

Casey Trees and Casey Tree Farm, LLC

Consolidated Financial Statements
and Independent Auditor's Report

June 30, 2023 and 2022

Casey Trees and Casey Tree Farm, LLC

Consolidated Financial Statements June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Casey Trees and Casey Tree Farm, LLC

Opinion

We have audited the accompanying consolidated financial statements of Casey Trees and Casey Tree Farm, LLC (collectively, "the Organization"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022; the related consolidated statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Organization adopted Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases* (Accounting Standards Codification 842). This change has been applied as of July 1, 2022 using the modified retrospective method, which permits application of the new standard to all leases at the adoption date. The comparative periods presented in the accompanying consolidated financial statements were not restated and remained to be disclosed under the provisions of the previous lease standard. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated 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 consolidated 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 consolidated 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 Organization'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 consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Handwritten signature of Rogers + Company PLLC in black ink.

Vienna, Virginia
December 4, 2023

Casey Trees and Casey Tree Farm, LLC

Consolidated Statements of Financial Position June 30, 2023 and 2022

	2023	2022
Assets		
Cash	\$ 104,519	\$ 239,990
Accounts receivable	183,277	168,232
Contributions and grants receivable	496,849	67,679
Accrued interest receivable	1,456	112,231
Investments	158,028,129	151,269,320
Prepaid expenses	144,387	70,864
Tree inventory	552,261	503,416
Beneficial interest in life estate, net	604,187	583,850
Property and equipment, net	19,578,407	19,726,808
Right-of-use asset – operating lease	17,268	-
Deferred compensation asset	140,091	70,201
Deposits	19,005	34,561
Total assets	<u>\$ 179,869,836</u>	<u>\$ 172,847,152</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 210,415	\$ 141,359
Accrued expenses	129,574	232,358
Lease liability – operating lease	18,226	-
Deferred compensation liability	140,091	70,201
Security deposits	-	1,000
Total liabilities	<u>498,306</u>	<u>444,918</u>
Net Assets		
Without donor restrictions:		
Undesignated	129,939,663	123,046,200
Board-designated	48,300	-
Total without donor restrictions	129,987,963	123,046,200
With donor restrictions	49,383,567	49,356,034
Total net assets	<u>179,371,530</u>	<u>172,402,234</u>
Total liabilities and net assets	<u>\$ 179,869,836</u>	<u>\$ 172,847,152</u>

See accompanying notes.

Casey Trees and Casey Tree Farm, LLC

Consolidated Statement of Activities For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Contributions and grants	\$ 1,567,492	\$ 227,335	\$ 1,794,827
Contracts and program services	590,101	-	590,101
Tree sales	361,934	-	361,934
Rental income	20,884	-	20,884
Other revenue	21,436	-	21,436
Released from restrictions	199,802	(199,802)	-
Total operating revenue and support	2,761,649	27,533	2,789,182
Expenses			
Program services:			
Tree operations	2,990,307	-	2,990,307
Casey Tree Farm	1,794,615	-	1,794,615
Education	544,642	-	544,642
Policy and land conservation	479,529	-	479,529
Communications	753,087	-	753,087
Program development	287,311	-	287,311
Total program services	6,849,491	-	6,849,491
Supporting services:			
General and administrative	1,247,723	-	1,247,723
Fundraising	191,451	-	191,451
Total supporting services	1,439,174	-	1,439,174
Total expenses	8,288,665	-	8,288,665
Change in operating net assets	(5,527,016)	27,533	(5,499,483)
Non-Operating Activities			
Interest and dividend income	3,331,159	-	3,331,159
Net realized and unrealized gain	9,279,712	-	9,279,712
Investment management fees	(142,092)	-	(142,092)
Total non-operating activities	12,468,779	-	12,468,779
Change in Net Assets	6,941,763	27,533	6,969,296
Net Assets, beginning of year	123,046,200	49,356,034	172,402,234
Net Assets, end of year	\$ 129,987,963	\$ 49,383,567	\$ 179,371,530

See accompanying notes.

Casey Trees and Casey Tree Farm, LLC

Consolidated Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Contributions and grants	\$ 1,066,364	\$ 136,905	\$ 1,203,269
Contracts and program services	351,474	-	351,474
Tree sales	279,250	-	279,250
Rental income	12,975	-	12,975
Other revenue	126,623	-	126,623
Released from restrictions	3,854,863	(3,854,863)	-
Total operating revenue and support	5,691,549	(3,717,958)	1,973,591
Expenses			
Program services:			
Tree operations	2,520,646	-	2,520,646
Casey Tree Farm	1,542,310	-	1,542,310
Education	405,314	-	405,314
Policy and land conservation	375,632	-	375,632
Communications	837,946	-	837,946
Program development	136,768	-	136,768
DCEN	75,000	-	75,000
Total program services	5,893,616	-	5,893,616
Supporting services:			
General and administrative	1,055,033	-	1,055,033
Fundraising	115,113	-	115,113
Total supporting services	1,170,146	-	1,170,146
Total expenses	7,063,762	-	7,063,762
Change in operating net assets	(1,372,213)	(3,717,958)	(5,090,171)
Non-Operating Activities			
Interest and dividend income	1,335,714	1,136,850	2,472,564
Net realized and unrealized loss	(11,254,193)	(9,632,638)	(20,886,831)
Investment management fees	(81,225)	(69,578)	(150,803)
Total non-operating activities	(9,999,704)	(8,565,366)	(18,565,070)
Change in Net Assets	(11,371,917)	(12,283,324)	(23,655,241)
Net Assets, beginning of year	134,418,117	61,639,358	196,057,475
Net Assets, end of year	\$ 123,046,200	\$ 49,356,034	\$ 172,402,234

See accompanying notes.

Casey Trees and Casey Tree Farm, LLC

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services							Supporting Services			
	Tree Operations	Casey Tree Farm	Education	Policy and Land Conservation	Communi- cations	Program Development	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries	\$ 1,589,782	\$ 717,674	\$ 300,893	\$ 260,530	\$ 423,115	\$ 52,547	\$ 3,344,541	\$ 688,834	\$ 107,001	\$ 795,835	\$ 4,140,376
Employee benefits	328,693	119,777	69,986	62,838	83,279	10,751	675,324	171,636	22,158	193,794	869,118
Payroll taxes	124,961	56,411	23,651	20,478	33,258	4,130	262,889	54,144	8,411	62,555	325,444
Depreciation and amortization	86,196	338,800	15,699	13,823	21,708	8,282	484,508	35,965	5,519	41,484	525,992
Office expenses	86,454	98,957	13,520	32,946	15,387	11,060	258,324	53,474	5,593	59,067	317,391
Tree planting and supplies	323,984	167,939	26,591	-	-	12,471	530,985	-	-	-	530,985
Information technology	41,196	16,074	5,731	4,132	43,417	974	111,524	24,235	3,732	27,967	139,491
Building maintenance and outfitting	123,018	143,233	11,662	9,705	16,539	97	304,254	24,188	3,783	27,971	332,225
Consulting	127,730	27,627	11,609	17,050	5,606	30,058	219,680	21,570	39	21,609	241,289
Professional fees	78,651	28,821	8,721	14,547	23,239	4,479	158,458	156,614	12,609	169,223	327,681
Grants and sponsorships	10,000	128	45,895	38,521	-	150,090	244,634	-	-	-	244,634
Conferences, conventions, and meetings	7,926	545	293	957	43,468	1,764	54,953	4,436	82	4,518	59,471
Travel	24,357	48,166	5,060	3,787	2,466	489	84,325	10,682	721	11,403	95,728
Vehicle maintenance	27,983	30,094	185	163	256	98	58,779	425	65	490	59,269
Printing and publishing	3,014	149	2,367	52	28,159	21	33,762	1,520	17,738	19,258	53,020
Advertising and promotion	6,362	220	2,779	-	13,190	-	22,551	-	4,000	4,000	26,551
Total Expenses	\$ 2,990,307	\$ 1,794,615	\$ 544,642	\$ 479,529	\$ 753,087	\$ 287,311	\$ 6,849,491	\$ 1,247,723	\$ 191,451	\$ 1,439,174	\$ 8,288,665

See accompanying notes.

Casey Trees and Casey Tree Farm, LLC

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services								Supporting Services			
	Tree Operations	Casey Tree Farm	Education	Policy and Land Conservation	Communi- cations	Program Development	DCEN	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries	\$ 1,364,135	\$ 518,152	\$ 206,563	\$ 241,780	\$ 455,593	\$ 29,735	\$ -	\$ 2,815,958	\$ 566,320	\$ 57,010	\$ 623,330	\$ 3,439,288
Employee benefits	331,746	125,789	50,729	59,663	112,072	7,326	-	687,325	135,299	15,079	150,378	837,703
Payroll taxes	109,329	41,354	16,721	19,658	37,004	2,414	-	226,480	44,698	4,887	49,585	276,065
Depreciation and amortization	84,968	326,142	12,897	15,134	28,690	1,864	-	469,695	34,647	3,626	38,273	507,968
Office expenses	102,349	107,622	10,641	7,751	17,740	11,806	-	257,909	71,957	11,215	83,172	341,081
Tree planting and supplies	274,020	261,366	-	-	-	-	-	535,386	-	-	-	535,386
Information technology	89,816	24,350	10,762	13,110	50,485	1,528	-	190,051	40,457	4,789	45,246	235,297
Building maintenance and outfitting	79,842	82,770	8,494	9,877	20,047	1,182	-	202,212	24,204	2,392	26,596	228,808
Consulting	10,540	5,040	48,501	5,040	38,752	-	75,000	182,873	7,624	-	7,624	190,497
Professional fees	903	928	-	1,072	-	-	-	2,903	120,339	-	120,339	123,242
Grants and sponsorships	2,737	436	29,289	-	5,000	75,000	-	112,462	-	-	-	112,462
Conferences, conventions, and meetings	7,769	5,294	1,177	1,442	48,853	1,190	-	65,725	4,779	137	4,916	70,641
Travel	22,201	21,929	1,466	522	709	209	-	47,036	3,160	51	3,211	50,247
Vehicle maintenance	21,010	21,080	352	413	778	51	-	43,684	946	103	1,049	44,733
Printing and publishing	12,634	58	6,323	96	671	4,193	-	23,975	603	15,824	16,427	40,402
Advertising and promotion	6,647	-	1,399	74	21,552	270	-	29,942	-	-	-	29,942
Total Expenses	\$ 2,520,646	\$ 1,542,310	\$ 405,314	\$ 375,632	\$ 837,946	\$ 136,768	\$ 75,000	\$ 5,893,616	\$ 1,055,033	\$ 115,113	\$ 1,170,146	\$ 7,063,762

See accompanying notes.

Casey Trees and Casey Tree Farm, LLC

Consolidated Statements of Cash Flows For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 6,969,296	\$ (23,655,241)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	525,992	507,968
Net realized and unrealized (gain) loss on investments	(9,279,712)	20,886,831
Change in value of life estate interest discount	(20,337)	(20,337)
Amortization of right-of-use asset – operating lease	5,471	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(15,045)	(137,084)
Contributions and grants receivable	(429,170)	236,303
Accrued interest receivable	110,775	(17,666)
Prepaid expenses	(73,523)	16,686
Tree inventory	(48,845)	(24,858)
Right-of-use asset – operating lease	(22,739)	-
Deferred compensation asset	69,890	31,526
Deposits	15,556	(5,091)
Increase (decrease) in:		
Accounts payable	69,056	(82,453)
Accrued expenses	(102,784)	106,664
Lease liability – operating lease	18,226	-
Deferred compensation liability	(69,890)	(31,526)
Security deposits	(1,000)	(1,000)
Net cash used in operating activities	(2,278,783)	(2,189,278)
Cash Flows from Investing Activities		
Purchases of property and equipment	(377,591)	(676,955)
Purchases of investments	(13,373,039)	(11,846,532)
Proceeds from sale of investments	15,893,942	14,436,160
Net cash provided by investing activities	2,143,312	1,912,673
Net Decrease in Cash	(135,471)	(276,605)
Cash, beginning of year	239,990	516,595
Cash, end of year	\$ 104,519	\$ 239,990
Supplementary Disclosure of Cash Flow Information		
Cash paid for income taxes	\$ 13,200	\$ 9,570

See accompanying notes.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

1. Nature of Operations

Casey Trees was organized by the Garden Club of America (GCA) in 2001 to accept a permanently restricted endowment granted by the Eugene B. Casey Foundation of Gaithersburg, Maryland. Casey Trees is recognized as a charitable organization under Section 501(c)(3) of the Internal Revenue Code (IRC), and is not a private foundation due to its qualification as a supporting organization under Section 509(a)(3). Casey Trees provides support to GCA through its reforestation project in Washington, D.C. Casey Trees was previously known as the Casey Trees Endowment Fund before changing its name during the year ended June 30, 2011.

The mission of Casey Trees is to restore, enhance, and protect the tree canopy of the nation's capital. Income from the endowment is the primary source of revenue and is to be used to support the purposes of Casey Trees. If Casey Trees ceases operations, loses its tax-exempt status, or attainment of its purpose under the terms of the endowment becomes otherwise impractical, then any remaining endowment fund shall be distributed to the Salvation Army, Washington, D.C.

Casey Tree Farm, LLC ("Casey Tree Farm"), a single member limited liability company, was formed in May 2008 in Virginia. The purpose of Casey Tree Farm is to manage and otherwise deal with real estate and property, to grow trees, to conduct tree research, and to operate any other lawful business as may be approved by Casey Trees.

2. Summary of Significant Accounting Policies

Principles of Consolidation

Casey Trees maintains a controlling financial interest in Casey Tree Farm, which was established as a single member liability company to manage real estate, property, and tree farming operations of Casey Trees. These consolidated entities are collectively referred to as "the Organization" in the accompanying notes to the consolidated financial statements. All significant intercompany transactions have been eliminated in the consolidation.

Basis of Accounting and Presentation

The Organization's consolidated financial statements are prepared on the accrual basis of accounting.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation (continued)

Net assets are reported based on the presence or absence of donor-imposed restrictions in the following classes:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Included in net assets without donor restrictions are Board-designated net assets set aside for legal defense, as described in Note 11.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a 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.

Fiscal Sponsorship

The Organization provides fiscal sponsorship and organizational services to certain projects. All financial activity of fiscal sponsored projects is aggregated for consolidated financial statement purposes. The fiscal sponsorship projects are legally a part of the Organization until projects obtain their own 501(c)(3) status or upon termination of the contract.

Accounts Receivable

Accounts receivable are reflected at net realizable value, and represent amounts due from customers. No allowance for doubtful accounts is recorded at June 30, 2023 and 2022, as management believes that all amounts are fully collectible.

Contributions and Grants Receivable

Contributions and grants receivable are deemed to be fully collectible and are reflected at either net realizable value or at net present value based on projected cash flows. At June 30, 2023 and 2022, all grants and contributions receivable were collectible within one year.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Investments

Investments consist of money market funds, mutual funds, and limited partnership interests. Investments in marketable securities are recorded at fair value based on quoted market prices. Interests in limited partnerships are reported at net asset value (NAV) as a practical expedient to fair value.

The interests in limited partnerships are redeemable by the Organization at NAV under the original terms of the limited partnership agreements. It is possible that such redemptions may be restricted or eliminated by the limited partnerships and their underlying funds and related agreements. Due to the nature of the investments held by the limited partnerships, changes in market conditions and economic environment may significantly impact the NAV of the limited partnerships and the resulting fair value as reported by the Organization. In addition, changes to any liquidity provisions of the underlying funds of the limited partnerships may significantly impact the fair value of the Organization's limited partnership interests.

Although a secondary market exists for the underlying funds of the limited partnerships, it is not active and individual transactions are typically not observable. When transactions occur in this limited secondary market, they may occur at discounts to the reported NAV. If the redemption rights in the underlying funds were restricted or eliminated and the limited partnerships were to sell their underlying investments in the secondary market, it is reasonably possible that a buyer in this secondary market may require a significant discount to the reported NAV. In addition, the underlying funds in which the limited partnerships invest may restrict the transferability of the limited partnerships' interests. Furthermore, the limited partnerships may restrict the transferability of the Organization's interests. In light of such restrictions imposed, the investments in these limited partnerships should be viewed as illiquid and subject to liquidity risk.

Interest and dividends, realized and unrealized gains and losses, along with investment management fees, are reported as non-operating activities in the accompanying consolidated statements of activities. The cost of investments sold is determined by use of the average cost method on the trade date.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Tree Inventory

The Organization's tree inventory consists of various species of sustainably-grown trees that are available for wholesale purchase. Trees are planted and grown at the nursery located at the Casey Tree Farm. Tree sales support the Organization's programmatic activities. Tree inventory is valued by a calculation of the average price of new seedlings over a historical five-year period. Inventory counts and tree measurements based on tree caliper are performed twice per year.

Property and Equipment

Property and equipment with an original cost exceeding \$2,500 and a projected useful life exceeding one year are capitalized and recorded at cost. Land is capitalized at its allocable cost basis and is not subject to depreciation. The allocable cost of buildings has been capitalized, and related costs of renovations and improvements are capitalized during the construction phase. The buildings are subject to depreciation at the point that they are put into service for their intended use. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to 12 years for property and equipment and 39.5 years for buildings. Construction in progress is stated at cost and is not depreciated until completed and ready for its intended use.

Operating Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets, which represent the Organization's right to use underlying assets for the lease terms, and lease liabilities represent the Organization's obligations to make lease payments arising from leases. Operating ROU lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease terms. As the Organization's leases do not provide implicit rates, the Organization used a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

All unconditional contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor or time period. The Organization reports contributions as restricted support if received with donor stipulations that limit their use to a specific purpose or time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Net assets with donor restrictions are reported as net assets without donor restrictions if the restrictions are met in the same period as received.

Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before the Organization is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Additionally, the Organization has agreements with government agencies that contain substantial conditions that must be met prior to recognition of revenue. The donor-imposed conditions primarily consist of qualifying expenditures that must be incurred by the Organization before the governmental agencies will reimburse these expenditures. Conditional contributions are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met, and any barriers are overcome. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program. There were no refundable advances or deferred revenue in the accompanying consolidated statements of financial position relating to conditional revenue from government agencies at June 30, 2023 and 2022.

Revenue Accounted for as Contracts with Customers

The Organization generates revenue from sale of both services and products. Revenue is recognized when the Organization satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration management expects to receive in exchange for the services or products, or for satisfying distinct performance obligations.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers (continued)

Revenue from contracts and program services is related to service contracts with customers to provide tree planting services, consultation services, and educational programs. Program service fees are set by contracts established with customers. Program service fees revenue is recognized at the point in time the program is provided.

Revenue from sale of trees is recognized at the time of purchase.

Revenue from hosting special events is recognized as performance obligations are satisfied or at the time of the event.

Rental revenue from tenants to lease space at the Casey Trees Farm includes monthly rental payments and is recognized in the period the property is in use.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising and Promotion Costs

The Organization expenses advertising and promotion costs as incurred. Advertising and promotion expenses totaled \$26,551 and \$29,942 during the years ended June 30, 2023 and 2022, respectively.

Use of Estimates

The preparation of consolidated 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 amounts reported in the consolidated financial statements and accompanying notes, as well as disclosures of contingent assets and liabilities. Significant items subject to such estimates and assumptions include the carrying value of nontraditional investments. Actual results could differ from those estimates.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Measure of Operations

The Organization includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities, and excludes interest and dividend income, realized and unrealized gains and losses, and investment management fees on investments.

Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, Accounting Standards Codification (ASC) 842, *Leases*. As described in Note 2 and 14, the update requires a lessee to recognize an ROU asset and lease liability, initially measured at the present value of the lease payments, in its consolidated statements of financial position. The Organization adopted ASC 842 on July 1, 2022 using the modified retrospective method, which permits application of the new standard to all leases at the adoption date. The comparative periods presented in the accompanying consolidated financial statements were not restated and remained to be disclosed under the provisions of the previous lease standard, ASC 840. The new lease standard provides a number of optional practical expedients in transition. The Organization elected to apply the package of practical expedients, which permits the Organization not to reassess under the new standard prior conclusions about lease identification, lease classification, and initial direct costs. The Organization did not elect the use of hindsight or the practical expedient pertaining to land easements, the latter not being applicable to the Organization.

Reclassifications

Certain amounts in the fiscal year 2022 consolidated financial statements have been reclassified to conform to the fiscal year 2023 presentation. These reclassifications have no effect on the change in net assets previously reported.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 4, 2023, the date the consolidated financial statements were available to be issued.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

3. Liquidity and Availability

Financial assets available within one year of the consolidated statements of financial position date to meet cash needs for general expenditures are as follows as of June 30:

	2023	2022
Cash	\$ 104,519	\$ 239,990
Accounts receivable	183,277	168,232
Contributions and grants receivable	496,849	67,679
Accrued interest receivable	1,456	112,231
Short-term investments	137,018,599	128,199,756
Less: endowment net assets	(49,311,463)	(49,311,463)
Total available for general expenditures	<u>\$ 88,493,237</u>	<u>\$ 79,476,425</u>

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds. Additionally, the Organization considers net assets with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The endowment fund consists of donor-restricted endowment corpus and accumulated endowment earnings. Income from donor-restricted endowments is available for operating activities within annual distribution limits. The donor-restricted endowment corpus is not available for general expenditures.

4. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and investments. The Organization maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Organization has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

5. Investments

Investments consist of the following at June 30:

	2023	2022
Money market funds	\$ 649,427	\$ 392,832
Mutual funds	136,447,500	127,806,924
Alternative investments	20,931,202	23,069,564
Total investments	<u>\$ 158,028,129</u>	<u>\$ 151,269,320</u>

Net investment return consists of the following for the years ended June 30:

	2023	2022
Interest and dividend income	\$ 3,331,159	\$ 2,472,564
Realized gain	3,484,909	8,486,260
Unrealized gain (loss)	5,794,803	(29,373,091)
Investment management fees	(142,092)	(150,803)
Total investment return, net	<u>\$ 12,468,779</u>	<u>\$ (18,565,070)</u>

6. Fair Value Measurements

The Organization follows FASB ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and requires an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value.

The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument. The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

6. Fair Value Measurements (continued)

In general, and where applicable, the Organization uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments. The Organization considers observable data to be the market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The Organization used the following methods and significant assumptions to estimate fair value of assets recorded at fair value:

Money Market and Mutual Funds: Fair value of the Organization's money market, and equity and fixed income mutual funds, is determined based on quoted market prices and is classified as Level 1.

Alternative Investments: The Organization's alternative investments in funds valued based on NAV as a practical expedient for fair value include pooled investment and private equity funds.

Alternative investments are measured at NAV per share (or its equivalent) using the practical expedient, and have not been categorized in the fair value hierarchy. The fair value amounts presented in the above tables are intended to permit reconciliation of the fair value hierarchy to the amounts present in the accompanying consolidated statements of financial position.

The following table presents the Organization's fair value hierarchy for those investments measured on a recurring basis at June 30, 2023:

	Total	Level 1	Level 2	Level 3	NAV
<u>2023:</u>					
Money market funds	\$ 649,427	\$ 649,427	\$ -	\$ -	-
Mutual funds:					
Equity	99,755,646	99,755,646	-	-	-
Fixed income	36,691,854	36,691,854	-	-	-
Alternative investments:					
Pooled funds	5,023,125	-	-	-	5,023,125
Private equity funds	15,908,077	-	-	-	15,908,077
Total investments	\$ 158,028,129	\$ 137,096,927	\$ -	\$ -	\$ 20,931,202

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

6. Fair Value Measurements (continued)

The following table presents the Organization's fair value hierarchy for those investments measured on a recurring basis at June 30, 2022:

	Total	Level 1	Level 2	Level 3	NAV
Money market funds	\$ 392,832	\$ 392,832	\$ -	\$ -	-
Mutual funds:					
Equity	92,499,916	92,499,916	-	-	-
Fixed income	35,307,008	35,307,008	-	-	-
Alternative investments:					
Pooled funds	6,360,372	-	-	-	6,360,372
Private equity funds	16,709,192	-	-	-	16,709,192
Total investments	<u>\$ 151,269,320</u>	<u>\$ 128,199,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,069,564</u>

The following table summarizes the nature of the Organization's alternative investments in funds valued based on NAV as a practical expedient and its ability to redeem these funds as of June 30, 2023:

	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice
Pooled investment funds (a):				
White Oak Fixed Income Fund	\$ 5,023,125	\$ -	Quarterly	90 days
Private equity funds (b):				
Portfolio Advisors Private Equity Fund VII L.P.	950,714	295,203	Not eligible	Not eligible
Portfolio Advisors Private Equity Fund VI L.P.	559,824	205,092	Not eligible	Not eligible
HarbourVest Partners Co-Investment Fund IV L.P.	1,531,857	204,044	Not eligible	Not eligible
HarbourVest Partners Direct Fund L.P.	360,180	32,290	Not eligible	Not eligible
H.I.G. Middle Market LBO Fund	1,431,488	252,270	Not eligible	Not eligible
GLASfunds SPC	8,404,723	1,663,261	Not eligible	Not eligible
Harrison Street Real Estate Partners VIII, VIII-A, & VIII-B L.P.	<u>2,669,291</u>	<u>628,326</u>	Not eligible	Not eligible
Total investments based on NAV	<u>\$ 20,931,202</u>	<u>\$ 3,280,486</u>		

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

6. Fair Value Measurements (continued)

The following table summarizes the nature of the Organization's alternative investments in funds valued based on NAV as a practical expedient and its ability to redeem these funds as of June 30, 2022:

	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice
Pooled investment funds (a):				
White Oak Fixed Income Fund	\$ 6,360,372	\$ -	Quarterly	90 days
Private equity funds (b):				
Portfolio Advisors Private Equity Fund VII L.P.	1,220,640	295,203	Not eligible	Not eligible
Portfolio Advisors Private Equity Fund VI L.P.	847,986	205,092	Not eligible	Not eligible
HarbourVest Partners Co-Investment Fund IV L.P.	1,890,013	382,157	Not eligible	Not eligible
HarbourVest Partners Direct Fund L.P.	648,164	32,290	Not eligible	Not eligible
H.I.G. Middle Market LBO Fund	1,315,883	507,880	Not eligible	Not eligible
GLASfunds SPC	8,948,115	545,050	Not eligible	Not eligible
Harrison Street Real Estate Partners VIII, VIII-A, & VIII-B L.P.	1,838,391	1,233,480	Not eligible	Not eligible
Total investments based on NAV	<u>\$ 23,069,564</u>	<u>\$ 3,201,152</u>		

(a) Pooled Investment Funds: The pooled investment funds are considered alternative investments as there is no readily determinable market price for the funds, although most of the underlying securities in the pooled investment funds are publicly traded and are valued using readily determinable market prices. The Organization derives the reported values for these investments from the NAV provided by the funds' managers.

White Oak Fixed Income Fund – The Organization had an investment in White Oak Fixed Income Fund (“White Oak”) totaling \$5,023,125 and \$6,360,372 at June 30, 2023 and 2022, respectively. White Oak invests in a wide range of debt, such as asset-based lending, term loans, and aviation financing, which are managed by third party managers. Investments are valued at their NAV as reported by the underlying investment manager. White Oak performs quarterly and annual valuation procedures for each investor. Investments in this fund are subject to a quarterly redemption with a 90-day redemption notice period.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

6. Fair Value Measurements (continued)

(b) Private Equity Funds: Private equity funds consist of funds that directly invest in private companies, or that engage in buyouts of public companies, resulting in the delisting of public equity. The fair value of the investments in this category has been estimated using the NAV of the Organization's partnership interest in partners' capital. Investments in this class cannot be redeemed. Instead, distributions are made from operating proceeds on a periodic basis. It is estimated that the underlying assets of these various funds will be liquidated over the next five to 10 years.

The Organization's private equity fund investments consist of the following funds:

Portfolio Advisors Private Equity Funds – The Organization had an investment in the Portfolio Advisors Private Equity Fund VII L.P. and Portfolio Advisors Private Equity Fund VI L.P. (collectively, "the Fund") totaling \$1,510,538 and \$2,068,626 at June 30, 2023 and 2022, respectively. The Fund invests in private equity funds ("Partnership Investments"), which are managed by third party managers. The Fund does not have the ability to direct or influence the management of the underlying Partnership Investments, which are valued at their NAV as reported by the underlying investment manager. It is the Fund's policy to only invest in Partnership Investments that are audited by independent auditing firms. The Fund performs quarterly and annual valuation procedures for each Partnership Investment. The majority of the Fund's investments have a lock-up period of five years.

HarbourVest Partners Funds – The Organization had an investment in the HarbourVest Partners Co-Investment Fund IV L.P. and the HarbourVest Partners Direct Fund L.P. (collectively, "the Partnership") totaling \$1,892,037 and \$2,538,177 at June 30, 2023 and 2022, respectively. The purpose of the Partnership is to make investments with primary emphasis on equity-oriented investments in management buy-in, management buy-out, recapitalization, and growth equity. Investments include common and preferred equity securities, debt, warrants, and other privately issued securities, as well as investments in operating companies. The investments in this fund are valued at their NAV as reported by the underlying investment manager. The majority of the Partnership's investments have a lock-up period of five years.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

6. Fair Value Measurements (continued)

H.I.G. Middle Market LBO Fund – The Organization had investments in the H.I.G. Middle Market LBO Fund (“the H.I.G. Fund”) totaling \$1,431,488 and \$1,315,883 at June 30, 2023 and 2022, respectively. The purpose of the H.I.G. Fund is to target control investments in complex situation and undermanaged middle market companies. To accomplish its purpose, the H.I.G. Fund invests in equity and equity-related securities in conjunction with privately-negotiated transactions. The H.I.G. Fund makes investments in underlying portfolio companies through Investment Holding Companies (“Investment Holdcos”), single-purpose vehicles formed specifically to hold each portfolio investment. The Investment Holdcos are generally affiliates of the H.I.G. Fund, but may include unaffiliated entities in certain circumstances. The investments in the H.I.G. Fund are valued at their NAV as reported by the underlying investment manager. The H.I.G. Fund’s lock-up periods vary according to the underlying investment portfolios.

GLASfunds SPC – The Organization had investments in GLASfunds SPC (“GLASfunds”) totaling \$8,404,723 and \$8,948,115 at June 30, 2023 and 2022, respectively. GLASfunds’ parent company, GLASfunds LLC, invests in various pooled investment and private equity funds, which are managed by third parties. Monthly, quarterly, and annual valuations of these investments are provided by the underlying managers. The liquidity of these investments is based on the liquidity parameters of the underlying funds, which vary from semi-monthly to two years.

Harrison Street Real Estate Partners VIII, VIII-A, & VIII-B L.P. – The Organization had investments in the Harrison Street Real Estate Partners VIII, VIII-A, & VIII-B L.P. (collectively, “Harrison Street”) totaling \$2,669,291 and \$1,838,391 at June 30, 2023 and 2022, respectively. Harrison Street invests in alternative real assets, such as real estate and infrastructure. Harrison Street is involved in the management of the underlying assets in the fund, and can directly influence the management of the underlying investments. Fund liquidity is provided when the fund sells the underlying assets. The fund has an expected life of 10 years.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

7. Beneficial Interest in Life Estate

On August 17, 2018, the Organization purchased a personal residence consisting of land and a building located in Washington, D.C. As part of the sales contract, the Organization has granted the seller a life estate in the purchased property. According to the life estate agreement, the seller will retain the right to occupy the property for the lifetime and will be responsible for normal maintenance, repairs, taxes, and insurance. Life estate has a number of termination clauses and conditions, including death of the seller. Upon termination of the life estate, the Organization will have full rights of possession of the property.

The total purchase price of the property, including closing costs of \$16,885, was \$766,885. The Organization measured its remainder beneficial interest in life estate based on the estimated present value of the purchase price, using approved life expectancy tables and a discount rate of 3.4%.

The net value of the assets held in the beneficial interest in life estate was as follows at June 30:

	2023	2022
Purchase price of the property	\$ 750,000	\$ 750,000
Closing costs	16,885	16,885
Total purchase price of the property	766,885	766,885
Less: discount on beneficial interest in life estate	(162,698)	(183,035)
Present value of beneficial interest in life estate	<u>\$ 604,187</u>	<u>\$ 583,850</u>

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

8. Property and Equipment

Property and equipment consists of the following at June 30:

	2023	2022
Land	\$ 10,289,582	\$ 6,747,749
Land improvements	2,435,831	1,200,660
Buildings	9,751,921	11,030,075
Equipment	1,643,530	1,475,170
Construction in progress	8,500	3,298,118
Total property and equipment	24,129,364	23,751,772
Less: accumulated depreciation and amortization	(4,550,957)	(4,024,964)
Property and equipment, net	<u>\$ 19,578,407</u>	<u>\$ 19,726,808</u>

On October 16, 2018, the Organization entered into an agreement with an unrelated limited liability company to purchase property consisting of land and a building in Washington, D.C. The transaction was finalized on November 16, 2018, and the purchase price of this property was \$3,850,000, which was paid to the seller in two installments during the year ended June 30, 2019. The intent of the Organization at the time of the purchase was to demolish the building by June 2020 and use the open space for the storage of trees; however, due to the ongoing COVID-19 pandemic, demolition of the building was delayed into fiscal year 2022. The property was put into use on October 1, 2022.

At the time of the purchase, the Organization capitalized the total cost of \$3,892,059, which included a purchase price of \$3,850,000 and closing costs of \$42,059. Since the Organization purchased a condemned building with the intent to demolish, the basis of the building was allocated to the land.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

9. Conservation Easement on Real Property

The Organization is a holder and administrator of a number of donated conservation easements in various locations in Washington, D.C. The purpose of the conservation easements is to preserve and protect the environment of the properties, and the Organization is required to monitor and defend the easements on an ongoing basis. A nominal value of \$1 per easement has been recorded in the consolidated financial statements for the years ended June 30, 2023 and 2022.

10. Fiscal Sponsorship

On March 1, 2020, the Organization entered into an Independent Contractor Agreement (“the Agreement”) with DC Environmental Network (DCEN) to sponsor specific projects and contracts that further the Organization’s mission. DCEN engages in environmental education and advocacy with the goal of making the nation’s capital city more sustainable. The Organization contracted out the operations of the projects to DCEN, while maintaining control over the projects. The initial term of the Agreement extended through September 30, 2021, and was renewed for an additional six months until March 31, 2022. The Agreement was not renewed upon expiration.

During the year ended June 30, 2022, the Organization received a total of \$60,000 of grants designated under specific projects for DCEN. Total expenditures for the year ended June 30, 2022 were \$75,000. There was no balance of unspent funds at June 30, 2023 and 2022, as the Agreement was terminated on March 31, 2022.

11. Net Assets

Board-Designated Net Assets

During the year ended June 30, 2023, the Organization’s Board of Directors designated \$48,300 of net assets without donor restrictions for legal defense. The Legal Defense Fund is a best practice of land trusts, and it is a requirement of land trusts seeking accreditation by the Land Trust Alliance, such as the Organization. The Legal Defense Fund provides a reserve to take legal action to correct violations of a conservation easement held by the Organization, and to take legal action to protect and steward lands owned by the Organization.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

11. Net Assets (continued)

Net Assets With Donor Restrictions

The endowment fund was established by the Eugene B. Casey Foundation of Gaithersburg, Maryland, as well as subsequent donations to the fund. Under the terms of the endowment agreement, the original and subsequent principal amounts contributed are held in perpetuity for the benefit of the Organization, with earnings considered available for operations within annual distribution limits.

Net assets with donor restrictions were as follows at June 30:

	<u>2023</u>	<u>2022</u>
Purpose restricted:		
Conservation easement stewardship	\$ 2,335	\$ 19,090
Education programs	30,578	15,020
Community outreach	39,191	-
Langdon Park programs	<u>-</u>	<u>10,461</u>
Total purpose restricted	<u>72,104</u>	<u>44,571</u>
Endowment:		
Endowment corpus	<u>49,311,463</u>	<u>49,311,463</u>
Total endowment	<u>49,311,463</u>	<u>49,311,463</u>
Total net assets with donor restrictions	<u><u>\$ 49,383,567</u></u>	<u><u>\$ 49,356,034</u></u>

12. Endowment

The Organization's endowment was established to fund the Organization's operations and consists of donor-restricted contributions to the endowment. Under accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

12. Endowment (continued)

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) the duration and preservation of the fund; (2) the purposes of the Organization and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation or depreciation of investments; (6) other resources of the Organization; and (7) the investment policies of the Organization.

Return Objectives and Risk Parameters

The Organization 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. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the following indices and percentages of the overall portfolio evaluation: S&P 500 Index (35%), Russell Mid-Cap Index (7%), Russell 2000 Index (8%), MSCI EAFE Index (15%), Alternative Index (10%), and Barclays Capital Aggregate Bond Index (25%).

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

12. Endowment (continued)

Spending Policy and How Investment Objectives Relate to Spending Policy

The Board has adopted an endowment spending policy governing the expenditure of the total return of the endowment. The spending policy is designed to stabilize annual spending levels and to preserve the investment portfolio and is independent of the actual yield and appreciation of investments for the year. For both years ended June 30, 2023 and 2022, the approved spending rate for Casey Trees was 4.75% of the endowment fund's market value of investments as determined using a moving five-year weighted average of the fund's investments. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at a reasonable rate annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may, from time to time, fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. During the year ended June 30, 2023, the donor-restricted endowment funds experienced a net investment loss, resulting in a deficient balance of \$46,856,511, which was \$2,454,952 below the endowment corpus balance of \$49,311,463, at June 30, 2023. The net investment loss depleted the accumulated endowment earnings, and the Organization transferred assets without donor restrictions in the amount of \$2,454,952 to cover the balance of deficient funds at June 30, 2023. During the year ended June 30, 2022, the donor-restricted endowment funds experienced a net investment loss, resulting in a deficient balance of \$45,967,876, which was \$3,343,587 below the endowment corpus balance of \$49,311,463, at June 30, 2022. The net investment loss depleted the accumulated endowment earnings, and the Organization transferred assets without donor restrictions in the amount of \$3,343,587 to cover the balance of deficient funds at June 30, 2022.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

12. Endowment (continued)

Composition of Endowment Net Assets

Changes in endowment net assets were as follows for the year ended June 30, 2023:

	With Donor Restrictions		
	Accumulated Earnings	Endowment Corpus	Total
Endowment, beginning	\$ -	\$ 49,311,463	\$ 49,311,463
Investment return, net	5,781,045	-	5,781,045
Appropriation of assets	(8,235,997)	-	(8,235,997)
Transfer from assets without donor restrictions	2,454,952	-	2,454,952
Endowment, ending	<u>\$ -</u>	<u>\$ 49,311,463</u>	<u>\$ 49,311,463</u>

Changes in endowment net assets were as follows for the year ended June 30, 2022:

	With Donor Restrictions		
	Accumulated Earnings	Endowment Corpus	Total
Endowment, beginning	\$ 12,312,895	\$ 49,311,463	\$ 61,624,358
Investment return, net	(8,565,366)	-	(8,565,366)
Appropriation of assets	(7,091,116)	-	(7,091,116)
Transfer from assets without donor restrictions	3,343,587	-	3,343,587
Endowment, ending	<u>\$ -</u>	<u>\$ 49,311,463</u>	<u>\$ 49,311,463</u>

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

12. Endowment (continued)

Composition of Endowment Net Assets (continued)

Endowment net assets consist of the following at June 30:

	With Donor Restrictions	
	2023	2022
Original donor-restricted gifts	\$ 49,311,463	\$ 49,311,463
Total endowment	<u>\$ 49,311,463</u>	<u>\$ 49,311,463</u>

13. Functionalized Expenses

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Where feasible, the Organization allocates its expenses directly to specific functions, including the majority of salaries, employee benefits, and payroll taxes, which are allocated according to timecards. Additionally, other expenses are allocated utilizing an indirect cost allocation methodology based on a multiplier of direct expenses.

14. Commitments and Contingencies

Government Grants

The government funds that the Organization receives from various agencies are subject to audit under the provisions of the respective grant agreements. The ultimate determination of amounts received under these grants is based upon the allowance of costs reported to and accepted by the oversight agency. Until such grants are closed out, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability exists.

Operating Lease

The Organization leases office equipment under a noncancelable operating lease agreement. The lease contains provisions for fixed monthly rental payments and extends through fiscal year 2028.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

14. Commitments and Contingencies (continued)

Operating Lease (continued)

Supplemental qualitative information related to the operating lease is as follows:

Operating lease cost (lease expense)	\$	4,689
Cash paid for amounts included in the measurement of lease liability – operating cash flows	\$	4,514
Right-of-use assets obtained in exchange for lease obligations	\$	22,739
Weighted-average remaining lease term (in years)		4.1
Weighted-average discount rate		2.88%

Maturities of the lease liability under the operating lease are as follows for the years ending June 30:

2024	\$	4,924
2025		4,924
2026		4,924
2027		4,924
2028		410
Total minimum lease payments		20,106
Less: discount to present value at 2.88%		(1,880)
Present value of operating lease liability	\$	<u>18,226</u>

License Agreement

The Organization utilizes land space on a university campus in Washington, D.C. under a license agreement extending through fiscal year 2024. The license agreement requires fixed annual payments. Future minimum payments under the license agreement are \$5,715 for the year ending June 30, 2024.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2023 and 2022

15. Retirement Plans

403(b) Plan

The Organization offers a 403(b) plan, covering substantially all employees who have attained 21 years of age. The plan includes an employer match of up to 6-10% of the participant's annual contribution, depending on employee tenure. Employees are eligible for this matching contribution after completing six months of employment. For the years ended June 30, 2023 and 2022, the Organization made contributions of \$196,138 and \$179,860, respectively.

Deferred Compensation Plan

During the year ended June 30, 2020, the Organization established a non-qualified deferred compensation plan ("the Plan") on behalf of certain key executives. Organized under IRC Section 457(f), the Plan is funded through annual contributions by the Organization, and will be paid to the executives upon retirement. The deferred compensation assets and corresponding liabilities held at fair value amounted to \$140,091 and \$70,201 at June 30, 2023 and 2022, respectively, and are included in the deferred compensation assets and liabilities in the accompanying consolidated statements of financial position.

16. Related Party

Casey Trees is a functionally integrated supporting organization that carries on programs for the benefit of GCA, which is more fully described in Note 1. At June 30, 2023 and 2022, Casey Trees had no liabilities due to GCA.

17. Income Taxes

Casey Trees is a tax-exempt organization under IRC Section 501(c)(3) and is exempt from income taxes except on unrelated business activities. Casey Trees qualifies as a supporting organization within the meaning of IRC Section 509(a)(3). For the years ended June 30, 2023 and 2022, Casey Trees incurred federal and state income taxes on unrelated business income generated from investment activities. Estimated tax payments during the years ended June 30, 2023 and 2022 totaled \$13,200 and \$9,570, respectively.

Casey Tree Farm is a disregarded entity for income tax purposes. As a single member LLC, all items of income and expenditure are attributable to Casey Trees and are reported on its annual Form 990. All activities are related to the mission of Casey Trees. Management has evaluated the Organization's tax positions and concluded that the Organization had no significant uncertain tax positions at June 30, 2023 and 2022.