FINANCIAL STATEMENTS

CHESAPEAKE BAY FOUNDATION

Saving a National Treasure

FOR THE YEARS ENDED
JUNE 30, 2024 AND 2023

CONTENTS

CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Chesapeake Bay Foundation, Inc.
Annapolis, Maryland

Opinion

We have audited the accompanying financial statements of the Chesapeake Bay Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information Included in the Foundation's Annual Report

Management is responsible for the other information included in the Foundation's annual report. The annual report does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information contained in the report, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Summary of Conservation and Scenic Easements on page 33, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2025, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Gelman Rosenberg & Freedman

January 22, 2025

CHESAPEAKE BAY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2024 AND 2023

ASSETS

	2024	2023
Cash and cash equivalents	$ 17,631,238	$ 20,201,369
Investments	70,988,103	65,594,695
Accounts receivable	269,481	199,428
Other receivables	42,433	62,993
Grants and contributions receivable, net	11,965,025	9,389,067
Prepaids, deposits and other assets	958,883	748,525
Right-of-use assets - financing leases, net	2,592	11,723
Right-of-use assets - operating leases, net	371,851	392,794
Property and equipment, net	27,085,411	29,874,788
TOTAL ASSETS	**$ 129,315,017**	**$ 126,475,382**

LIABILITIES AND NET ASSETS

	2024	2023
LIABILITIES		
Line of credit	$ 432,010	$ 1,212,324
Accounts payable and accrued expenses	1,820,581	1,553,045
Deferred revenue	893,151	864,547
Liability under split interest agreements	640,405	589,052
Financing lease liabilities	2,322	10,374
Operating lease liabilities	384,273	410,663
Total liabilities	4,172,742	4,640,005
NET ASSETS		
Without donor restrictions	45,377,039	39,768,494
With donor restrictions	79,765,236	82,066,883
Total net assets	125,142,275	121,835,377
TOTAL LIABILITIES AND NET ASSETS	**$ 129,315,017**	**$ 126,475,382**

See accompanying notes to financial statements.

CHESAPEAKE BAY FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and gifts	$ 14,888,977	$ 8,365,130	$ 23,254,107
Membership contributions	6,045,330	-	6,045,330
Investment distribution	995,566	3,059,792	4,055,358
Other	1,356,624	-	1,356,624
Education contracts and tuition	1,291,235	-	1,291,235
Contributed nonfinancial assets	255,847	-	255,847
Net assets released from donor restrictions	17,800,834	(17,800,834)	-
Total support and revenue	42,634,413	(6,375,912)	36,258,501
EXPENSES			
Program Services:			
Environmental Education	8,334,248	-	8,334,248
Environmental Protection and Restoration	16,909,909	-	16,909,909
Strategic Communications	3,274,907	-	3,274,907
Total program services	28,519,064	-	28,519,064
Support Services:			
General and Administrative	2,495,104	-	2,495,104
Fundraising	4,516,592	-	4,516,592
Total support services	7,011,696	-	7,011,696
Total expenses	35,530,760	-	35,530,760
Change in net assets before capital additions	7,103,653	(6,375,912)	727,741
CAPITAL ADDITIONS			
Net investment return and distributions	1,309,962	3,948,801	5,258,763
Grants and gifts	-	125,464	125,464
Loss on sale/contribution of property	(2,805,070)	-	(2,805,070)
Total capital additions	(1,495,108)	4,074,265	2,579,157
Change in net assets	5,608,545	(2,301,647)	3,306,898
Net assets at beginning of year	39,768,494	82,066,883	121,835,377
NET ASSETS AT END OF YEAR	**$ 45,377,039**	**$ 79,765,236**	**$125,142,275**

See accompanying notes to financial statements.

CHESAPEAKE BAY FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and gifts	$ 10,330,863	$ 9,923,224	$ 20,254,087
Membership contributions	5,852,270	-	5,852,270
Investment distribution	997,356	3,101,014	4,098,370
Other	1,881,446	5,000	1,886,446
Education contracts and tuition	1,039,177	-	1,039,177
Contributed nonfinancial assets	239,952	-	239,952
Net assets released from donor restrictions	14,443,232	(14,443,232)	-
Total support and revenue	34,784,296	(1,413,994)	33,370,302
EXPENSES			
Program Services:			
Environmental Education	7,643,091	-	7,643,091
Environmental Protection and Restoration	16,272,584	-	16,272,584
Strategic Communications	3,253,291	-	3,253,291
Total program services	27,168,966	-	27,168,966
Support Services:			
General and Administrative	3,021,430	-	3,021,430
Fundraising	4,195,840	-	4,195,840
Total support services	7,217,270	-	7,217,270
Total expenses	34,386,236	-	34,386,236
Change in net assets before capital additions	398,060	(1,413,994)	(1,015,934)
CAPITAL ADDITIONS			
Net investment return and distributions	325,209	1,330,729	1,655,938
Grants and gifts	-	1,479	1,479
Loss on sale of property and equipment	(49,524)	-	(49,524)
Realized gain on interest rate swap	14,781	-	14,781
Total capital additions	290,466	1,332,208	1,622,674
Change in net assets	688,526	(81,786)	606,740
Net assets at beginning of year, as restated	39,079,968	82,148,669	121,228,637
NET ASSETS AT END OF YEAR	**$ 39,768,494**	**$ 82,066,883**	**$121,835,377**

CHESAPEAKE BAY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program Services			
	Environmental Education	Environmental Protection and Restoration	Strategic Communications	Total Program Services
Salaries	$ 3,483,712	$ 5,381,862	$ 1,473,299	$ 10,338,873
Fringe benefits	1,934,113	2,962,149	827,817	5,724,079
Supplies	291,842	2,830,010	41,783	3,163,635
Professional fees	186,565	1,060,174	289,118	1,535,857
Occupancy and utilities	660,215	734,820	87,503	1,482,538
Outside services	187,398	800,759	59,992	1,048,149
Equipment rental, leasing, repairs and maintenance	476,602	328,929	115,606	921,137
Postage and shipping	124,395	387,860	98,744	610,999
Printing	152,081	262,103	109,849	524,033
Insurance	305,069	223,686	21,923	550,678
Depreciation and amortization	191,644	237,475	17,959	447,078
Meetings and seminars	111,112	104,813	24,756	240,681
Subrecipients	10,438	395,589	-	406,027
Lease expense	37,155	309,078	347	346,580
Travel	116,504	175,788	9,311	301,603
Restoration fees	-	328,716	-	328,716
Donated goods and services	-	196,474	45,165	241,639
Banking and interest expense	822	57,495	559	58,876
Miscellaneous	16,914	64,109	1,255	82,278
Telephone	33,469	21,399	7,770	62,638
Publications and subscriptions	3,261	18,192	39,669	61,122
Membership and dues	8,514	25,744	1,795	36,053
Personnel recruitment	2,423	2,685	687	5,795
TOTAL	**$ 8,334,248**	**$ 16,909,909**	**$ 3,274,907**	**$ 28,519,064**

CHESAPEAKE BAY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Support Services			
	General and Administrative	Fundraising	Total Support Services	Total Expenses
Salaries	$ 1,062,764	$ 1,658,246	$ 2,721,010	$ 13,059,883
Fringe benefits	552,590	993,460	1,546,050	7,270,129
Supplies	40,369	50,829	91,198	3,254,833
Professional fees	196,769	441,042	637,811	2,173,668
Occupancy and utilities	99,726	75,246	174,972	1,657,510
Outside services	41,921	436,971	478,892	1,527,041
Equipment rental, leasing, repairs and maintenance	135,099	172,074	307,173	1,228,310
Postage and shipping	1,864	187,746	189,610	800,609
Printing	903	225,348	226,251	750,284
Insurance	63,287	38,184	101,471	652,149
Depreciation and amortization	31,256	27,141	58,397	505,475
Meetings and seminars	67,793	120,100	187,893	428,574
Subrecipients	-	-	-	406,027
Lease expense	4,491	16,096	20,587	367,167
Travel	28,150	29,895	58,045	359,648
Restoration fees	-	-	-	328,716
Donated goods and services	-	14,209	14,209	255,848
Banking and interest expense	149,730	910	150,640	209,516
Miscellaneous	5,046	4,522	9,568	91,846
Telephone	8,785	9,989	18,774	81,412
Publications and subscriptions	845	1,691	2,536	63,658
Membership and dues	2,446	11,742	14,188	50,241
Personnel recruitment	1,270	1,151	2,421	8,216
TOTAL	**$ 2,495,104**	**$ 4,516,592**	**$ 7,011,696**	**$ 35,530,760**

CHESAPEAKE BAY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services			
	Environmental Education	Environmental Protection and Restoration	Strategic Communications	Total Program Services
Salaries	$ 3,182,684	$ 5,598,350	$ 1,467,618	$ 10,248,652
Fringe benefits	1,538,377	2,615,981	705,211	4,859,569
Supplies	266,337	2,991,145	41,788	3,299,270
Professional fees	241,990	745,141	276,989	1,264,120
Occupancy and utilities	886,719	700,883	99,208	1,686,810
Outside services	160,973	664,330	61,143	886,446
Equipment rental, leasing, repairs and maintenance	292,730	265,827	113,106	671,663
Postage and shipping	120,988	441,943	106,103	669,034
Printing	144,721	307,043	134,219	585,983
Insurance	252,670	159,051	18,344	430,065
Depreciation and amortization	189,377	242,797	24,537	456,711
Meetings and seminars	120,259	93,916	24,826	239,001
Subrecipients	4,399	310,529	-	314,928
Lease expense	33,859	223,890	377	258,126
Travel	139,001	169,432	4,771	313,204
Restoration fees	-	480,555	-	480,555
Donated goods and services	5,003	76,245	127,662	208,910
Banking and interest expense	8,667	28,727	6,654	44,048
Miscellaneous	3,520	61,245	6,152	70,917
Telephone	32,616	33,730	7,961	74,307
Publications and subscriptions	4,251	30,796	21,998	57,045
Membership and dues	5,505	19,659	1,633	26,797
Personnel recruitment	8,445	11,369	2,991	22,805
TOTAL	**$ 7,643,091**	**$ 16,272,584**	**$ 3,253,291**	**$ 27,168,966**

CHESAPEAKE BAY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Support Services			
	General and Administrative	**Fundraising**	**Total Support Services**	**Total Expenses**
Salaries	$ 1,433,778	$ 1,591,738	$ 3,025,516	$ 13,274,168
Fringe benefits	575,714	755,719	1,331,433	6,191,002
Supplies	37,556	52,061	89,617	3,388,887
Professional fees	156,300	543,746	700,046	1,964,166
Occupancy and utilities	66,111	62,868	128,979	1,815,789
Outside services	31,244	307,107	338,351	1,224,797
Equipment rental, leasing, repairs and maintenance	134,756	150,572	285,328	956,991
Postage and shipping	743	259,438	260,181	929,215
Printing	1,686	293,079	294,765	880,748
Insurance	43,072	26,373	69,445	499,510
Depreciation and amortization	40,087	(10,258)	29,829	486,540
Meetings and seminars	53,313	61,311	114,624	353,625
Subrecipients	-	-	-	314,928
Lease expense	51,599	7,971	59,570	317,696
Travel	31,840	24,823	56,663	369,867
Restoration fees	-	-	-	480,555
Donated goods and services	-	31,042	31,042	239,952
Banking and interest expense	134,886	5,411	140,297	184,345
Miscellaneous	207,165	5,792	212,957	283,874
Telephone	9,866	9,183	19,049	93,356
Publications and subscriptions	1,032	1,776	2,808	59,853
Membership and dues	3,808	11,853	15,661	42,458
Personnel recruitment	6,874	4,235	11,109	33,914
TOTAL	**$ 3,021,430**	**$ 4,195,840**	**$ 7,217,270**	**$ 34,386,236**

CHESAPEAKE BAY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,306,898	$ 606,740
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	1,495,408	1,414,609
Realized gain on interest rate swap	-	(14,781)
Loss on sale/contribution of property and equipment	2,805,070	49,524
Amortization of right-of-use assets financing	9,131	9,086
Amortization of right-of-use assets operating	259,908	209,267
Capital additions - permanently restricted contributions	(125,464)	(1,479)
Change in the discount of long-term grants and contributions receivable	(32,038)	(44,314)
Change in allowance for doubtful accounts, grants and contributions	18,845	(21,798)
Unrealized gain on investments	(2,143,102)	(2,531,290)
Realized gain on investments	(4,922,291)	(2,160,171)
Change in value of split interest agreements	77,497	28,390
(Decrease) increase in assets:		
Accounts receivable	(70,053)	(25,274)
Other receivables	20,560	-
Grants and contributions receivable	(2,562,765)	1,877,826
Prepaids, deposits and other assets	(210,358)	(66,285)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	267,536	(214,671)
Deferred revenue	28,604	(196,747)
Liability under split interest agreements	36,081	(15,991)
Operating lease liability	(265,355)	(206,241)
Net cash used by operating activities	(2,005,888)	(1,303,600)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales of investments	1,671,985	3,102,856
Purchases of property and equipment	(1,807,515)	(1,555,515)
Proceeds from sales of property and equipment	296,414	-
Net cash provided by investing activities	160,884	1,547,341
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital additions - permanently restricted contributions	125,464	1,479
Principal payments on bonds payable	-	(1,030,803)
Proceeds from line of credit	-	1,400,000
Payments on line of credit	(780,314)	(187,676)
Principal payments on financing lease liabilities	(8,052)	(9,434)
Payments made on split interest agreements	(62,225)	(65,049)
Net cash (used) provided by financing activities	(725,127)	108,517
Net (decrease) increase in cash and cash equivalents	(2,570,131)	352,258
Cash and cash equivalents at beginning of year	20,201,369	19,849,111
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 17,631,238**	**$ 20,201,369**

See accompanying notes to financial statements.

CHESAPEAKE BAY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
SUPPLEMENTAL INFORMATION		
Interest Paid	$ 59,685	$ 52,595
Right-of-Use Assets in Connection with Operating Leases	$ 238,965	$ 118,454
Operating Lease Liabilities	$ 238,965	$ 118,454

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Chesapeake Bay Foundation, Inc. (the Foundation) was formed in 1966 as a nonprofit organization in accordance with the laws of the State of Maryland. Its principal sources of funds are contributions received directly from the public and grants received from individuals, foundations, governments, and corporations for environmental education, environmental protection, and land management and conservation programs relating to the Chesapeake Bay Region.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions. Board Designated net assets represents Board endowments included in Note 15.
- **Net Assets With Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

New accounting pronouncement adopted -

Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Foundation that are subject to the guidance in FASB ASC 326 are trade accounts receivable. The Foundation implemented the ASU on July 1, 2023, using a modified retrospective approach. Based on management's analysis, the standard does not have a material effect on the financial statements as a whole.

Cash and cash equivalents -

The Foundation considers all cash and other highly liquid investments, including certificates of deposit with maturities of three months or less to be cash equivalents. The total amount of cash and cash equivalents included in investment portfolios for the years ended June 30, 2024 and 2023 were $1,759,462 and $4,370,115, respectively. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of $250,000. At times during the year, the Foundation maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Investments -

The Foundation invests in shares held in individual securities or investment funds which include bonds, stocks, investment trusts, money market funds held for investment purposes, and limited partnerships. Investment fund managers trade in various domestic and foreign financial markets, which carry a certain amount of risk of loss. Investments are stated at fair value based on quoted market prices at the reporting date, or in absence of such quoted market price, a reasonable estimate of fair value as approved by management. Unrealized and realized gains and losses are included in investment return and distributions, which is presented net of investment expenses paid to external investment advisors in the Statement of Activities and Change in Net Assets.

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. Credit risk from financial instruments relates to the possibility that invested assets within a particular industry segment may experience loss due to market conditions. The Foundation has diversified its financial instruments to help ensure that no one industry segment represents a significant concentration of risk.

Although management uses its best judgment at estimating fair value of the underlying assets for its investments, there are inherent limitations in any valuation technique. Therefore, the value is not necessarily indicative of the amount that could be realized in a current transaction. Future events will also affect the estimates of fair value, and the effect of such events on the estimates of fair value could be material.

Accounts receivable -

Accounts receivable primarily consists of amounts due within one year related to education contracts and tuition. Accounts receivable are recorded at their net realizable value which approximates fair value. Accounts receivable are evaluated for an allowance for credit losses resulting from the inability of customers to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs.

Grants and contributions receivable -

Grants and contributions receivable include unconditional promises to give that are expected to be collected in future years. Grants and contributions receivable are recorded at their fair value, which is measured as the present value of the future cash flows. The discount on long-term grants and contributions receivable is computed using the risk-adjusted interest rates applicable to the years in which the promises to give were received. Amortization of the discount is included in grants and gifts.

Deferred financing costs -

Deferred financing costs represent bond issuance costs and other costs related to the acquisition of the Bay Ridge Facility (Note 6). Deferred financing costs are being amortized over the respective life of the bonds. Deferred financing costs are shown net of bonds payable on the accompanying Statements of Financial Position. The bond was paid off during the year ended June 30, 2023, and all financing costs were fully amortized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Property and equipment -

Property and equipment are stated at acquisition cost or fair market value at the date of donation, less accumulated depreciation. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to thirty years. The Foundation has established $5,000 as its threshold for capitalization.

Land is stated at acquisition cost, fair market value, or if fair market value is not available, at assessment value, at the date of donation. The land is used for educational, conservation, and operating purposes.

The cost of maintenance and repairs is recorded as expenses are incurred.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Statement of Activities and Change in Net Assets, to its current fair value.

Split interest agreements -

The Foundation is the beneficiary of several split interest agreements. The Foundation's interest in these split interest agreements is reported as a contribution in the year received at its net present value. Amortization is included in grants and gifts on the accompanying Statement of Activities and Change in Net Assets.

For the years ended June 30, 2024 and 2023, liabilities under split interest agreements totaled $640,405 and $589,052, respectively.

Support and revenue -

Membership contributions, grants and gifts including Federal awards -

The Foundation receives grants and contributions, including Federal awards from the U.S. Government. Contributions are recognized in the appropriate category of net assets in the period received. The Foundation performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

For grants qualifying under the contribution rules, support is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Revenue recognition (continued) -

Membership contributions, grants and gifts including Federal awards (continued) -

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Most Federal grants are for direct and indirect program costs and are considered to be conditional contributions which are recognized as contributions when the amounts become unconditional. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. However, the Foundation had no refundable advances as of June 30, 2024 and 2023.

In addition, the Foundation has obtained funding source agreements related to conditional contributions, such as Federal awards from the U.S. Government, which will be received in future years. The Foundation's unrecognized conditional contributions to be received in future years totaled approximately $8,000,000 and $3,100,000 as of June 30, 2024 and 2023, respectively.

Membership contributions, which are recognized upon receipt, consist of contributions designed to provide resources to support the general mission of the Foundation. There are some benefits received that are individual distinct obligations such as *Save the Bay* Magazine, discounted rates to online store and on Bay Discovery trips; however, they are immaterial thus are included with member contributions.

Revenue from contracts with customers -

The Foundation's education contracts and tuition is the most significant exchange transaction revenue stream following ASC Topic 606. Revenue from contracts with customers is recorded when the performance obligations are met. The Foundation has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on sales price. Revenue from education contracts and tuition are recognized at the time the event occurs. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. The Foundation's contracts with customers generally have initial terms of one year or less.

The Foundation's education department is responsible for leading students, teachers, and adults in hands-on, on-the-water, environmental education experiences about the Bay, through various courses for students and educators throughout Maryland, Virginia, Pennsylvania, and the District of Columbia.

Accounts receivable (contract assets) totaled $181,014 as of July 1, 2022.

Deferred revenue (contract liabilities) consisted of the following:

	June 30, 2024	June 30, 2023	July 1, 2022
Carbon offsets	$ 430,190	400,387	570,106
Events	292,988	349,775	312,475
Education and tuition	88,245	62,390	92,620
Other	81,728	51,995	86,093
TOTAL DEFERRED REVENUE	**$ 893,151**	**$ 864,547**	**$ 1,061,294**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Contributed nonfinancial assets -

Contributed nonfinancial assets are recognized at their fair value when they are received if the goods or services either (a) create or enhance non-financial assets, or (b) require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not donated. These amounts are shown as revenue and expenses on the Statement of Activities and Change in Net Assets. In addition, volunteers have donated significant amounts of their time to the Foundation; these donated services would typically need to be purchased if not donated however they are are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Income taxes -

The Foundation is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation is not a private foundation.

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Foundation are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are are allocated on a basis of time and effort (such as salaries and benefits) as well as square footage (such as depreciation, office and occupancy) or other reasonable basis.

Joint costs -

For fiscal years 2024 and 2023, the Foundation incurred joint costs of $2,753,813 and $2,987,161, respectively, for educational materials, membership and support services. These costs were allocated as follows:

	2024	2023
Environmental Education	$ 662,902	$ 545,629
Environmental Protection and Restoration	1,015,418	1,161,455
Strategic Communications	189,890	232,228
Fundraising	885,603	1,047,849
TOTAL JOINT COSTS INCURRED	**$ 2,753,813**	**$ 2,987,161**

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Reclassification (continued) -

During the year ended June 30, 2023, the Foundation adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. The Foundation applied the new standard using the modified retrospective approach, applying Topic 842 as of the earliest period presented, June 30, 2022. As a result of implementing Topic 842, the Foundation recorded right-of-use assets and lease liabilities for financing leases in the amount of $29,849, and right-of-use assets and lease liabilities for operating leases in the amount of $662,552 for the year ended June 30, 2022. Additionally as a result of the implementation of Topic 842, the Foundation recorded an additional $13,842 of lease expense for the year ended June 30, 2022.

2. INVESTMENTS AND FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the years ended June 30, 2024 and 2023.

Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Equity/International Equity* - Valued at the closing price reported on the active market in which the individual securities are traded.

- *Partnerships/Alternative Investments* - These instruments do not have a readily determinable fair value. Fair value for these instruments is measured using the net asset value per share practical expedient, in accordance with ASU 2015-07.

- *Corporate Bond Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by the Foundation are deemed to be actively traded.

2. INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

- *Beneficial Interest in Perpetual Trust* - Valued at the present value of discounted cash flows of the trust investment value into perpetuity.
- *U.S. Government Obligations* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Cash and Cash Equivalents Held by Investment Managers* - Fair value is equal to the reported net asset value of the fund.

US GAAP permits, as a practical expedient, the fair value of investments within scope to be estimated using the net asset value (NAV) or its equivalent. NAV or its equivalent is the value per share or value of ownership interest in partner's capital, as provided by the fund, whose financial statements are prepared in a manner consistent with measurement principles of an investment company or that have the attributes of an investment company. In many instances, NAV will not equal fair value that would be calculated pursuant to the Fair Value Measurement Topic.

The table below summarizes, by level within the fair value hierarchy and those invested and measured at NAV for practical expedient as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Equity securities	$ 39,778,265	$ -	$ -	$ 39,778,265
International equity securities	6,877	-	-	6,877
Corporate bond mutual funds	6,179,652	-	-	6,179,652
Beneficial interest in perpetual trust	-	3,614,397	-	3,614,397
U.S. Government obligations	5,819	-	-	5,819
Cash and cash equivalents held by investment managers	1,759,462	-	-	1,759,462
Sub-total	47,730,075	3,614,397	-	51,344,472
Alternative investments measured at NAV, per practical expedient	-	-	-	19,643,631
TOTAL INVESTMENTS	**$ 47,730,075**	**$ 3,614,397**	**$ -**	**$ 70,988,103**

The table below summarizes, by level within the fair value hierarchy and those invested and measured at NAV for practical expedient as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Equity securities	$ 30,301,603	$ -	$ -	$ 30,301,603
International equity securities	6,013	-	-	6,013
Corporate bond mutual funds	8,891,990	-	-	8,891,990
Beneficial interest in perpetual trust	-	3,614,397	-	3,614,397
U.S. Government obligations	5,088	-	-	5,088
Cash and cash equivalents held by investment managers	4,370,115	-	-	4,370,115
Sub-total	43,574,809	3,614,397	-	47,189,206
Alternative investments measured at NAV, per practical expedient	-	-	-	18,405,489
TOTAL INVESTMENTS	**$ 43,574,809**	**$ 3,614,397**	**$ -**	**$ 65,594,695**

2. INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

Under the terms of certain agreements for several alternative investments, the Foundation is obligated to remit additional funding periodically as capital calls are exercised. As of June 30, 2024 and 2023, the Foundation has uncalled commitments of $2,237,126 and $2,184,069, respectively.

Alternative investments are comprised of the following at June 30, 2024 and 2023:

	Net Asset Value		Uncalled Commitments		
Investment Type	2024	2023	2024	2023	Liquidity
Domestic/U.S. Limited Partnerships	$ 3,061,286	$ 1,975,273	$ 1,545,213	$ 1,219,467	None until dissolution or winding up of partnership.
Domestic/U.S. Limited Partnerships	116,200	96,194	-	-	100 days notice
Domestic/U.S. Limited Partnerships	16,466,145	16,334,022	691,913	964,602	Last day of each quarter.
ALTERNATIVE INVESTMENTS	**$19,643,631**	**$18,405,489**	**$ 2,237,126**	**$ 2,184,069**	

Following is a description of those alternative investments:

Domestic / U.S. Limited Partnerships – Includes investments in both Global Equity Composite funds, such as small and large cap funds as well emerging markets and global core funds. Also includes Private Equity investments, which include both leveraged buyouts and venture equity investments.

Included in the investment balance at June 30, 2024 and 2023 are investments related to certain split-interest agreements in the amounts of $960,706 and $867,502, respectively.

The investment portfolio includes $41,538,984 and $41,255,611 of endowment investments and contributions invested in perpetuity at June 30, 2024 and 2023, respectively (see Note 15).

The Foundation follows the Uniform Prudent Management Institutional Funds Act (UPMIFA). As such, endowment earnings not yet authorized for spending are shown as net assets with donor restrictions. Deficiencies in any endowment funds are shown net of accumulated investment earnings and are included in net assets with donor restrictions.

It is the policy of the Foundation to spend on operations 5% of a twelve quarter trailing average of the sum of accumulated investments, including endowment fund investments. The percentage was temporarily increased to 5.5% during the year ended June 30, 2023 and remained at that level through the year ended June 30, 2024. This amount is shown in the revenue section of the Statement of Activities and Change in Net Assets. Investment income that exceeds this target and all losses in a given year are considered non-operating items and are included in the capital additions section of the Statement of Activities and Change in Net Assets, as "Investment gain and distributions, net".

2. INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

Net investment return and distributions for the years ended June 30, 2024 and 2023 consisted of the following:

	2024	2023
Interest and dividends	$ 2,508,067	$ 1,258,843
Investment fees	(259,339)	(195,996)
Unrealized gain	2,143,102	2,531,290
Realized gains	4,922,291	2,160,171
Total investment return	9,314,121	5,754,308
Less: Investment distribution for operations	(4,055,358)	(4,098,370)
NET INVESTMENT RETURN AND DISTRIBUTIONS	**$ 5,258,763**	**$ 1,655,938**

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of June 30, 2024 and 2023, contributors to the Foundation have made written promises to give of which $12,391,142 and $9,828,377, respectively, have yet to be collected. Grants and contributions due in more than one year have been recorded at the present value of the estimated cash flows, using discount rates ranging from 0.6% to 5.6%. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor.

Grants and contributions are due as follows at June 30, 2024 and 2023:

	2024	2023
Less than one year	$ 3,220,910	$ 3,295,145
One to five years	5,219,500	2,582,500
Beyond five years	3,950,732	3,950,732
Total pledges	12,391,142	9,828,377
Less: Discount to net present value	(319,318)	(351,356)
Less: Allowance for doubtful accounts	(106,799)	(87,954)
GRANTS AND CONTRIBUTIONS RECEIVABLE, NET	**$ 11,965,025**	**$ 9,389,067**

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2024 and 2023:

	2024	2023
Land	$ 9,281,663	$ 11,655,297
Building and improvements	30,752,049	30,533,795
Furniture and equipment	4,229,185	4,160,324
Boats	5,519,888	5,325,411
Vehicles	1,023,269	969,378
Construction in progress	537,041	493,968
Art	75,154	75,154
Total property and equipment	51,418,249	53,213,327
Less: Accumulated depreciation and amortization	(24,332,838)	(23,338,539)
NET PROPERTY AND EQUIPMENT	**$ 27,085,411**	**$ 29,874,788**

4. PROPERTY AND EQUIPMENT (Continued)

The amount of property and equipment (at cost or fair market value at date of donation) that cannot be sold by the Foundation due to donor restrictions is $5,230,524 and $8,155,524 at June 30, 2024 and 2023, respectively (see Note 15). Depreciation expense for the years ended June 30, 2024 and 2023 totaled $1,495,408 and $1,402,953, respectively. Of these amounts, $989,933 and $928,069 is included in occupancy expense, and $505,475 and $474,884 is included in depreciation and amortization expense in the accompanying Statement of Functional Expenses for the years ended June 30, 2024 and 2023, respectively. Included in depreciation and amortization expense on the accompanying Statements of Functional Expenses is the amortization of the Foundation's bond payable, see Note 6 for further discussion.

During the year ended June 30, 2024, the Foundation sold a parcel of land to the State of Maryland for a nominal amount of $1. The land had a carrying value of $2,925,000, resulting in a loss on the sale, which is included within loss on contribution of property in the accompanying Statement of Activities and Change in Net Assets.

5. LINE OF CREDIT

The Foundation obtained a $2,000,000 line of credit with Capital One, effective September 1, 2022 (the “Line of Credit”). The line of credit expires on December 31, 2025. Amounts borrowed under this agreement bear interest at the One Month Term Secured Overnight Financing Rate (5.33% at June 30, 2024). During the year ended June 30, 2023, the Foundation drew $1,400,000 on the line of credit, of which $187,676 was repaid during the year. During the year ended June 30, 2024, no additional draws were made and repayments totaled $780,314. The outstanding balance was $432,010 and $1,212,324 as of June 30, 2024 and 2023, respectively.

6. BONDS PAYABLE

In December 2000, the Foundation moved into its U.S. Green Building Council LEED Platinum headquarters, a facility named the Philip Merrill Environmental Center (Merrill Center), which is widely recognized as one of the most environmentally innovative buildings in the world. The facility includes a two-story, 30,000 square foot "green" office building and common meeting centers for internal and external groups. Since moving into the Merrill Center, much of the site has been and continues to be restored with native plants.

During fiscal year 2014, the "Variable Rate Economic Development Revenue Bonds, Series 1998" which were used to finance the acquisition, construction and equipping a portion of the Merrill Center, were refinanced with the related bond sinking fund extinguished and capitalized costs fully amortized. As described further below, no amount of the 1998 Bonds was outstanding as of June 30, 2014.

On October 1, 2013, the Maryland Economic Development Corporation (MEDCO) issued an Economic Development Refunding Revenue Bond, The Chesapeake Bay Foundation Project, 2013 Series (the “2013 Series Bonds”) in the amount of $6,195,000 for the benefit of the Foundation. Proceeds of the 2013 Series Bonds were used to refinance MEDCO’s outstanding 1998 Series Bonds, noted above.

The 2013 Series Bonds were purchased by Capital One Bank, N.A. (“Capital One”). Principal and interest on the 2013 Series Bonds was due monthly based on a mortgage style amortization structure. The final maturity date of the Series 2013 Bonds was October 1, 2023. Financing costs related to the issuance of the 2013 Series Bonds in the amount of $87,420, were capitalized and were amortized over the life of the bonds.

6. BONDS PAYABLE (Continued)

Amortization expense for the year ended June 30, 2023 totaled $11,656, and is included in depreciation and amortization expense in the accompanying Statements of Functional Expenses. During the year ended June 30, 2023, the remaining balance of the bonds payable was fully repaid, and all associated financing costs were completely amortized. As a result, no amortization expense was incurred during the year ended June 30, 2024.

The Foundation incurred interest expense on the bonds totaling $52,595 for the year ended June 30, 2023, which is included in banking and interest within the Statement of Functional Expenses. There was no interest expense incurred on the bond during the year ended June 30, 2024, as the bond had been repaid entirely as of June 30, 2023.

To mitigate the effect of fluctuations in interest rates, the Foundation had hedged these bonds using the interest rate swap agreement described in Note 7. The bond agreements, among other provisions, required the Foundation to meet certain financial ratio tests.

7. INTEREST RATE SWAP

The bonds discussed in Note 6 include interest payments based on the Securities Industry and Financial Markets Association (“SIFMA”) Index, formerly the Bond Market Association (BMA). As a means to reduce its exposure to volatility in the variable rate index, the Foundation entered into certain interest rate swap agreements. The intention of the swap agreement is to synthetically fix the interest rate on the bonds.

The Foundation had an interest rate swap agreement (the "Wells Fargo Swap"), which was terminated on September 27, 2013, in connection with the issuance of the 2013 Series Bonds. The market value of the Wells Fargo Swap, at the time of termination, was embedded in the new Swap provided by Capital One Bank, N.A. (the "Capital One Swap").

Under the Capital One Swap, the Foundation paid a fixed rate of 4.52% and received a floating rate equal to 78% of 1-Month LIBOR. The Capital One Swap hedge 100% of the outstanding amount of the 2013 Series Bonds and provide the Foundation with a synthetic fixed rate cost of capital through the maturity of the 2013 Series Bonds on October 1, 2023. During the year ended June 30, 2023, the Capital One Swap was terminated when the bond was paid off. At the time of termination, the Foundation recognized a gain of $14,781.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2024 and 2023:

	2024	2023
Program Restricted:		
Environmental Education	$ 923,070	$ 373,281
Environmental Protection and Restoration	5,640,774	11,950,362
Property and Equipment	6,900,067	4,262,123
Other	-	101,330
Total program restricted	13,463,911	16,687,096
Time restricted	19,531,817	15,968,652
Perpetually restricted	46,769,508	49,411,135
NET ASSETS WITH DONOR RESTRICTIONS	**$ 79,765,236**	**$ 82,066,883**

8. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The Foundation is the recipient of several charitable remainder unitrusts that are administered by third parties. Under the terms of these trusts, payments of income are made from the trusts to the donors or other specified parties over the terms of the trusts.

Upon the termination of the trusts, the remaining net assets will be transferred to the Foundation for its general operations.

Accumulated investment earnings from perpetually restricted endowed funds included within net assets with donor restrictions as of June 30, 2024 and 2023 are as follows:

	2024	2023
With purpose restrictions	$ 9,122,934	$ 6,991,881
Time restriction	6,017,463	4,357,625
ACCUMULATED ENDOWMENT EARNINGS INCLUDED IN NET ASSETS WITH DONOR RESTRICTIONS	**$ 15,140,397**	**$ 11,349,506**

The following net assets with donor restrictions were released from donor restrictions either by incurring expenses which satisfied the restricted purposes specified by the donors or through the passage of time during the years ended June 30, 2024 and 2023, respectively:

	2024	2023
Donor Restrictions:		
Environmental Education	$ 781,678	$ 881,198
Environmental Protection and Restoration	10,123,284	9,681,028
Property and Equipment	3,666,601	426,121
Other	144,628	506,980
Total donor restrictions	14,716,191	11,495,327
Time Restrictions:		
Passage of Time	3,084,643	2,947,905
NET ASSETS RELEASED FROM RESTRICTIONS	**$ 17,800,834**	**$ 14,443,232**

Accumulated investment earnings released from net assets with donor restrictions as of June 30, 2024 and 2023 are as follows:

	2024	2023
Purpose restrictions	$ 1,904,703	$ 2,015,774
Passage of time	1,155,090	1,104,738
ACCUMULATED ENDOWMENT EARNINGS RELEASED FROM NET ASSETS WITH DONOR RESTRICTIONS	**$ 3,059,793**	**$ 3,120,512**

9. LIQUIDITY AND AVAILABILITY

The Foundation has a policy to structure its financial assets to be available and liquid as its obligations become due. The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. In the event of an unanticipated liquidity need, the Foundation also could draw upon approximately $1,600,000 of available line of credit (as further discussed in Note 5).

9. LIQUIDITY AND AVAILABILITY (Continued)

Financial assets available for use for general expenditures within one year of the Statements of Financial Position date comprise the following:

	2024	2023
Cash and cash equivalents	$ 17,631,238	$ 20,201,369
Investments	70,988,103	65,594,695
Accounts receivable	269,481	199,428
Other receivables	42,433	62,993
Grants and contributions receivable	11,965,025	9,389,067
Subtotal financial assets available within one year	100,896,280	95,447,552
Less: Donor restricted funds	(79,626,502)	(81,797,283)
Less: Board designated funds	(1,143,327)	(1,058,162)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	**$ 20,126,451**	**$ 12,592,107**

10. LEASE COMMITMENT

The Foundation follows FASB ASC 842 for leases. The Foundation has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. The Foundation has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

Short-term Leases:

The Foundation leases certain assets on an as-needed basis. The Foundation has elected the practical expedient for these short-term leases as the lease terms are less than 12 months. Total short-term lease expense included in lease expense for the year ended June 30, 2024 and 2023, was $99,261 and $89,913, respectively.

Operating Leases:

The Foundation has various office leases which are summarized below. Theses office lease include escalation of base rentals which are being amortized on a basis to achieve straight-line rent expense over the life of the lease.

The Foundation leases space in Richmond, Virginia. Under the terms of this lease that commenced on October 1, 2021 and terminates on December 31, 2026, the monthly rental payments are $4,346, which escalate by approximately 3% per annum. The monthly rent was abated for the first three months of the lease.

The Foundation leased space in Harrisburg, Pennsylvania. Under the terms of this lease that commenced on January 15, 2019 and terminated on January 14, 2024, the monthly rent was $7,747.

The Foundation leases space in Easton, Maryland. Under the terms of this lease that commenced on October 1, 2015 and terminates on September 30, 2025, the monthly rental payments are $428, which escalate by approximately 3% per annum.

The Foundation leases space in Duncannon, Pennsylvania. Under the terms of this lease that commenced on April 1, 2018 and terminates on June 30, 2025, the monthly rental payments are $2,100.

10. LEASE COMMITMENT

Operating Leases (continued):

The Foundation leases space in Annapolis, Maryland. Under the terms of this lease that commenced on December 1, 2018 and terminates on November 30, 2024, the monthly rental payments are $525.

The Foundation leases space in Edgewater, Maryland. Under the terms of this lease that commenced on June 1, 2022 and terminates on May 31, 2025, the monthly rental payments are $4,333. This lease was early terminated in December 2023.

The Foundation leases space in Shady Side, Maryland. Under the terms of this lease that commenced on January 1, 2024 and terminates on December 31, 2026, the monthly rental payments are $7,400.

For the lease entered into during the year ended June 30, 2024, the Foundation recorded a right-of-use asset for the operating lease and an operating lease liability of $238,965. These amounts were determined by calculating the present value using the discount rates based on the risk-free rate of 4.11%.

For the year ended June 30, 2024 and 2023, respectively, total lease cost was $232,638 and $218,603 and total cash paid was $236,731 and $215,576 for all operating leases. As of June 30, 2024, the weighted-average remaining lease term and discount rate for the operating leases is 2.37 years and 2.73%, respectively. As of June 30, 2023, the weighted-average remaining lease term and discount rate for the operating leases is 2.5 years and 1.79%, respectively.

Financing Leases:

The Foundation has entered into two separate leases for telecommunication equipment. Under the terms of the leases, the Foundation is required to make aggregate monthly payments of $675 through October 2024.

For the year ended June 30, 2024 and 2023, respectively, total amortization on the right-of-use assets was $9,131 and $9,086 and total interest expense was $49 and $93 for all financing leases. As of June 30, 2024, the weighted-average remaining lease term and discount rate for the financing leases is 0.27 years and 0.47%, respectively. As of June 30, 2023, the weighted-average remaining lease term and discount rate for the financing leases is 1.27 years and 0.47%, respectively. The following is a schedule of the future minimum lease payments under all leases:

Year Ending June 30,	Financing Leases	Operating Leases
2025	$ 2,333	$ 180,612
2026	-	149,786
2027	-	74,532
	2,333	404,930
Less: Imputed interest	(11)	(20,657)
TOTAL	**$ 2,322**	**$ 384,273**

11. DEFINED CONTRIBUTION RETIREMENT BENEFIT PLAN

Retirement benefits are available for substantially all regular, full-time personnel, through direct payments by the Foundation to the Plan administrators. For these employees, the Foundation matches the employee's voluntary contribution up to four percent of eligible compensation. For the years ended June 30, 2024 and 2023, the Foundation made contributions in the amounts of $558,148 and $560,319, respectively.

12. RELATED PARTY

For the years ended June 30, 2024 and 2023, the Foundation received gross contributions and grants in the amounts of $1,204,102 and $5,777,566, respectively, from Trustees and Executive Management. Net amounts due under grants and contributions receivable from related parties totaled $276,829 and $461,829 as of June 30, 2024 and 2023, respectively.

13. CONTINGENCIES

The Foundation receives grants from various agencies of the United States Government.

For the fiscal year ended June 30, 2024, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2024.

Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Various lawsuits and other contingent liabilities arise in the ordinary course of the Foundation's activities. While the final outcome of these legal actions cannot be determined at this time, management is of the opinion that the ultimate liability, if any, from the final resolution of these matters will not have a material effect on the Foundation’s financial statements.

14. CONTRIBUTED NONFINANCIAL ASSETS

During the years ended June 30, 2024 and 2023, the Foundation was the beneficiary of contributed nonfinancial assets, which allowed the Foundation to provide greater resources toward various programs. There were no donor-imposed restrictions associated with the contributed nonfinancial assets. If the donated value is greater than $500, documentation from the donor is provided to support the fair market value estimate. Documentation used to support the value includes: a vendor invoice, letter signed by the donor attesting to the value, or a published catalog or web page with a similar item. For donated staff time as it relates to Federal or state grants and partner organizations, other organizations provide the Foundation with reporting from their accounting or tracking systems showing salary and fringe coded to the Foundation grants for which they are providing "match" assistance. In addition, none of the donated goods were monetized through sale.

14. CONTRIBUTED NONFINANCIAL ASSETS (Continued)

The contributed nonfinancial assets consisted of the following for the years ended June 30:

	2024	2023
Donated Goods	$ 2,039	$ 12,624
Riparian Buffering	113,780	-
Advertising	45,165	127,662
Staff Time	13,196	63,486
Other Services	81,667	36,180
TOTAL CONTRIBUTED NONFINANCIAL ASSETS	**$ 255,847**	**$ 239,952**

The contributed nonfinancial assets have been recorded in support and in the following functional expense categories for the years ended June 30, 2024 and 2023:

	2024	2023
Environmental Education	$ -	$ 5,003
Environmental Protection and Restoration	196,474	76,245
Strategic Communications	45,165	127,662
Fundraising	14,208	31,042
TOTAL	**$ 255,847**	**$ 239,952**

15. ENDOWMENT

The Foundation's endowment consists of donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law -

The Board of Trustees has interpreted UPMIFA enacted by Maryland as allowing the Foundation to appropriate for expenditures or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. As a result of this interpretation, the Foundation has not changed the way net assets held in perpetuity are classified. See Note 1 for further information on net asset classification.

The remaining portion of the donor-restricted net assets is classified as accumulated endowment earnings included in net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA (see Note 8, total endowments funds classified as net assets with donor restrictions).

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- The investment policies of the organization.

15. ENDOWMENT (Continued)

Return Objectives and Risk Parameters -

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in-perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed a blended index of the Standard & Poor's 500 Index and the Barclays Aggregate Bond Index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based and partnerships/alternative investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Foundation has a policy of appropriating for distribution each year 5% of a twelve quarter trailing average of the sum of accumulated investments for each fund. The percentage was temporarily increased to 5.5% during the year ending June 30, 2024. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in-perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. Deficiencies of this nature exist in donor-restricted endowment funds, which together have an original gift value of $4,143,178 and $4,303,178, and a deficiency of $1,243,310 and $1,335,948 as of June 30, 2024 and June 30, 2023, respectively.

These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions for donor-restricted endowment funds and continued appropriates for certain programs that was deemed prudent by the Board of Directors.

Endowment net assets are invested in-perpetuity, the income of which is restricted to the following at June 30, 2024 and 2023:

	2024	2023
Environmental education	$ 11,495,052	$ 11,213,480
Environmental protection and restoration	13,905,647	13,905,647
Property and equipment	5,230,524	8,155,524
General operating	16,138,285	16,136,484
ENDOWMENT NET ASSETS	**$ 46,769,508**	**$ 49,411,135**

15. ENDOWMENT (Continued)

Endowment net assets consists of the following at June 30, 2024 and 2023:

	2024	2023
Investments	$ 41,538,984	$ 41,255,611
Property and equipment	5,230,524	8,155,524
ENDOWMENT NET ASSETS	**$ 46,769,508**	**$ 49,411,135**

Endowment net asset composition by type of fund as of June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	$ 1,143,327	$ -	$ 1,143,327
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	46,769,508	46,769,508
Accumulated investment earnings	-	15,140,397	15,140,397
TOTAL ENDOWMENT FUNDS	**$ 1,143,327**	**$ 61,909,905**	**$ 63,053,232**

Changes in endowment net assets for the year ended June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,058,162	$ 60,760,641	$ 61,818,803
Net investment return	145,527	7,008,593	7,154,120
Grants and gifts	-	125,464	125,464
Appropriation of endowment assets for expenditure	(60,362)	(3,059,793)	(3,120,155)
Contribution of property - release of restriction	-	(2,925,000)	(2,925,000)
ENDOWMENT NET ASSETS, END OF YEAR	**$ 1,143,327**	**$ 61,909,905**	**$ 63,053,232**

Endowment net asset composition by type of fund as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	$ 1,058,162	$ -	$ 1,058,162
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	49,411,135	49,411,135
Accumulated investment earnings	-	11,349,506	11,349,506
TOTAL ENDOWMENT FUNDS	**$ 1,058,162**	**$ 60,760,641**	**$ 61,818,803**

15. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,030,456	$ 59,447,931	$ 60,478,387
Net investment return	89,139	4,431,743	4,520,882
Grants and gifts	-	1,479	1,479
Appropriation of endowment assets for expenditure	(61,433)	(3,120,512)	(3,181,945)
ENDOWMENT NET ASSETS, END OF YEAR	**$ 1,058,162**	**$ 60,760,641**	**$ 61,818,803**

16. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through January 22, 2025, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

CHESAPEAKE BAY FOUNDATION, INC.

SUMMARY OF CONSERVATION AND SCENIC EASEMENTS
FOR INFORMATION PURPOSES ONLY (UNAUDITED)
FOR THE ENDED JUNE 30, 2024

The Chesapeake Bay Foundation, Inc. (the Foundation) holds conservation and scenic easements on various properties in the Chesapeake Bay region that are designed to prohibit the property owner, his successor, heirs, or assignees from developing or altering the property in any way inconsistent with the easement. The Foundation has responsibility for enforcing the specific provisions of each easement, which are primarily obtained by donation. The following is a description of easements held at June 30, 2024.

Maryland

- Approximately 45 acres along the Tavern Creek in Kent County, Maryland
- Approximately 70 acres along the Southeast Creek in Queen Anne's County, Maryland
- Approximately 209 acres along the Pocomoke River in Somerset County, Maryland

Virginia

- Approximately 2 acres along the Pamunkey River in King William County, Virginia
- Approximately 32 acres along the Dragon Run in Middlesex County, Virginia
- Approximately 37 acres along the Jordan River in Rappahannock County, Virginia
- Approximately 39 acres along the Totuskey Creek in Richmond County, Virginia
- Approximately 72 acres along the Chesapeake Bay in Northumberland County, Virginia
- Approximately 94 acres along Barnes Creek in Northumberland County, Virginia
- Approximately 118 acres along Mountain Run in Orange County, Virginia