Gains

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

Fair Value Measurements and Disclosures

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

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

Level 2 - Inputs to the valuation methodology include:

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

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

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

Property and Equipment

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.

Note 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

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

Donated Assets

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

Donated Services

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

Membership Dues

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

Federal Grants

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

Note 1 - Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

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

Advertising

Advertising costs are not expected to extend beyond the current period and are expensed as incurred. For the years ended June 30, 2019 and 2018, costs charged to expense were \$231 and \$0, respectively.

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 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. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The fair value of substantially all reported assets and liabilities, which represent financial instruments, approximate the carrying values of such amounts. The significant estimate included in or affecting the presentation of the accompanying financial statements is the fair value of investments, which is discussed in Note 5.

New Accounting Pronouncement

During the year ended June 30, 2019, the Foundation adopted the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type and information provided about expenses and investment returns between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily and permanently restricted net assets are now combined and reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 3).

Note 1 - Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement (continued)

The accompanying information from the 2018 financial statements has been restated to conform to the 2019 presentation and disclosure requirements of ASU 2016-14.

Recently Issued Accounting Pronouncements

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 changes certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2018. The Foundation is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

In November 2016, FASB issued ASU 2016-18, *Restricted Cash*. 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.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 is intended to clarify and improve the guidance about the distinction between contributions and exchange transactions and determine whether a contribution is conditional. This ASU will be effective for annual periods beginning after December 15, 2018. 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 with donor restrictions are as follows:

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Norcross Wildlife Foundation	\$ 564	\$ 564
Manton Foundation	29,353	310
Ohrstrom Foundation	50,000	
Delmarva Restoration Branch	1,212	1,212
Raystown Lake Restoration Branch	5,380	5,380
Restoration Branches	4,709	4,709
Tucker Foundation	10,813	9,699
Colcom Foundation	127,506	72,448
Munson Foundation	8,825	4,043
David Greenewalt Charitable Trust	5,000	

Note 2 - Net Assets (continued)

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Dorr Foundation	\$ 14,471	\$ 20,591
Shenk Foundation	4,797	6,000
Foundation for the Carolinas	412,747	356,882
Mellon Foundation		98,438
Gibbs Foundation	7,758	2,165
Fidelity Foundation		26,608
Ballyshannon Fund	41,000	
Orentreich Family Foundation	14,794	
Subject to expenditure in a future period:		
Grants receivable	25,000	25,000
Promises to give	82,350	67,350
Not subject to spending policy or appropriation:		
Donated stock	<u>30,884</u>	<u>27,678</u>
<u>Net assets with donor restrictions</u>	<u>\$ 877,163</u>	<u>\$ 729,077</u>

Note 3 - Liquidity and Availability of Financial Assets

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

The Foundation manages liquidity and reserves utilizing three guiding principles:

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

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

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

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and equivalents	\$ 1,228,380	\$ 815,926
Promises to give	82,350	67,350
Grants receivable	25,000	25,000
Other receivables	8,893	9,567
Investments	<u>3,066,292</u>	<u>2,946,102</u>
Total financial assets available	<u>4,410,915</u>	<u>3,863,945</u>

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

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Amounts not available to be used within one year of balance sheet date:		
Total net assets with donor restrictions	\$ (877,163)	\$ (729,077)
Net financial assets available to meet cash needs for general expenditures within one year	\$ 3,533,752	\$ 3,134,868

Note 4 - Other Receivables

Other receivables consist of the following:

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Other receivables	\$ 4,960	\$ 5,368
Sales tax receivable	<u>3,933</u>	<u>4,199</u>
Other receivables	\$ 8,893	\$ 9,567

Note 5 - 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>2019</u>		<u>2018</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Equity investments:				
Mutual funds	\$ 3,035,408	\$ 2,790,350	\$ 2,918,424	\$ 2,724,981
Equity securities	<u>30,884</u>	<u>18,753</u>	<u>27,678</u>	<u>18,753</u>
Total investments	\$ 3,066,292	\$ 2,809,103	\$ 2,946,102	\$ 2,743,734

Fair values of investments are determined as follows:

Equity Investments

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

Note 6 - Property and Equipment

A description of property and equipment is as follows:

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Land	\$ 839,853	\$ 839,853
Land improvements	122,981	122,981
Farm equipment	659,813	609,008
Farm buildings	892,101	887,101
Office equipment	39,050	42,125
Leasehold improvements	<u>32,563</u>	<u>32,563</u>
	2,586,361	2,533,631
Less, accumulated depreciation	<u>732,910</u>	<u>670,324</u>
<u>Property and equipment</u>	<u>\$ 1,853,451</u>	<u>\$ 1,863,307</u>

Depreciation expense for the years ended June 30, 2019 and 2018, was \$86,073 and \$86,191, respectively.

Note 7 - Intangible Asset

Intangible asset consists of a trademark purchased by the Foundation at a cost of \$18,232, which is being amortized over its useful life. Accumulated amortization as of June 30, 2019 and 2018, was \$5,015 and \$4,560, respectively. Amortization expense was \$455 and \$456 for the years ended June 30, 2019 and 2018, respectively.

Future amortization expense is as follows:

<u>Years Ending June 30</u>	<u>Amortization</u>
2020	\$ 456
2021	456
2022	456
2023	456
2024	456
Thereafter	<u>10,937</u>
<u>Total future amortization expense</u>	<u>\$ 13,217</u>

Note 8 - Lines of Credit

The Foundation maintains a line of credit with maximum borrowings of \$1,000,000 and an interest rate of LIBOR plus 3%. This line is built into the investment policy and has no maturity date. There were no advances on the line of credit during the years ended June 30, 2019 and 2018, and there were no outstanding balances as of June 30, 2019 and 2018. This line of credit is collateralized by investments.

Note 8 - Lines of Credit (continued)

Additionally, the Foundation maintains a line of credit with maximum borrowings of \$300,000 and interest at the prime rate, and this line matures in January 2020. There were no outstanding balances at June 30, 2019 and 2018. This line of credit is secured by buildings on land owned by the Foundation.

Note 9 - Note Payable

The Foundation had a note payable requiring 120 monthly installments of \$722 including interest at 6%. The note matured in January 2019 and was collateralized by land. The outstanding balance on this note was \$0 and \$4,447 at June 30, 2019 and 2018, respectively.

Note 10 - Lease Commitments

The Foundation leases office space and equipment under non-cancelable operating leases. The leases require various monthly payments and expire through May 2024. Total rent expense for the years ended June 30, 2019 and 2018, was \$63,219 and \$58,202, respectively.

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

<u>Years Ending June 30</u>	<u>Amount</u>
2020	\$ 67,152
2021	62,311
2022	59,533
2023	66,500
2024	<u>60,959</u>
<u>Total future minimum rental payments</u>	<u>\$ 316,455</u>

Note 11 - Concentrations of Credit Risk

Uninsured Cash Balances

The Foundation maintains its cash and equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2019 and 2018, the uninsured balance was \$1,223,207 and \$753,181, respectively.

Contributions

During the years ended June 30, 2019 and 2018, the Foundation received contributions of \$1,002,000 and \$850,000, respectively, which approximates 32% and 34%, respectively, of the Foundation's total support and revenues from an individual Board member's donor-advised fund.

Note 12 - Retirement Plan

The Foundation participates in a retirement plan for employees who may defer a portion of their compensation. Employees who have served two years are eligible to receive an employer match up to 5% of their salary. Employees who have served eight years and participated in the retirement plan for two years are eligible for an employer match up to the maximum allowable by law. Employer contributions for the years ended June 30, 2019 and 2018, were \$37,120 and \$32,815, respectively.

Note 13 - Income Taxes

Uncertain Tax Positions

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

Open Tax Years

The Foundation's Return of Organization Exempt from Income Tax (Form 990) for the fiscal years ended June 30, 2018, 2017, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

Note 14 - Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Risk Management

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

Note 15 - Related Party Transactions

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

Note 16 - Subsequent Events

Subsequent events have been evaluated through October 30, 2019 which is the date the financial statements were available to be issued.