

# **THE AMERICAN CHESTNUT FOUNDATION**

Asheville, North Carolina

Financial Statements

Year Ended June 30, 2017

# THE AMERICAN CHESTNUT FOUNDATION

## OFFICERS

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

Chair  
Vice Chair Science  
Vice Chair Development  
Treasurer  
Secretary

## BOARD OF DIRECTORS

Steve Barilovits, III  
Yurij Bihun  
Dr. Hill Craddock  
William Jay Cude  
Michael D. Doochin  
Dr. Penny Firth  
Dr. Carolyn Howes Keiffer  
Jack LaMonica  
Lewis Lobdell  
Kathy Marmet  
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

## 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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Asheville, North Carolina  
October 24, 2017

**THE AMERICAN CHESTNUT FOUNDATION**

Statement of Financial Position  
June 30, 2017  
(With Comparative Totals for 2016)

	2017	2016
<b>Assets</b>		
Current assets:		
Cash and equivalents	\$ 1,636,648	\$ 907,058
Accounts receivable	20,707	44,691
Grants receivable	25,000	121,281
Inventory	11,207	11,207
Prepaid expenses	18,940	44,723
Total current assets	1,712,502	1,128,960
Investments	2,517,046	2,274,072
Property and equipment	1,834,070	1,738,985
Intangible asset	14,128	14,584
Total assets	<u>\$ 6,077,746</u>	<u>\$ 5,156,601</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Current maturities of note payable	\$ 8,126	\$ 7,176
Deferred compensation payable		86,528
Accounts payable	82,629	86,983
Accrued expenses	81,115	100,554
Deferred revenue	895	1,175
Chapter funds escrow	213,691	197,842
Total current liabilities	386,456	480,258
Note payable, net of current maturities	3,793	13,052
Total liabilities	390,249	493,310
Net assets:		
Unrestricted	4,953,875	4,287,433
Temporarily restricted	704,365	345,831
Permanently restricted	29,257	30,027
Total net assets	5,687,497	4,663,291
Total liabilities and net assets	<u>\$ 6,077,746</u>	<u>\$ 5,156,601</u>

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

## THE AMERICAN CHESTNUT FOUNDATION

Statement of Activities  
Year Ended June 30, 2017  
(With Comparative Totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>Public support and revenues</b>					
Contributions	\$ 1,759,817	\$ 956,060	\$	\$ 2,715,877	\$ 1,933,312
Membership dues	404,007			404,007	365,647
Federal grants	58,357			58,357	98,886
Investment income	143,553			143,553	321,443
Merchandise sales	12,758			12,758	6,275
Realized gains (losses) on investments	20,054			20,054	(9,016)
Other income	29,772			29,772	16,314
Gain (loss) on sale of assets	35,000			35,000	(4,856)
Net assets released from restrictions	<u>597,526</u>	<u>(597,526)</u>			
Total public support and revenues	<u>3,060,844</u>	<u>358,534</u>		<u>3,419,378</u>	<u>2,728,005</u>
<b>Expenses</b>					
Program services:					
External research	312,122			312,122	462,743
National office operations	418,119			418,119	407,744
Marketing and communication	132,714			132,714	145,618
Regional science	596,790			596,790	662,074
Education and outreach	3,832			3,832	5,670
Chapter and membership	219,245			219,245	218,612
Research farm operations	421,017			421,017	564,233
Forestry and mine land	<u>34,197</u>			<u>34,197</u>	<u>44,309</u>
Total program services	<u>2,138,036</u>			<u>2,138,036</u>	<u>2,511,003</u>
Supporting services:					
Management and general	316,964			316,964	354,875
Fundraising	<u>58,795</u>			<u>58,795</u>	<u>86,907</u>
Total supporting services	<u>375,759</u>			<u>375,759</u>	<u>441,782</u>
Total expenses	<u>2,513,795</u>			<u>2,513,795</u>	<u>2,952,785</u>
Increase (decrease) in net assets before net unrealized gains (losses) on investments	547,049	358,534		905,583	(224,780)
Net unrealized gains (losses) on investments	<u>119,393</u>		<u>(770)</u>	<u>118,623</u>	<u>(398,710)</u>
Increase (decrease) in net assets	666,442	358,534	(770)	1,024,206	(623,490)
Net assets, beginning of year	<u>4,287,433</u>	<u>345,831</u>	<u>30,027</u>	<u>4,663,291</u>	<u>5,286,781</u>
Net assets, end of year	<u>\$ 4,953,875</u>	<u>\$ 704,365</u>	<u>\$ 29,257</u>	<u>\$ 5,687,497</u>	<u>\$ 4,663,291</u>

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

## THE AMERICAN CHESTNUT FOUNDATION

Statement of Functional Expenses  
Year Ended June 30, 2017  
(With Comparative Totals for 2016)

	Program Services				
	External Research	National Office Operations	Marketing & Communi- cation	Regional Science	Education & Outreach
Salaries and wages	\$	\$ 346,630	\$ 82,238	\$ 240,499	\$
Payroll taxes		33,527	6,890	23,438	
Employees benefits		25,771	14,566	29,240	
Total salaries and related expenses		405,928	103,694	293,177	
Grants to others	307,842			163,004	
Direct program expenses	4,280		15,065	13,981	3,034
Professional & scientific				28,724	
Legal & professional				46,650	
Office expenses			11,804	1,067	
Telephone				2,332	
Postage & shipping				748	141
Insurance					
Rent					
Utilities					
Equipment rental & maintenance					
Printing & publications			2,151		608
Travel expenses		5,032		32,785	49
Conferences & meetings				1,247	
Chapter dues shares					
Contract labor				12,895	
Investment expenses					
Other expenses				180	
Total expenses before interest, depreciation, and amortization	312,122	410,960	132,714	596,790	3,832
Interest					
Depreciation and amortization		7,159			
Total expenses	<u>\$ 312,122</u>	<u>\$ 418,119</u>	<u>\$ 132,714</u>	<u>\$ 596,790</u>	<u>\$ 3,832</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, 2017  
 (With Comparative Totals for 2016)

	Program Services			Total Program Services
	Chapter & Membership	Research Farm Operations	Forestry & Mine Land	
Salaries and wages	\$ 66,105	\$ 183,156	\$ 21,661	\$ 940,289
Payroll taxes	6,039	27,062	3,330	100,286
Employees benefits	<u>12,791</u>	<u>32,029</u>	<u>475</u>	<u>114,872</u>
Total salaries and related expenses	84,935	242,247	25,466	1,155,447
Grants to others				470,846
Direct program expenses	10,996	26,139	2,256	75,751
Professional & scientific				28,724
Legal & professional		810		47,460
Office expenses	10,337	2,605	147	25,960
Telephone		3,598	683	6,613
Postage & shipping	9,254	4,862	18	15,023
Insurance		707		707
Rent				
Utilities		14,290		14,290
Equipment rental & maintenance		40,113		40,113
Printing & publications	39,777			42,536
Travel expenses		3,921	5,487	47,274
Conferences & meetings		1,692	140	3,079
Chapter dues shares	63,518			63,518
Contract labor	428	1,696		15,019
Investment expenses				
Other expenses				<u>180</u>
Total expenses before interest, depreciation, and amortization	219,245	342,680	34,197	2,052,540
Interest		3,003		3,003
Depreciation and amortization		<u>75,334</u>		<u>82,493</u>
Total expenses	<u>\$ 219,245</u>	<u>\$ 421,017</u>	<u>\$ 34,197</u>	<u>\$ 2,138,036</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, 2017  
 (With Comparative Totals for 2016)

	Supporting Services			2017 Total	2016 Total
	Management and General	Fundraising	Total Supporting Services		
Salaries and wages	\$ 64,993	\$ 21,664	\$ 86,657	\$ 1,026,946	\$ 1,085,410
Payroll taxes	6,287	2,096	8,383	108,669	105,758
Employees benefits	<u>4,832</u>	<u>1,611</u>	<u>6,443</u>	<u>121,315</u>	<u>139,766</u>
Total salaries and related expenses	76,112	25,371	101,483	1,256,930	1,330,934
Grants to others				470,846	605,512
Direct program expenses		1,142	1,142	76,893	134,979
Professional & scientific	9,147		9,147	37,871	11,998
Legal & professional	21,669	775	22,444	69,904	221,074
Office expenses	19,277	4,336	23,613	49,573	61,372
Telephone	7,426	660	8,086	14,699	19,828
Postage & shipping	7,112	1,855	8,967	23,990	31,979
Insurance	15,417		15,417	16,124	23,906
Rent	47,975		47,975	47,975	37,933
Utilities	4,306		4,306	18,596	22,243
Equipment rental & maintenance				40,113	37,843
Printing & publications	694	11,524	12,218	54,754	83,208
Travel expenses	30,540	10,380	40,920	88,194	105,940
Conferences & meetings	56,970		56,970	60,049	52,582
Chapter dues shares				63,518	43,747
Contract labor				15,019	26,553
Investment expenses	17,937		17,937	17,937	19,814
Other expenses	<u>1,040</u>	<u>2,305</u>	<u>3,345</u>	<u>3,525</u>	<u>12,852</u>
Total expenses before interest, depreciation, and amortization	315,622	58,348	373,970	2,426,510	2,884,297
Interest				3,003	4,551
Depreciation and amortization	<u>1,342</u>	<u>447</u>	<u>1,789</u>	<u>84,282</u>	<u>63,937</u>
Total expenses	<u>\$ 316,964</u>	<u>\$ 58,795</u>	<u>\$ 375,759</u>	<u>\$ 2,513,795</u>	<u>\$ 2,952,785</u>

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

## THE AMERICAN CHESNUT FOUNDATION

### Statement of Cash Flows Year Ended June 30, 2017 (With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ 1,024,206	\$ (623,490)
Adjustments to reconcile changes in net assets to net cash		
Provided by (used in) operating activities:		
Depreciation and amortization	84,282	63,937
Discount on deferred compensation		5,201
Donated stock	(10,252)	(11,366)
Net unrealized (gains) losses on investments	(118,623)	398,710
Realized (gains) losses on investments	(20,054)	9,016
(Gain) loss on sale of assets	(35,000)	4,856
Working capital changes - sources (uses):		
Accounts receivable	23,984	(15,213)
Grants receivable	96,281	117,349
Prepaid expenses	25,783	(41,519)
Accounts payable	(4,354)	(43,508)
Accrued expenses	(19,439)	34,407
Deferred revenue	(280)	(7,543)
Chapter funds escrow	15,849	10,350
Net cash provided (used) by operating activities	<u>1,062,383</u>	<u>(98,813)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales of investments	32,153	418,925
Proceeds from surrender of life insurance policy		13,464
Proceeds from sales of property and equipment	35,000	
Purchase of investments	(126,198)	(142,441)
Purchase of property and equipment	(178,911)	(218,075)
Net cash provided (used) by investing activities	<u>(237,956)</u>	<u>71,873</u>
<b>Cash flows from financing activities</b>		
Deferred compensation payments	(86,528)	(90,000)
Proceeds from line of credit	250,000	
Payments on line of credit	(250,000)	
Payments on long-term debt	(8,309)	(127,791)
Net cash used by financing activities	<u>(94,837)</u>	<u>(217,791)</u>
Net increase (decrease) in cash and equivalents	729,590	(244,731)
Cash and equivalents at beginning of year	<u>907,058</u>	<u>1,151,789</u>
Cash and equivalents at end of year	<u>\$ 1,636,648</u>	<u>\$ 907,058</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	<u>\$ 3,003</u>	<u>\$ 4,551</u>

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

# THE AMERICAN CHESNUT FOUNDATION

Notes to Financial Statements  
June 30, 2017

## Note 1 - Summary of Significant Accounting Policies

### Organization

The American Chestnut Foundation (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

The accompanying financial statements have been prepared to focus on the Foundation as a whole and to present net assets, revenues, expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and changes in net assets are classified 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)

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. Expenses are recorded as a decrease in unrestricted net assets.

### Recognition of Donor Restrictions

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. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

### 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.

### Accounts and Grants Receivables

Receivables consist of amounts due from accounts receivable, agencies for grants awarded by governmental agencies but not yet received as of year-end, and other receivables. 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)**

### 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. 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

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

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 by correlation or other means.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

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

### **Property and Equipment**

All acquisitions of property and equipment in excess of \$1,000 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 sign up for 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, 2017 and 2016, costs charged to expense were \$231 and \$891, respectively.

### Use of Estimates

The preparation of financial statements in conformity 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 conformity 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, 2016, 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 organizations that lease assets to recognize assets and liabilities on the statement of financial position for the rights and obligations created by those 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.

## **Note 2 - Restrictions on Assets**

Temporarily restricted net assets are available for the following purposes:

<u>At June 30</u>	<u>2017</u>	<u>2016</u>
Norcross Wildlife	\$ 564	\$ 2,700
Manton Foundation	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	27,000	30,000
Colcom	100,000	
Munson Foundation	14,000	
Cole	33,039	150,000
Greenewalt	3,349	2,862
Dorr Foundation	20,744	
Shenk Foundation	3,000	
Ballyshannon		27,687
Foundation for the Carolinas	411,560	
Grants receivable	<u>25,000</u>	<u>121,281</u>
<u>Temporarily restricted net assets</u>	<u>\$ 704,365</u>	<u>\$ 345,831</u>

Permanently restricted net assets consist of donated stock, where the same permanent restrictions are imposed on the earnings. Permanently restricted net assets totaled \$29,257 and \$30,027 at June 30, 2017 and 2016, respectively.

### **Note 3 - Receivables**

Accounts receivable consists of the following:

<u>At June 30</u>	<u>2017</u>	<u>2016</u>
Accounts receivable	\$ 15,990	\$ 41,727
Sales tax receivable	<u>4,717</u>	<u>2,964</u>
<u>Accounts receivable</u>	<u>\$ 20,707</u>	<u>\$ 44,691</u>

Grants receivable for the years ended June 30, 2017 and 2016, were \$25,000 and \$121,281, respectively.

### **Note 4 - Fair Value Measurements**

Investments are recorded at fair market value. Investments received by gift are recorded at market value at the date of receipt.

Investments consist of money mutual funds and equities and are recorded at fair value based on current quoted market prices provided by investment custodians or other models. The fair value of each financial instrument in the table below was measured using FASB ASC 820 input guidance and valuation techniques. The following table sets forth carrying the estimated fair values for financial instruments:

<u>At June 30, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Market</u>
Mutual funds	\$ 1,993,251	\$	\$	\$ 1,993,251
Equities	<u>523,795</u>	<u>                    </u>	<u>                    </u>	<u>523,795</u>
<u>Total investments</u>	<u>\$ 2,517,046</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,517,046</u>

<u>At June 30, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Market</u>
Mutual funds	\$ 1,738,597	\$	\$	\$ 1,738,597
Equities	530,091			530,091
Fixed income	<u>5,384</u>	<u>                    </u>	<u>                    </u>	<u>5,384</u>
<u>Total investments</u>	<u>\$ 2,274,072</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,274,072</u>

### **Note 5 - Property and Equipment**

A description of property and equipment is as follows:

<u>At June 30</u>	<u>2017</u>	<u>2016</u>
Land	\$ 839,853	\$ 839,853
Land improvements	122,981	122,981
Farm equipment	690,279	598,190
Farm buildings	786,304	756,672
Office equipment	100,061	96,193
Leasehold improvements	<u>32,563</u>	<u>32,563</u>
	2,572,041	2,446,452
Less, accumulated depreciation	<u>737,971</u>	<u>707,467</u>
<u>Property and equipment</u>	<u>\$ 1,834,070</u>	<u>\$ 1,738,985</u>

Depreciation expense for the years ended June 30, 2017 and 2016, was \$83,826 and \$63,481, 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, 2017 and 2016, was \$4,104 and \$3,648, respectively. Amortization expense was \$456 for each of the years ended June 30, 2017 and 2016.

Future amortization expense as of June 30, 2017, is as follows:

<u>Years Ending June 30</u>	<u>Amortization</u>
2018	\$ 456
2019	456
2020	456
2021	456
2022	456
Thereafter	<u>11,848</u>
<u>Total future amortization expense</u>	<u>\$ 14,128</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, 2017, and there were no outstanding balances as of June 30, 2017 and 2016. 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, 2017 and 2016. This line of credit is secured by buildings on land owned by the Foundation.

**Note 8 - Note Payable**

The Foundation has a note payable, payable in 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 \$11,919 and \$20,228 at June 30, 2017 and 2016, respectively.

The note payable matures as follows:

<u>Years Ending June 30</u>	<u>Payments</u>
2018	\$ 8,126
2019	3,793
2020	
2021	
2022	
	<hr/>
<u>Total principal repayments on long-term debt</u>	<u>\$ 11,919</u>

**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, 2017 and 2016, was \$61,048 and \$53,695, respectively.

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

<u>Years Ending June 30</u>	<u>Amount</u>
2018	\$ 58,202
2019	65,168
2020	62,152
2021	62,311
2022	59,533
Thereafter	<hr/> 127,458
<u>Total future minimum rental payments</u>	<u>\$ 434,824</u>

## **Note 10 - Deferred Compensation**

The Foundation entered into a deferred compensation agreement with a former President and CEO. Under the terms of this agreement, the former President will collect a salary for four years in the amount of \$90,000 per year beginning June 2013 and ending May 2017. The total obligation of \$332,815 was recorded in 2013 and represented the present value of the \$90,000 annual obligation for four years, discounted using a 4% interest rate. At June 30, 2017 and 2016, the balance of deferred compensation was \$0 and \$86,528, 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, 2017 and 2016, the uninsured balance was \$1,180,941 and \$465,082, respectively.

### Contributions

During the years ended June 30, 2017 and 2016, the Foundation received contributions of \$1,011,560 and \$820,000, respectively, which approximates 29% and 35%, 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, 2017 and 2016, were \$22,239 and \$18,281, 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.

### **Note 13 - Income Taxes (continued)**

#### **Open Tax Years**

The Foundation's Return of Organization Exempt from Income Tax (Form 990) for the fiscal years ended June 30, 2014, 2015, 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. These amounts are discussed in Note 11.

### **Note 16 - Subsequent Events**

Subsequent events have been evaluated through October 24, 2017, which is the date the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.