

FINANCIAL STATEMENTS



CHESAPEAKE BAY FOUNDATION
Saving a National Treasure

**FOR THE YEARS ENDED
JUNE 30, 2025 AND 2024**

CHESAPEAKE BAY FOUNDATION, INC.

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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, 2025 and 2024, 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, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.

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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 and *Government 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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, 2024 grants and contributions receivable, net assets, grants and gifts revenue and net assets released from donor restrictions have been restated to correct a material misstatement. Our opinion is not modified with respect to this matter.

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 audits 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 32, 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 December 10, 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.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

December 10, 2025

CHESAPEAKE BAY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2025 AND 2024

ASSETS

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 13,678,433	\$ 17,631,238
Investments	73,776,184	70,988,103
Accounts receivable	441,357	269,481
Other receivables	32,894	42,433
Grants and contributions receivable, net	9,369,823	9,965,025
Prepays, deposits and other assets	659,543	958,883
Right-of-use assets - financing leases, net	-	2,592
Right-of-use assets - operating leases, net	265,800	371,851
Property and equipment, net	<u>29,716,123</u>	<u>27,085,411</u>
TOTAL ASSETS	<u>\$ 127,940,157</u>	<u>\$ 127,315,017</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Line of credit	\$ 2,000,000	\$ 432,010
Accounts payable and accrued expenses	1,632,176	1,820,581
Deferred revenue	1,143,602	893,151
Refundable advance	87,052	-
Liability under split interest agreements	608,738	640,405
Financing lease liabilities	-	2,322
Operating lease liabilities	<u>274,185</u>	<u>384,273</u>
Total liabilities	<u>5,745,753</u>	<u>4,172,742</u>

NET ASSETS

Without donor restrictions	40,830,020	45,377,039
With donor restrictions	<u>81,364,384</u>	<u>77,765,236</u>
Total net assets	<u>122,194,404</u>	<u>123,142,275</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 127,940,157</u>	<u>\$ 127,315,017</u>

CHESAPEAKE BAY FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and gifts	\$ 13,057,540	\$ 8,213,653	\$ 21,271,193
Membership contributions	6,083,573	-	6,083,573
Investment distribution	1,013,503	3,050,439	4,063,942
Other	1,353,660	-	1,353,660
Education contracts and tuition	578,596	-	578,596
Contributed nonfinancial assets	233,030	-	233,030
Net assets released from donor restrictions	<u>10,082,391</u>	<u>(10,082,391)</u>	<u>-</u>
Total support and revenue	<u>32,402,293</u>	<u>1,181,701</u>	<u>33,583,994</u>
EXPENSES			
Program Services:			
Environmental Education	8,720,433	-	8,720,433
Environmental Protection and Restoration	17,562,866	-	17,562,866
Strategic Communications	<u>3,740,154</u>	<u>-</u>	<u>3,740,154</u>
Total program services	<u>30,023,453</u>	<u>-</u>	<u>30,023,453</u>
Support Services:			
General and Administrative	3,096,083	-	3,096,083
Fundraising	<u>4,470,775</u>	<u>-</u>	<u>4,470,775</u>
Total support services	<u>7,566,858</u>	<u>-</u>	<u>7,566,858</u>
Total expenses	<u>37,590,311</u>	<u>-</u>	<u>37,590,311</u>
Changes in net assets before capital additions	<u>(5,188,018)</u>	<u>1,181,701</u>	<u>(4,006,317)</u>
CAPITAL ADDITIONS			
Net investment return and distributions	640,699	2,388,677	3,029,376
Grants and gifts	-	28,770	28,770
Gain on sale of property and equipment	<u>300</u>	<u>-</u>	<u>300</u>
Total capital additions	<u>640,999</u>	<u>2,417,447</u>	<u>3,058,446</u>
Changes in net assets	(4,547,019)	3,599,148	(947,871)
Net assets at beginning of year	<u>45,377,039</u>	<u>77,765,236</u>	<u>123,142,275</u>
NET ASSETS AT END OF YEAR	<u>\$ 40,830,020</u>	<u>\$ 81,364,384</u>	<u>\$122,194,404</u>

CHESAPEAKE BAY FOUNDATION, INC.

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

	<u>Without Donor Restrictions, As Restated</u>	<u>With Donor Restrictions, As Restated</u>	<u>Total, As Restated</u>
SUPPORT AND REVENUE			
Grants and gifts	\$ 12,888,977	\$ 8,365,130	\$ 21,254,107
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	<u>19,800,834</u>	<u>(19,800,834)</u>	<u>-</u>
Total support and revenue	<u>42,634,413</u>	<u>(8,375,912)</u>	<u>34,258,501</u>
EXPENSES			
Program Services:			
Environmental Education	8,334,248	-	8,334,248
Environmental Protection and Restoration	16,909,909	-	16,909,909
Strategic Communications	<u>3,274,907</u>	<u>-</u>	<u>3,274,907</u>
Total program services	<u>28,519,064</u>	<u>-</u>	<u>28,519,064</u>
Support Services:			
General and Administrative	2,495,104	-	2,495,104
Fundraising	<u>4,516,592</u>	<u>-</u>	<u>4,516,592</u>
Total support services	<u>7,011,696</u>	<u>-</u>	<u>7,011,696</u>
Total expenses	<u>35,530,760</u>	<u>-</u>	<u>35,530,760</u>
Changes in net assets before capital additions	<u>7,103,653</u>	<u>(8,375,912)</u>	<u>(1,272,259)</u>
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	<u>(2,805,070)</u>	<u>-</u>	<u>(2,805,070)</u>
Total capital additions	<u>(1,495,108)</u>	<u>4,074,265</u>	<u>2,579,157</u>
Changes in net assets	5,608,545	(4,301,647)	1,306,898
Net assets at beginning of year	<u>39,768,494</u>	<u>82,066,883</u>	<u>121,835,377</u>
NET ASSETS AT END OF YEAR	<u>\$ 45,377,039</u>	<u>\$ 77,765,236</u>	<u>\$123,142,275</u>

CHESAPEAKE BAY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025

	Program Services			Total Program Services
	Environmental Education	Environmental Protection and Restoration	Strategic Communications	
Salaries	\$ 3,573,263	\$ 5,737,067	\$ 1,449,228	\$ 10,759,558
Fringe benefits	2,171,660	3,420,477	887,686	6,479,823
Supplies	291,141	2,277,344	45,007	2,613,492
Professional fees	159,184	867,954	659,025	1,686,163
Occupancy and utilities	551,109	738,239	87,350	1,376,698
Equipment rental, leasing, repairs and maintenance	491,296	484,565	124,651	1,100,512
Outside services	182,265	677,982	61,113	921,360
Printing	164,750	368,177	115,349	648,276
Postage and shipping	120,440	428,815	123,688	672,943
Insurance	300,672	269,263	25,151	595,086
Subrecipients	31,313	636,869	-	668,182
Depreciation and amortization	284,997	255,483	18,419	558,899
Meetings and seminars	138,696	155,686	36,158	330,540
Restoration fees	-	473,059	-	473,059
Travel	155,481	203,666	7,968	367,115
Lease expense	41,475	276,839	85	318,399
Contributed nonfinancial assets	178	156,347	42,601	199,126
Banking and interest expense	-	25,224	-	25,224
Miscellaneous	23,802	45,315	2,663	71,780
Publications and subscriptions	3,209	16,312	44,352	63,873
Telephone	28,053	19,559	6,448	54,060
Membership and dues	5,462	25,719	2,571	33,752
Personnel recruitment	1,987	2,905	641	5,533
TOTAL	\$ 8,720,433	\$ 17,562,866	\$ 3,740,154	\$ 30,023,453

CHESAPEAKE BAY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Support Services</u>			<u>Total Expenses</u>
	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Support Services</u>	
Salaries	\$ 1,428,393	\$ 1,622,032	\$ 3,050,425	\$ 13,809,983
Fringe benefits	715,210	1,050,740	1,765,950	8,245,773
Supplies	34,872	49,341	84,213	2,697,705
Professional fees	235,961	405,965	641,926	2,328,089
Occupancy and utilities	102,665	79,527	182,192	1,558,890
Equipment rental, leasing, repairs and maintenance	159,957	137,423	297,380	1,397,892
Outside services	38,556	318,485	357,041	1,278,401
Printing	391	349,417	349,808	998,084
Postage and shipping	1,386	223,272	224,658	897,601
Insurance	62,773	35,096	97,869	692,955
Subrecipients	-	-	-	668,182
Depreciation and amortization	30,862	25,794	56,656	615,555
Meetings and seminars	72,085	73,732	145,817	476,357
Restoration fees	-	-	-	473,059
Travel	40,287	24,646	64,933	432,048
Lease expense	(1,417)	8,604	7,187	325,586
Contributed nonfinancial assets	512	33,392	33,904	233,030
Banking and interest expense	156,019	915	156,934	182,158
Miscellaneous	3,648	8,464	12,112	83,892
Publications and subscriptions	1,764	6,031	7,795	71,668
Telephone	8,208	7,264	15,472	69,532
Membership and dues	1,677	9,676	11,353	45,105
Personnel recruitment	2,274	959	3,233	8,766
TOTAL	\$ 3,096,083	\$ 4,470,775	\$ 7,566,858	\$ 37,590,311

CHESAPEAKE BAY FOUNDATION, INC.

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

	Program Services			Total Program Services
	Environmental Education	Environmental Protection and Restoration	Strategic Communications	
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
Equipment rental, leasing, repairs and maintenance	476,602	328,929	115,606	921,137
Outside services	187,398	800,759	59,992	1,048,149
Printing	152,081	262,103	109,849	524,033
Postage and shipping	124,395	387,860	98,744	610,999
Insurance	305,069	223,686	21,923	550,678
Subrecipients	10,438	395,589	-	406,027
Depreciation and amortization	191,644	237,475	17,959	447,078
Meetings and seminars	111,112	104,813	24,756	240,681
Restoration fees	-	328,716	-	328,716
Travel	116,504	175,788	9,311	301,603
Lease expense	37,155	309,078	347	346,580
Contributed nonfinancial assets	-	196,473	45,165	241,638
Banking and interest expense	822	57,496	559	58,877
Miscellaneous	16,914	64,109	1,255	82,278
Publications and subscriptions	3,261	18,192	39,669	61,122
Telephone	33,469	21,399	7,770	62,638
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			Total Expenses
	General and Administrative	Fundraising	Total Support Services	
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
Equipment rental, leasing, repairs and maintenance	135,099	172,074	307,173	1,228,310
Outside services	41,921	436,971	478,892	1,527,041
Printing	903	225,348	226,251	750,284
Postage and shipping	1,864	187,746	189,610	800,609
Insurance	63,287	38,184	101,471	652,149
Subrecipients	-	-	-	406,027
Depreciation and amortization	31,256	27,141	58,397	505,475
Meetings and seminars	67,793	120,100	187,893	428,574
Restoration fees	-	-	-	328,716
Travel	28,150	29,895	58,045	359,648
Lease expense	4,491	16,096	20,587	367,167
Contributed nonfinancial assets	-	14,209	14,209	255,847
Banking and interest expense	149,730	910	150,640	209,517
Miscellaneous	5,046	4,522	9,568	91,846
Publications and subscriptions	845	1,691	2,536	63,658
Telephone	8,785	9,989	18,774	81,412
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.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (947,871)	\$ 1,306,898
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	1,650,102	1,495,408
Receipt of donated securities	(1,874,892)	(1,648,737)
Proceeds from sales of donated securities	1,884,135	1,649,835
Realized gain on sale of donated securities	(9,243)	(1,098)
(Gain) loss on sale/contribution of property and equipment	(300)	2,805,070
Amortization of right-of-use assets financing	2,592	9,131
Amortization of right-of-use assets operating	175,432	259,908
Capital additions - permanently restricted contributions	(28,770)	(125,464)
Change in the discount of long-term grants and contributions receivable	67,369	(32,038)
Change in allowance for doubtful accounts, grants and contributions	(27,741)	18,845
Unrealized gain on investments	(1,049,064)	(2,143,102)
Realized gain on investments	(3,854,014)	(4,920,095)
Change in value of split interest agreements	3,054	77,497
(Increase) decrease in assets:		
Accounts receivable	(171,876)	(70,053)
Other receivables	9,539	20,560
Grants and contributions receivable	555,574	(562,765)
Prepays, deposits and other assets	299,340	(210,358)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(188,405)	267,536
Deferred revenue	250,451	28,604
Refundable advance	87,052	-
Liability under split interest agreements	31,667	36,081
Operating lease liability	(179,469)	(265,355)
Net cash used by operating activities	<u>(3,315,338)</u>	<u>(2,003,692)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(23,474,286)	(27,759,047)
Proceeds from sales of investments	25,589,283	29,428,836
Purchases of property and equipment	(4,280,514)	(1,807,515)
Proceeds from sales of property and equipment	-	296,414
Net cash (used) provided by investing activities	<u>(2,165,517)</u>	<u>158,688</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital additions - permanently restricted contributions	28,770	125,464
Proceeds from line of credit	2,000,000	-
Payments on line of credit	(432,010)	(780,314)
Principal payments on financing lease liabilities	(2,322)	(8,052)
Payments made on split interest agreements	(66,388)	(62,225)
Net cash provided (used) by financing activities	<u>1,528,050</u>	<u>(725,127)</u>
Net decrease in cash and cash equivalents	(3,952,805)	(2,570,131)
Cash and cash equivalents at beginning of year	<u>17,631,238</u>	<u>20,201,369</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 13,678,433</u>	<u>\$ 17,631,238</u>

See accompanying notes to financial statements.

CHESAPEAKE BAY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

SUPPLEMENTAL INFORMATION	<u>2025</u>	<u>2024</u>
Interest Paid	\$ <u>25,124</u>	\$ <u>59,685</u>
Right-of-Use Assets in Connection with Operating Leases	\$ <u>69,381</u>	\$ <u>238,965</u>
Operating Lease Liabilities	\$ <u>69,381</u>	\$ <u>238,965</u>

CHESAPEAKE BAY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Chesapeake Bay Foundation, Inc. (the Foundation) was formed in 1966 as a non-profit 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 non-profit 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 13.
- **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.

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, 2025 and 2024 were \$582,879 and \$1,759,462, 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.

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.

CHESAPEAKE BAY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

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

Investments (continued) -

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 Statements of Activities and Changes 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 and events. 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.

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.

CHESAPEAKE BAY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

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

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 Statements of Activities and Changes 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 Statements of Activities and Changes in Net Assets.

For the years ended June 30, 2025 and 2024, liabilities under split interest agreements totaled \$608,738 and \$640,405, 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.

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. The Foundation's refundable advances totaled \$87,052 as of June 30, 2025. The Foundation had no refundable advances as of June 30, 2024.

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 \$6,600,000 and \$8,000,000 as of June 30, 2025 and 2024, respectively.

CHESAPEAKE BAY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

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

Support and revenue (continued) -

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

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 and events are the most significant exchange transaction revenue streams 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) consisted of the following:

	June 30, 2025	June 30, 2024	July 1, 2023
Education	\$ 22,200	\$ 167,105	\$ 23,950
Events	342,250	69,425	86,500
Education and tuition	76,907	32,951	88,978
TOTAL ACCOUNTS RECEIVABLE	\$ 441,357	\$ 269,481	\$ 199,428

Deferred revenue (contract liabilities) consisted of the following:

	June 30, 2025	June 30, 2024	July 1, 2023
Carbon offsets	\$ 266,814	\$ 430,190	\$ 400,387
Events	636,400	292,988	349,775
Education and tuition	92,687	88,745	62,390
Other	147,701	81,728	51,995
TOTAL DEFERRED REVENUE	\$ 1,143,602	\$ 893,651	\$ 864,547

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.

CHESAPEAKE BAY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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

Contributed nonfinancial assets (continued) -

These amounts are shown as revenue and expenses on the Statements of Activities and Changes 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 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 Statements of Activities and Changes 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 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 2025 and 2024, the Foundation incurred joint costs of \$3,121,126 and \$2,753,813, respectively, for educational materials, membership and support services. These costs were allocated as follows:

	<u>2025</u>	<u>2024</u>
Environmental Education	\$ 589,823	\$ 662,902
Environmental Protection and Restoration	1,188,112	1,015,418
Strategic Communications	253,018	189,890
Fundraising	<u>1,090,173</u>	<u>885,603</u>
TOTAL JOINT COSTS INCURRED	<u>\$ 3,121,126</u>	<u>\$ 2,753,813</u>

Reclassification -

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

CHESAPEAKE BAY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

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, 2025 and 2024. 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.
- *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.
- *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.
- *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.

U.S. 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.

CHESAPEAKE BAY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

2. INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

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, 2025:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 40,721,736	\$ -	\$ -	\$ 40,721,736
International equity securities	7,533	-	-	7,533
Corporate bond mutual funds	8,398,431	-	-	8,398,431
Beneficial interest in perpetual trust	-	3,614,397	-	3,614,397
U.S. Government obligations	6,374	-	-	6,374
Cash and cash equivalents held by investment managers	<u>582,879</u>	<u>-</u>	<u>-</u>	<u>582,879</u>
Sub-total	49,716,953	3,614,397	-	53,331,350
Alternative investments measured at NAV, per practical expedient	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,444,834</u>
TOTAL INVESTMENTS	<u>\$ 49,716,953</u>	<u>\$ 3,614,397</u>	<u>\$ -</u>	<u>\$ 73,776,184</u>

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:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	<u>1,759,462</u>	<u>-</u>	<u>-</u>	<u>1,759,462</u>
Sub-total	47,730,075	3,614,397	-	51,344,472
Alternative investments measured at NAV, per practical expedient	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,643,631</u>
TOTAL INVESTMENTS	<u>\$ 47,730,075</u>	<u>\$ 3,614,397</u>	<u>\$ -</u>	<u>\$ 70,988,103</u>

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, 2025 and 2024, the Foundation has uncalled commitments of \$5,531,970 and \$2,237,126, respectively.

CHESAPEAKE BAY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

2. INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

Alternative investments are comprised of the following at June 30:

<u>Investment Type</u>	<u>Net Asset Value</u>		<u>Uncalled Commitments</u>		<u>Liquidity</u>
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	
Domestic/U.S. Limited Partnerships	\$ 4,342,888	\$ 3,061,286	\$ 4,205,414	\$ 1,545,213	None until dissolution or winding up of partnership.
Domestic/U.S. Limited Partnerships	158,843	116,200	-	-	100 days notice
Domestic/U.S. Limited Partnerships	<u>15,943,103</u>	<u>16,466,145</u>	<u>1,326,556</u>	<u>691,913</u>	Last day of each quarter.
ALTERNATIVE INVESTMENTS	<u>\$ 20,444,834</u>	<u>\$ 19,643,631</u>	<u>\$ 5,531,970</u>	<u>\$ 2,237,126</u>	

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, 2025 and 2024 are investments related to certain split-interest agreements in the amounts of \$1,040,955 and \$960,706, respectively.

The investment portfolio includes \$41,688,105 and \$41,538,984 of endowment investments and contributions invested in perpetuity at June 30, 2025 and 2024, respectively. The investment portfolio also includes \$17,373,474 and \$15,140,397 of accumulated earnings on the endowment investments June 30, 2025 and 2024, respectively (see Note 13).

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 5.5% of a twelve quarter trailing average of the sum of accumulated investments, including endowment fund investments. This amount is shown in the revenue section of the Statements of Activities and Changes 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 Statements of Activities and Changes in Net Assets, as "Net investment return and distributions".

Net investment return and distributions for the years ended June 30, 2025 and 2024 consisted of the following:

	<u>2025</u>	<u>2024</u>
Interest and dividends	\$ 2,445,154	\$ 2,508,067
Investment fees	(264,427)	(259,339)
Unrealized gain	1,049,064	2,143,102
Realized gains	<u>3,863,527</u>	<u>4,922,291</u>
Total investment return	7,093,318	9,314,121
Less: Investment distribution for operations	<u>(4,063,942)</u>	<u>(4,055,358)</u>
NET INVESTMENT RETURN AND DISTRIBUTIONS	<u>\$ 3,029,376</u>	<u>\$ 5,258,763</u>

CHESAPEAKE BAY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of June 30, 2025 and 2024, contributors to the Foundation have made written promises to give of which \$9,835,568 and \$10,391,142, 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 7%. 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:

	2025	2024
Less than one year	\$ 5,861,142	\$ 3,220,910
One to five years	2,276,333	5,219,500
Beyond five years	1,698,093	1,950,732
Total pledges	9,835,568	10,391,142
Less: Discount to net present value	(386,687)	(319,318)
Less: Allowance for doubtful accounts	(79,058)	(106,799)
GRANTS AND CONTRIBUTIONS RECEIVABLE, NET	\$ 9,369,823	\$ 9,965,025

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2025	2024
Land	\$ 9,281,663	\$ 9,281,663
Building and improvements	31,093,146	30,752,049
Furniture and equipment	4,776,472	4,229,185
Boats	5,534,149	5,519,888
Vehicles	1,048,981	1,023,269
Construction in progress	3,874,793	537,041
Art	75,154	75,154
Total property and equipment	55,684,358	51,418,249
Less: Accumulated depreciation and amortization	(25,968,235)	(24,332,838)
NET PROPERTY AND EQUIPMENT	\$ 29,716,123	\$ 27,085,411

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 at June 30, 2025 and 2024, respectively (see Note 13). Depreciation expense for the years ended June 30, 2025 and 2024 totaled \$1,650,102 and \$1,495,408, respectively. Of these amounts, \$1,034,547 and \$989,933 is included in Occupancy expense, and \$615,555 and \$505,475 is included in Depreciation and amortization expense in the accompanying Statements of Functional Expenses for the years ended June 30, 2025 and 2024, respectively.

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 Changes in Net Assets.

CHESAPEAKE BAY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

5. LINE OF CREDIT

The Foundation maintains a \$2,000,000 line of credit with Capital One, established on September 1, 2022, with an original maturity date of December 31, 2025. Borrowings under the agreement bore interest at the One-Month Term Secured Overnight Financing Rate (SOFR) (5.33% at June 30, 2024).

During the year ended June 30, 2025, the line of credit was amended to increase the borrowing capacity to \$6,000,000 and extend the maturity date to May 12, 2027. Borrowings under the amended agreement bear interest at the One-Month Term SOFR plus a margin of 1.85% (7.18% at June 30, 2025).

During the year ended June 30, 2024, the Foundation did not make any additional draws on the line of credit and repaid \$780,314, resulting in an outstanding balance of \$432,010 at June 30, 2024. During the year ended June 30, 2025, the Foundation repaid the balance of \$432,010 and borrowed \$2,000,000. The outstanding balance was \$2,000,000 as of June 30, 2025.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30:

	<u>2025</u>	<u>2024</u>
Program Restricted:		
Environmental Education	\$ 580,115	\$ 923,070
Environmental Protection and Restoration	7,728,673	5,640,774
Property and Equipment	<u>6,822,662</u>	<u>6,900,067</u>
Total program restricted	15,131,450	13,463,911
Time restricted	19,314,305	17,531,817
Perpetually restricted	<u>46,918,629</u>	<u>46,769,508</u>
NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 81,364,384</u>	<u>\$ 77,765,236</u>

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, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
With purpose restrictions	\$ 10,373,317	\$ 9,122,934
Time restriction	<u>7,000,157</u>	<u>6,017,463</u>
ACCUMULATED ENDOWMENT EARNINGS INCLUDED IN NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 17,373,474</u>	<u>\$ 15,140,397</u>

CHESAPEAKE BAY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

6. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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, 2025 and 2024, respectively:

	2025	2024
Donor Restrictions:		
Environmental Education	\$ 1,132,911	\$ 781,678
Environmental Protection and Restoration	4,441,578	10,123,284
Property and Equipment	1,236,950	3,666,601
Other	127,825	144,628
Total donor restrictions	6,939,264	14,716,191
Time Restrictions:		
Passage of Time	3,143,127	5,084,643
NET ASSETS RELEASED FROM RESTRICTIONS	\$ 10,082,391	\$ 19,800,834

Accumulated investment earnings released from net assets with donor restrictions as of June 30, 2025 and 2024, are as follows:

	2025	2024
Purpose restrictions	\$ 1,885,218	\$ 1,904,703
Passage of time	1,165,221	1,155,090
ACCUMULATED ENDOWMENT EARNINGS RELEASED FROM NET ASSETS WITH DONOR RESTRICTIONS	\$ 3,050,439	\$ 3,059,793

7. 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 \$4,000,000 of available line of credit (as further discussed in Note 5). Financial assets available for use for general expenditures within one year of the Statements of Financial Position date comprise the following:

	2025	2024
Cash and cash equivalents	\$ 13,678,433	\$ 17,631,238
Investments	73,776,184	70,988,103
Accounts receivable	441,357	269,481
Other receivables	32,894	42,433
Grants and contributions receivable	9,369,823	9,965,025
Subtotal financial assets available within one year	97,298,691	98,896,280
Less: Refundable advance	(87,052)	-
Less: Donor-restricted funds	(81,364,384)	(77,626,502)
Less: Board designated funds	(1,193,977)	(1,143,327)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 14,653,278	\$ 20,126,451

CHESAPEAKE BAY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

8. 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 years ended June 30, 2025 and 2024, was \$88,962 and \$99,261, respectively.

Operating Leases:

The Foundation has various office leases which are summarized below. These 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 terminated on June 30, 2025, the monthly rent was \$2,100.

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

The Foundation leased 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 were \$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.

The Foundation leases space in Annapolis, Maryland. Under the terms of this lease that commenced on November 1, 2024 and terminates on November 1, 2027, the monthly rental payments are \$750, which escalate by \$25 per annum.

CHESAPEAKE BAY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

8. LEASE COMMITMENT (Continued)

Operating Leases (continued):

For the leases entered into during the year ended June 30, 2025, the Foundation recorded right-of-use assets for the operating leases and operating lease liabilities of \$69,381. These amounts were determined by calculating the present value using the discount rates based on the risk-free rate of 4.18%.

For the years ended June 30, 2025 and 2024, respectively, total lease cost was \$236,624 and \$232,638 and total cash paid was \$234,630 and \$236,731 for all operating leases. As of June 30, 2025, the weighted-average remaining lease term and discount rate for the operating leases is 1.65 years and 2.83%, respectively. 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.

The following is a schedule of the future minimum lease payments under all operating leases:

<u>Year Ending June 30,</u>	
2026	\$ 172,913
2027	97,659
2028	<u>7,709</u>
	278,281
Less: Imputed interest	<u>(4,096)</u>
TOTAL	<u>\$ 274,185</u>

Financing Leases:

The Foundation 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 years ended June 30, 2025 and 2024, respectively, total amortization on the right-of-use assets was \$2,592 and \$9,131 and total interest expense was \$11 and \$49 for all financing leases. As of June 30, 2024, the weighted-average remaining lease term and discount rate for the financing leases is 1.27 years and 0.47%, respectively. As of June 30, 2025, both of these financing leases had ended.

9. 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, 2025 and 2024, the Foundation made contributions in the amounts of \$647,452 and \$558,148, respectively.

10. RELATED PARTY

For the years ended June 30, 2025 and 2024, the Foundation received gross contributions and grants in the amounts of \$1,429,547 and \$4,354,102, respectively, from Trustees and Executive Management.

CHESAPEAKE BAY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

10. RELATED PARTY (Continued)

Net amounts due under grants and contributions receivable from related parties totaled \$2,103,498 and \$3,241,502 as of June 30, 2025 and 2024, respectively.

The amounts for the year ended June 30, 2024, have been revised to reflect additional contributions received from trustees.

11. CONTINGENCIES

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

For the fiscal years ended June 30, 2025 and 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 2025.

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.

12. CONTRIBUTED NONFINANCIAL ASSETS

During the years ended June 30, 2025 and 2024, 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.

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

	<u>2025</u>	<u>2024</u>
Donated Goods	\$ 46,638	\$ 2,039
Riparian Buffering	-	113,780
Advertising	42,601	45,165
Staff Time	53,318	13,196
Other Services	<u>90,473</u>	<u>81,667</u>
TOTAL CONTRIBUTED NONFINANCIAL ASSETS	<u>\$ 233,030</u>	<u>\$ 255,847</u>

CHESAPEAKE BAY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

12. CONTRIBUTED NONFINANCIAL ASSETS (Continued)

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

	<u>2025</u>	<u>2024</u>
Environmental Protection and Restoration	\$ 156,347	\$ 196,474
Strategic Communications	42,601	45,165
Fundraising	33,392	14,208
General and Administrative	512	-
Environmental Education	<u>178</u>	<u>-</u>
TOTAL	<u>\$ 233,030</u>	<u>\$ 255,847</u>

13. 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 6, 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.

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.

CHESAPEAKE BAY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

13. ENDOWMENT (Continued)

Return Objectives and Risk Parameters (continued) -

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 5.5% of a twelve quarter trailing average of the sum of accumulated investments for each fund. 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 \$2,388,816 and \$4,143,178, and a deficiency of \$1,257,597 and \$1,243,310 as of June 30, 2025 and June 30, 2024, 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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Environmental education	\$ 11,350,542	\$ 11,495,052
Environmental protection and restoration	13,950,497	13,905,647
Property and equipment	5,230,524	5,230,524
General operating	<u>16,387,066</u>	<u>16,138,285</u>
ENDOWMENT NET ASSETS	<u>\$ 46,918,629</u>	<u>\$ 46,769,508</u>

CHESAPEAKE BAY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

13. ENDOWMENT (Continued)

Endowment net assets consists of the following at June 30, 2025 and 2024:

	2025	2024
Investments	\$ 41,688,105	\$ 41,538,984
Property and equipment	5,230,524	5,230,524
ENDOWMENT NET ASSETS	\$ 46,918,629	\$ 46,769,508

Endowment net asset composition by type of fund as of June 30, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 1,193,977	\$ -	\$ 1,193,977
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	46,918,629	46,918,629
Accumulated investment earnings	-	17,373,474	17,373,474
TOTAL ENDOWMENT FUNDS	\$ 1,193,977	\$ 64,292,103	\$ 65,486,080

Changes in endowment net assets for the year ended June 30, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,143,327	\$ 61,909,905	\$ 63,053,232
Net investment return	110,913	5,403,867	5,514,780
Grants and gifts	-	28,770	28,770
Appropriation of endowment assets for expenditure	(60,263)	(3,050,439)	(3,110,702)
ENDOWMENT NET ASSETS, END OF YEAR	\$ 1,193,977	\$ 64,292,103	\$ 65,486,080

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

CHESAPEAKE BAY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

13. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended of 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	<u>-</u>	<u>(2,925,000)</u>	<u>(2,925,000)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 1,143,327</u>	<u>\$ 61,909,905</u>	<u>\$ 63,053,232</u>

14. RESTATEMENT OF FINANCIAL STATEMENTS

The financial statements for the year ended June 30, 2024 have been restated to correct the accounting treatment of a payment received on an existing contribution receivable. The payment was recorded as grants and gifts revenue during the year ended June 30, 2024 rather than being applied to reduce the outstanding grants and contributions receivable balance. The 2024 financial statements have been updated to correct the error as follows:

	As Previously Reported	Prior Period Adjustment	As Restated
Statement of Financial Position:			
Grants and contributions receivable, net	\$ 11,965,025	\$ (2,000,000)	\$ 9,965,025
Total assets	\$129,315,017	\$ (2,000,000)	\$127,315,017
Net assets with donor restrictions	\$ 79,765,236	\$ (2,000,000)	\$ 77,765,236
Total net assets	\$125,142,275	\$ (2,000,000)	\$123,142,275
Total liabilities and net assets	\$129,315,017	\$ (2,000,000)	\$127,315,017
Statement of Activities:			
Grants and gifts revenue	\$ 23,254,107	\$ (2,000,000)	\$ 21,254,107
Total support and revenue	\$ 36,258,501	\$ (2,000,000)	\$ 34,258,501
Net assets released from donor restrictions	\$ 17,800,834	\$ 2,000,000	\$ 19,800,834
Change in net assets	\$ 3,360,898	\$ (2,000,000)	\$ 1,360,898
Net assets with donor restrictions	\$ 79,765,236	\$ (2,000,000)	\$ 77,765,236
Statement of Cash Flows:			
Change in net assets	\$ 3,360,898	\$ (2,000,000)	\$ 1,360,898
Decrease in grants and contributions receivable	\$ (2,562,765)	\$ 2,000,000	\$ (562,765)

15. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through December 10, 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 YEAR ENDED JUNE 30, 2025**

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, 2025.

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 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