



THE
AMERICAN
CHESTNUT
FOUNDATION®

THE AMERICAN CHESTNUT FOUNDATION

Asheville, North Carolina

Financial Statements

Years Ended June 30, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, 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 14, 2021

THE AMERICAN CHESTNUT FOUNDATION

Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 2,489,297	\$ 1,464,525
Restricted	253,613	238,364
Promises to give, current portion	22,500	46,000
Grants receivable	213	17,784
Sales tax receivable	4,085	4,067
Inventory	3,536	6,196
Prepaid expenses	6,267	10,346
Total current assets	2,779,511	1,787,282
Promises to give, net of current portion		10,000
Investments	4,081,540	3,128,877
Property and equipment	1,835,326	1,774,913
Intangible asset	12,305	12,761
Total assets	\$ 8,708,682	\$ 6,713,833
Liabilities and net assets		
Current liabilities:		
Current maturities of notes payable	\$ 1,945	\$ 91,525
Accounts payable	68,008	91,010
Accrued expenses	95,115	82,253
Deferred revenue		1,475
Chapter escrow funds	253,628	242,982
Total current liabilities	418,696	509,245
Notes payable, net of current maturities	6,381	116,575
Total liabilities	425,077	625,820
Net assets:		
Without donor restrictions	7,189,020	5,614,095
With donor restrictions	1,094,585	473,918
Total net assets	8,283,605	6,088,013
Total liabilities and net assets	\$ 8,708,682	\$ 6,713,833

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Activities
Year Ended June 30, 2021

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

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Activities
Year Ended June 30, 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Public support and revenues			
Contributions	\$ 1,550,054	\$ 412,939	\$ 1,962,993
Membership dues	436,631		436,631
Federal grants	75,388		75,388
Investment income, net	124,665		124,665
Merchandise sales	21,678		21,678
Annual meeting fees	59,853		59,853
Cooperative agreements	36,533		36,533
Other income	14,028		14,028
Net assets released from restrictions	<u>813,262</u>	<u>(813,262)</u>	
Total public support and revenues	<u>3,132,092</u>	<u>(400,323)</u>	<u>2,731,769</u>
Expenses			
Program services	2,334,843		2,334,843
Supporting services	<u>337,494</u>		<u>337,494</u>
Total expenses	<u>2,672,337</u>		<u>2,672,337</u>
Increase (decrease) in net assets before other losses	459,755	(400,323)	59,432
Other losses			
Net losses on investments	<u>(119,739)</u>	<u>(2,922)</u>	<u>(122,661)</u>
Increase (decrease) in net assets	340,016	(403,245)	(63,229)
Net assets, beginning of year	<u>5,274,079</u>	<u>877,163</u>	<u>6,151,242</u>
Net assets, end of year	<u>\$ 5,614,095</u>	<u>\$ 473,918</u>	<u>\$ 6,088,013</u>

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Functional Expenses Year Ended June 30, 2021

	Program Services					
	External Research	National Office Operations	Marketing & Commun- ications	Science & Research	Chapter & Membership	Research Farm Operations
Salaries and wages	\$	\$ 352,009	\$ 49,144	\$ 238,252	\$ 78,646	\$ 200,144
Payroll taxes		22,082	3,722	19,529	5,862	24,383
Employee benefits		34,340	9,323	32,557	17,515	40,447
Total salaries and related expenses		408,431	62,189	290,338	102,023	264,974
Grants to others	351,834			159,600		
Direct program expenses			19,430	95,160	7,481	15,475
Professional and scientific				19,876		
Legal and professional			3,927	8,788		
Office expenses			17,530	2,547	26,979	1,609
Telephone				2,073		3,856
Postage and shipping			71	3,348	15,209	3,487
Insurance						7,465
Rent						
Utilities						19,519
Equipment rental and maintenance						16,199
Printing and publications			1,600		25,357	
Travel expenses				11,743		254
Conferences and meetings				51		761
Chapter dues shares					70,336	
Contract labor					6,010	
Other expenses				47		
Total expenses before depreciation and amortization	351,834	408,431	104,747	593,571	253,395	333,599
Depreciation		6,409				78,644
Amortization		365				
Total expenses	<u>\$ 351,834</u>	<u>\$ 415,205</u>	<u>\$ 104,747</u>	<u>\$ 593,571</u>	<u>\$ 253,395</u>	<u>\$ 412,243</u>

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Functional Expenses (continued) Year Ended June 30, 2021

	Total Program Services	Supporting Services			Total
		Management & General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 918,195	\$ 66,002	\$ 22,001	\$ 88,003	\$ 1,006,198
Payroll taxes	75,578	4,140	1,380	5,520	81,098
Employee benefits	<u>134,182</u>	<u>6,439</u>	<u>2,146</u>	<u>8,585</u>	<u>142,767</u>
Total salaries and related expenses	1,127,955	76,581	25,527	102,108	1,230,063
Grants to others	511,434				511,434
Direct program expenses	137,546				137,546
Professional and scientific	19,876				19,876
Legal and professional	12,715	26,369		26,369	39,084
Office expenses	48,665	11,543	382	11,925	60,590
Telephone	5,929	6,687		6,687	12,616
Postage and shipping	22,115	5,710	1,792	7,502	29,617
Insurance	7,465	6,876		6,876	14,341
Rent		58,900		58,900	58,900
Utilities	19,519	3,767		3,767	23,286
Equipment rental and maintenance	16,199				16,199
Printing and publications	26,957		10,229	10,229	37,186
Travel expenses	11,997	1,582	265	1,847	13,844
Conferences and meetings	812	731		731	1,543
Chapter dues shares	70,336				70,336
Contract labor	6,010				6,010
Other expenses	<u>47</u>	<u>4,769</u>	<u>2,573</u>	<u>7,342</u>	<u>7,389</u>
Total expenses before depreciation and amortization	2,045,577	203,515	40,768	244,283	2,289,860
Depreciation	85,053	1,202	401	1,603	86,656
Amortization	<u>365</u>	<u>68</u>	<u>23</u>	<u>91</u>	<u>456</u>
Total expenses	<u>\$ 2,130,995</u>	<u>\$ 204,785</u>	<u>\$ 41,192</u>	<u>\$ 245,977</u>	<u>\$ 2,376,972</u>

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Functional Expenses Year Ended June 30, 2020

	Program Services					
	External Research	National Office Operations	Marketing & Commu- nications	Science & Research	Chapter & Membership	Research Farm Operations
Salaries and wages	\$	\$ 342,777	\$ 50,673	\$ 262,365	\$ 74,033	\$ 186,397
Payroll taxes		27,253	3,751	22,456	5,493	34,594
Employee benefits		36,089	9,220	36,408	16,496	38,531
Total salaries and related expenses		406,119	63,644	321,229	96,022	259,522
Grants to others	337,166			242,663		
Direct program expenses			28,850	40,245	12,384	18,274
Professional and scientific				13,176		
Legal and professional			61,560	88,656		
Office expenses			9,553	1,403	20,224	210
Telephone				1,971		3,678
Postage and shipping			95	4,883	11,269	1,286
Insurance						6,835
Rent						
Utilities						18,211
Equipment rental and maintenance						21,147
Printing and publications			1,600		26,992	
Travel expenses		5,032		22,954		124
Conferences and meetings				6,246		606
Chapter dues shares					64,130	
Contract labor					6,395	28,611
Other expenses			68	402		
Total expenses before depreciation and amortization	337,166	411,151	165,370	743,828	237,416	358,504
Depreciation		3,814				77,229
Amortization		365				
Total expenses	<u>\$ 337,166</u>	<u>\$ 415,330</u>	<u>\$ 165,370</u>	<u>\$ 743,828</u>	<u>\$ 237,416</u>	<u>\$ 435,733</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, 2020

	Total Program Services	Supporting Services			Total
		Management & General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 916,245	\$ 64,271	\$ 21,424	\$ 85,695	\$ 1,001,940
Payroll taxes	93,547	5,110	1,703	6,813	100,360
Employee benefits	136,744	6,767	2,256	9,023	145,767
Total salaries and related expenses	<u>1,146,536</u>	<u>76,148</u>	<u>25,383</u>	<u>101,531</u>	<u>1,248,067</u>
Grants to others	579,829				579,829
Direct program expenses	99,753		748	748	100,501
Professional and scientific	13,176				13,176
Legal and professional	150,216	18,668		18,668	168,884
Office expenses	31,390	14,424	108	14,532	45,922
Telephone	5,649	8,654		8,654	14,303
Postage and shipping	17,533	3,235	1,157	4,392	21,925
Insurance	6,835	6,894		6,894	13,729
Rent		54,210		54,210	54,210
Utilities	18,211	4,437		4,437	22,648
Equipment rental and maintenance	21,147				21,147
Printing and publications	28,592		7,029	7,029	35,621
Travel expenses	28,110	16,390		16,390	44,500
Conferences and meetings	6,852	87,960		87,960	94,812
Chapter dues shares	64,130				64,130
Contract labor	35,006				35,006
Other expenses	470	6,442	4,563	11,005	11,475
Total expenses before depreciation and amortization	<u>2,253,435</u>	<u>297,462</u>	<u>38,988</u>	<u>336,450</u>	<u>2,589,885</u>
Depreciation	81,043	715	238	953	81,996
Amortization	365	68	23	91	456
Total expenses	<u>\$ 2,334,843</u>	<u>\$ 298,245</u>	<u>\$ 39,249</u>	<u>\$ 337,494</u>	<u>\$ 2,672,337</u>

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

THE AMERICAN CHESNUT FOUNDATION

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 2,195,592	\$ (63,229)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	86,656	81,996
Amortization	456	456
Bad debt expense	214	
Receipt of donated stock	(213,888)	(16,116)
Net (gains) losses on investments	(848,450)	122,661
Paycheck Protection Program loan forgiveness	(208,100)	
Loss on sale of property and equipment	405	
Working capital changes - sources (uses):		
Promises to give	33,286	26,350
Grants receivable	17,571	12,176
Sales tax receivable	(18)	(134)
Inventory	2,660	5,011
Prepaid expenses	4,079	(1,570)
Accounts payable	(23,002)	26,159
Accrued expenses	12,862	3,940
Deferred revenue	(1,475)	
Chapter escrow funds	10,646	2,933
Net cash provided by operating activities	1,069,494	200,633
Cash flows from investing activities		
Proceeds from sale of investments	3,827,350	19,870
Proceeds from sale of property and equipment	2,500	
Purchase of investments	(3,717,675)	(189,000)
Purchase of property and equipment	(140,249)	(3,458)
Net cash used by investing activities	(28,074)	(172,588)
Cash flows from financing activities		
Proceeds from note payable		208,100
Repayments on note payable	(1,399)	
Net cash provided (used) by financing activities	(1,399)	208,100
Net increase in cash and equivalents and restricted cash	1,040,021	236,145
Cash and equivalents and restricted cash at beginning of year	1,702,889	1,466,744
Cash and equivalents and restricted cash at end of year	\$ 2,742,910	\$ 1,702,889
Schedule of noncash investing and financing activities		
Equipment acquired through debt	\$ 9,725	\$

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

THE AMERICAN CHESNUT FOUNDATION

Notes to Financial Statements
June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies

Organization

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

Income Tax Status

The Foundation is incorporated as a nonprofit corporation under the laws of the District of Columbia and is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under section 170(b)(1)(A) and is not a private foundation.

Basis of Presentation

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

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

Support is recorded as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (that is, the donor-stipulated purpose has been fulfilled and/or time period has elapsed) are reported as net assets released from restrictions. The Foundation has adopted a policy to classify donor restricted support as without donor restrictions to the extent that restrictions were met in the reporting period the support was recognized.

Note 1 - Summary of Significant Accounting Policies (continued)

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Foundation's ongoing program services and interest and dividends earned on investments. Non-operating activities are limited to gains and losses on investments, loss on sale of property and equipment, and other activities considered to be a more unusual or nonrecurring in nature.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying value of substantially all reported assets and liabilities, other than investments and notes payable, approximates fair value due to the relatively short-term nature of the financial instruments.

Fair value of investments is discussed in Note 5.

The carrying value of notes payable approximates fair value due to market-based interest rates charged at the time of borrowing.

Cash and Equivalents

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

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their future cash flows. Management feels that any net present value adjustment on long-term promises to give would not be material to the financial statements, therefore, no such adjustment has been made. An allowance for uncollectible pledges has not been established as management believes that all amounts are collectible.

Note 1 - Summary of Significant Accounting Policies (continued)

Grants Receivable

Grants receivable consists of amounts due from grants awarded by governmental agencies and nonprofit organizations at fiscal year-end. Grants receivable are stated at the amount management expects to collect from outstanding balances. As of June 30, 2021 and 2020, no allowance for doubtful accounts was recorded as management expects all amounts to be collected.

Inventory

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

Investments

Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statements of activities.

Investment Income and Gains

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

Fair Value Measurements and Disclosures

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

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements and Disclosures (continued)

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

Property and Equipment

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

Donated Property and Equipment

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

Intangible Assets

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

Donated Assets

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

Donated Services

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

Note 1 - Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions, federal grants, and cooperative agreements are recognized when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return of the asset or right of release of the obligation - are not recognized until the conditions on which they depend have been met. A portion of the Foundation's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position.

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

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

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

Functional Allocation of Expenses

The costs of providing program activities and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Certain categories of expenses are attributable to programs and supporting services. All expenses except for grants to others, direct program expenses, professional and scientific, rent, equipment rental and maintenance, chapter dues shares, and contract labor are allocated on the basis of estimates of time and effort. Grants to others, direct program expenses, professional and scientific, equipment rental and maintenance, chapter dues shares, and contract labor are directly attributable to program services. Rent is directly attributable to supporting services.

Reclassification

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

Note 1 - Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

During the year ended June 30, 2021, the Foundation adopted the requirements the following standards set by the Financial Accounting Standards Board (FASB). The implementation of these standards did not materially impact the Foundation's financial statements.

- Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). This Update amended the previous accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additional disclosures have been added as a result of ASU 2014-09, which are included in Note 1, Revenue Recognition and Note 4, Contract Assets and Liabilities.
- Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. (ASU 2018-13). ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures.
- Accounting Standards Update No. 2020-03, *Codification Improvements to Financial Instruments*. (ASU 2020-03). ASU 2020-03 made additional clarifications to disclosure requirements of financial instruments.

Recently Issued Accounting Pronouncements

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

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 provides for additional requirements regarding the presentation and disclosure of contributed nonfinancial assets for nonprofit entities for the purpose of enhancing transparency of such contributions received. The new standard will be effective beginning July 1, 2022. The Foundation is currently evaluating the effect this ASU will have on its financial statements.

Note 2 - Net Assets

Net assets are described as follows:

<u>At June 30</u>	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions:		
Undesignated	<u>\$ 7,189,020</u>	<u>\$ 5,614,095</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Research	791,572	264,106
Farm support	150,000	
New England Chapter support	40,837	53,601
Tree database	16,013	20,000
Education Program support	14,471	14,471
Restoration Branch	11,301	11,301
Chapter support	8,042	14,792
Lancaster County Orchard support	4,297	4,547
Marketing	1,000	5,040
Training		2,098
Total subject to expenditure for specified purpose	<u>1,037,533</u>	<u>389,956</u>
Subject to the passage of time:		
Promises to give	22,500	56,000
Not subject to spending policy or appropriation:		
Investment in perpetuity	<u>34,552</u>	<u>27,962</u>
Net assets with donor restrictions	<u>1,094,585</u>	<u>473,918</u>
<u>Net assets with donor restrictions</u>	<u>\$ 8,283,605</u>	<u>\$ 6,088,013</u>

Note 3 - Liquidity and Availability of Financial Assets

The Foundation's primary source of support is contributions, portions of which are required to be used in accordance with the purpose restrictions imposed by the donors. The Foundation manages liquidity and reserves utilizing three guiding principles:

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

Line of Credit

The Foundation maintains a line of credit with a local bank to meet short-term working capital needs. Maximum borrowings are \$300,000 with interest charged at the prime rate. The line of credit is secured by property owned by the Foundation and matures in January 2022. There was no outstanding balance on the line of credit at June 30, 2021 and 2020.

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

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

<u>At June 30</u>	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and equivalents	\$ 2,742,910	\$ 1,702,889
Promises to give	22,500	56,000
Grants receivable	213	17,784
Sales tax receivable	4,085	4,067
Investments	<u>4,081,540</u>	<u>3,128,877</u>
Total financial assets	<u>6,851,248</u>	<u>4,909,617</u>
Amounts not available for general expenditure:		
Net assets with donor restrictions	(1,094,585)	(473,918)
Add back: promises to give, current portion	<u>22,500</u>	<u>46,000</u>
Total amounts not available for general expenditure	<u>(1,072,085)</u>	<u>(427,918)</u>
Net financial assets available to meet cash needs for <u>general expenditures within one year</u>	<u>\$ 5,779,163</u>	<u>\$ 4,481,699</u>

Note 4 - Contract Assets and Liabilities

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

The following table provides information about contract assets:

<u>At June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Promises to give:			
Due in less than one year	\$ 22,500	\$ 46,000	\$ 42,350
One to five years	<u> </u>	<u>10,000</u>	<u>40,000</u>
Promises to give	<u>22,500</u>	<u>56,000</u>	<u>82,350</u>
Grants receivable			
Cooperative agreements	213	17,784	4,960
Grants receivable	<u> </u>	<u> </u>	<u>25,000</u>
Grants receivable	<u>213</u>	<u>17,784</u>	<u>29,960</u>
<u>Total contract assets</u>	<u>\$ 22,713</u>	<u>\$ 73,784</u>	<u>\$ 112,310</u>

Note 4 - Contract Assets and Liabilities (continued)

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

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

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

<u>At June 30</u>	<u>2021</u>	<u>2020</u>
Deferred revenue, beginning of year	\$ 1,475	\$ 1,475
Revenue recognized that was included in deferred revenue at the beginning of the year	<u>(1,475)</u>	<u> </u>
Deferred revenue, end of year	<u> </u>	<u>1,475</u>
Chapter escrow funds, beginning of year	242,982	240,049
Cash received from members during the year	74,753	49,510
Escrow funds disbursed to umbrella chapters during the year	<u>(64,107)</u>	<u>(46,577)</u>
Chapter escrow funds, end of year	<u>253,628</u>	<u>242,982</u>
<u>Total contract liabilities</u>	<u>\$ 253,628</u>	<u>\$ 244,457</u>

Note 5 - Fair Value Measurements

Investments are reported in the accompanying financial statements at estimated fair value in accordance with the fair value hierarchy. The following is a description of the valuation methodologies used for assets measured at fair value.

Equity Investments

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

Note 5 - Fair Value Measurements (continued)

The fair values of investments were as follows:

<u>At June 30</u>	<u>2021</u>	<u>2020</u>
Equity investments:		
Mutual funds - equity index	\$ 3,315,893	\$ 2,278,036
Mutual funds - bond index	731,095	822,879
Common stock	<u>34,552</u>	<u>27,962</u>
<u>Investments</u>	<u>\$ 4,081,540</u>	<u>\$ 3,128,877</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>2021</u>	<u>2020</u>
Land	\$ 839,853	\$ 839,853
Land improvements	173,736	122,981
Farm equipment	632,588	601,258
Farm buildings	972,496	953,247
Office equipment	84,557	39,917
Leasehold improvements	<u>32,563</u>	<u>32,563</u>
	2,735,793	2,589,819
Less, accumulated depreciation	<u>900,467</u>	<u>814,906</u>
<u>Property and equipment</u>	<u>\$ 1,835,326</u>	<u>\$ 1,774,913</u>

Depreciation expense for the years ended June 30, 2021 and 2020, was \$86,656 and \$81,996, 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, 2021 and 2020, was \$5,927 and \$5,471, respectively. Amortization expense was \$456 for each of the years ended June 30, 2021 and 2020.

Note 7 - Intangible Asset (continued)

Future amortization expense is as follows:

<u>Years Ending June 30</u>	<u>Amortization</u>
2022	\$ 456
2023	456
2024	456
2025	456
2026	456
Thereafter	<u>10,025</u>
<u>Total future amortization expense</u>	<u>\$ 12,305</u>

Note 8 - Notes Payable

Notes payable is described as follows:

<u>At June 30</u>	<u>2021</u>	<u>2020</u>
Paycheck Protection Program (PPP) note payable obtained in April 2020, note forgiven in full in March 2021.	\$	\$ 208,100
Noninterest bearing note payable due in 60 monthly installments of \$162 through September 2025, secured by office equipment.	<u>8,326</u>	<u>208,100</u>
	8,326	
Less, current maturities	<u>1,945</u>	<u>91,525</u>
<u>Notes payable, less current maturities</u>	<u>\$ 6,381</u>	<u>\$ 116,575</u>

Principal repayments on notes payable are as follows:

<u>Years Ending June 30</u>	
2022	\$ 1,945
2023	1,945
2024	1,945
2025	1,945
2026	<u>546</u>
<u>Total principal repayments</u>	<u>\$ 8,326</u>

Note 9 - Commitments and Contingencies

Government Assisted Programs

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

Lease Commitments

The Foundation leases office space and equipment under non-cancelable operating leases. The leases require various monthly payments and expire through May 2024. Total rent expense for the years ended June 30, 2021 and 2020, was \$59,902 and \$57,552, respectively.

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

<u>Years Ending June 30</u>	<u>Amount</u>
2022	\$ 59,533
2023	66,500
2024	60,958
2025	
2026	
<u>Total future minimum lease payments</u>	<u>\$ 186,991</u>

Risk Management

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

Note 10 - Retirement Plan

The Foundation offers a 403(b) retirement plan for eligible employees. Employees may elect to defer a portion of their compensation, subject to certain limitations. Employees who have completed two years of service are eligible to receive an employer match up to 5% of deferred wages. Employer contributions for the years ended June 30, 2021 and 2020, were \$41,004 and \$41,854, respectively.

Note 11 - Concentrations of Credit Risk

Uninsured Cash Balances

The Foundation maintains its cash and equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2021 and 2020, the uninsured balance was \$2,300,442 and \$1,463,445, respectively.

Each brokerage balance is protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to \$500,000, including \$250,000 for claims of uninvested cash balances. The SIPC does not protect against market losses on investments. There were no SIPC uninsured cash balances at June 30, 2021 and 2020.

Investments

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

Related Party Major Donor

Major donors exist when revenue from a single donor equals 10% or more of the Foundation's total contributions. During the years ended June 30, 2021 and 2020, the Foundation received contributions of \$1,169,000 and \$600,000, respectively, from a Board member's donor-advised fund. These amounts represent approximately 40% and 30%, respectively, of the Foundation's total contributions

Note 12 - Income Taxes

Uncertain Tax Positions

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

Open Tax Years

The Foundation's Return of Organization Exempt from Income Tax (Form 990) for the fiscal years ended June 30, 2020, 2019, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

Note 13 - Chapter Affiliates

The Foundation provides support to chapter affiliates. During the years ended June 30, 2021 and 2020, the Foundation provided \$50,798 and \$23,138, respectively, in grants and other support to chapter affiliates. Amounts due to chapter affiliates totaled \$26,568 and \$16,363 at June 30, 2021 and 2020, respectively. The Foundation also acts as an agent in administering membership dues for some of the chapters as discussed in Note 4.

Note 14 - Coronavirus Pandemic Impact

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused unprecedented business and economic disruption through mandated closings of certain businesses and industries.

The Foundation's operations were not significantly impacted by COVID-19. The Foundation received a \$208,100 loan under the Coronavirus Aid, Relief, and Economic Security (CARES) Act Paycheck Protection Program (PPP) during the year ended June 30, 2020, that was forgiven in full during the year ended June 30, 2021.

The extent of the impact of COVID-19 will depend on certain developments, including the duration and spread of the outbreak. At this point, it is unclear the extent COVID-19 will have on the Foundation's financial condition or results of operations

Note 15 - Subsequent Events

Management has evaluated subsequent events through October 14, 2021, which is the date the financial statements were available to be issued.