

Casey Trees and Casey Tree Farm, LLC

Consolidated Financial Statements
and Independent Auditor's Report

June 30, 2024 and 2023

Casey Trees and Casey Tree Farm, LLC

Consolidated Financial Statements June 30, 2024 and 2023

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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, 2024 and 2023; 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, 2024 and 2023, 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.

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.

Responsibilities of Management for the Consolidated Financial Statements (continued)

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.
- 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.

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

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 16, 2024

Casey Trees and Casey Tree Farm, LLC

Consolidated Statements of Financial Position June 30, 2024 and 2023

	2024	2023
Assets		
Cash	\$ 60,671	\$ 104,519
Accounts receivable	528,105	183,277
Contributions and grants receivable	804,022	496,849
Accrued interest receivable	194,431	1,456
Investments	170,876,423	158,028,129
Prepaid expenses	177,307	144,387
Tree inventory	609,246	552,261
Beneficial interest in life estate, net	624,524	604,187
Property and equipment, net	19,486,365	19,578,407
Right-of-use asset – operating lease	12,579	17,268
Deferred compensation asset	256,183	140,091
Deposits	22,560	19,005
Total assets	<u>\$ 193,652,416</u>	<u>\$ 179,869,836</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 195,686	\$ 210,415
Accrued expenses	386,328	129,574
Deferred revenue	5,000	-
Lease liability – operating lease	13,302	18,226
Deferred compensation liability	256,183	140,091
Total liabilities	<u>856,499</u>	<u>498,306</u>
Net Assets		
Without donor restrictions:		
Undesignated	143,315,085	129,939,663
Board-designated	48,300	48,300
Total without donor restrictions	143,363,385	129,987,963
With donor restrictions	49,432,532	49,383,567
Total net assets	<u>192,795,917</u>	<u>179,371,530</u>
Total liabilities and net assets	<u>\$ 193,652,416</u>	<u>\$ 179,869,836</u>

See accompanying notes.

Casey Trees and Casey Tree Farm, LLC

Consolidated Statement of Activities For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Contributions and grants	\$ 2,088,670	\$ 231,978	\$ 2,320,648
Contracts and program services	854,531	-	854,531
Tree sales	376,407	-	376,407
In-kind contributions	200,000	-	200,000
Rental income	24,549	-	24,549
Other revenue	13,418	-	13,418
Released from restrictions	183,013	(183,013)	-
Total operating revenue and support	3,740,588	48,965	3,789,553
Expenses			
Program services:			
Tree operations	3,420,345	-	3,420,345
Casey Tree Farm	2,013,625	-	2,013,625
Education	902,105	-	902,105
Policy and land conservation	426,079	-	426,079
Communications	902,282	-	902,282
Program development	218,380	-	218,380
Total program services	7,882,816	-	7,882,816
Supporting services:			
General and administrative	1,410,860	-	1,410,860
Fundraising	305,087	-	305,087
Total supporting services	1,715,947	-	1,715,947
Total expenses	9,598,763	-	9,598,763
Change in operating net assets	(5,858,175)	48,965	(5,809,210)
Non-Operating Activities			
Interest and dividend income	3,341,130	-	3,341,130
Net realized and unrealized gain	16,037,006	-	16,037,006
Investment management fees	(144,539)	-	(144,539)
Total non-operating activities	19,233,597	-	19,233,597
Change in Net Assets	13,375,422	48,965	13,424,387
Net Assets , beginning of year	129,987,963	49,383,567	179,371,530
Net Assets , end of year	\$ 143,363,385	\$ 49,432,532	\$ 192,795,917

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 Functional Expenses
For the Year Ended June 30, 2024

	Program Services							Supporting Services			Total
	Tree Operations	Casey Tree Farm	Education	Policy and Land Conservation	Communi- cations	Program Development	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Salaries	\$ 1,988,636	\$ 779,743	\$ 355,370	\$ 291,955	\$ 406,723	\$ 38,717	\$ 3,861,144	\$ 757,190	\$ 168,639	\$ 925,829	\$ 4,786,973
Employee benefits	447,523	175,474	79,973	65,702	91,529	8,713	868,914	170,398	37,951	208,349	1,077,263
Payroll taxes	152,419	59,763	27,237	22,377	31,173	2,967	295,936	58,035	12,925	70,960	366,896
Depreciation and amortization	90,455	356,814	19,762	9,339	19,745	4,813	500,928	31,395	6,690	38,085	539,013
Office expenses	88,843	93,776	23,709	8,491	20,790	2,752	238,361	112,906	19,428	132,334	370,695
Tree planting and supplies	287,675	318,323	-	-	-	-	605,998	-	-	-	605,998
Information technology	70,440	18,117	10,820	6,078	43,196	1,502	150,153	37,359	13,297	50,656	200,809
Building maintenance and outfitting	106,937	114,008	9,895	4,652	10,359	2,397	248,248	16,313	3,332	19,645	267,893
Consulting	33,803	21,647	17,484	6,413	65,629	138	145,114	36,861	192	37,053	182,167
Professional fees	93,460	15,264	11,011	5,434	87,341	2,682	215,192	177,056	24,878	201,934	417,126
Grants and sponsorships	-	1,541	310,816	-	-	150,000	462,357	572	-	572	462,929
Conferences, conventions, and meetings	2,483	3,580	1,383	831	61,393	1,105	70,775	3,754	3,135	6,889	77,664
Travel	26,507	33,311	28,007	4,048	1,351	1,518	94,742	5,345	322	5,667	100,409
Vehicle maintenance	29,065	21,773	549	260	549	134	52,330	873	186	1,059	53,389
Printing and publishing	1,099	491	4,516	499	6,578	42	13,225	2,353	10,422	12,775	26,000
Advertising and promotion	1,000	-	1,573	-	55,926	900	59,399	450	3,690	4,140	63,539
Total Expenses	\$ 3,420,345	\$ 2,013,625	\$ 902,105	\$ 426,079	\$ 902,282	\$ 218,380	\$ 7,882,816	\$ 1,410,860	\$ 305,087	\$ 1,715,947	\$ 9,598,763

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			Total
	Tree Operations	Casey Tree Farm	Education	Policy and Land Conservation	Communi- cations	Program Development	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
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 Statements of Cash Flows For the Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ 13,424,387	\$ 6,969,296
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	539,013	525,992
Net realized and unrealized gain on investments	(16,037,006)	(9,279,712)
Change in value of life estate interest discount	(20,337)	(20,337)
Amortization of right-of-use asset – operating lease	4,689	5,471
Loss on disposal of property and equipment	484	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(344,828)	(15,045)
Contributions and grants receivable	(307,173)	(429,170)
Accrued interest receivable	(192,975)	110,775
Prepaid expenses	(32,920)	(73,523)
Tree inventory	(56,985)	(48,845)
Right-of-use asset – operating lease	-	(22,739)
Deferred compensation asset	116,092	69,890
Deposits	(3,555)	15,556
(Decrease) increase in:		
Accounts payable	(14,729)	69,056
Accrued expenses	256,754	(102,784)
Lease liability – operating lease	(4,924)	18,226
Deferred compensation liability	(116,092)	(69,890)
Deferred revenue	5,000	-
Security deposits	-	(1,000)
Net cash used in operating activities	(2,785,105)	(2,278,783)
Cash Flows from Investing Activities		
Purchases of property and equipment	(447,455)	(377,591)
Purchases of investments	(13,374,494)	(13,373,039)
Proceeds from sale of investments	16,563,206	15,893,942
Net cash provided by investing activities	2,741,257	2,143,312
Net Decrease in Cash	(43,848)	(135,471)
Cash, beginning of year	104,519	239,990
Cash, end of year	\$ 60,671	\$ 104,519
Supplementary Disclosure of Cash Flow Information		
Cash paid for income taxes	\$ 15,600	\$ 19,830

See accompanying notes.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2024 and 2023

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, 2024 and 2023

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 recorded at net realizable value and are all due in less than one year. Accounts receivable are presented net of 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. The Organization historically has insignificant write-offs due to bad debts, and current conditions indicate all receivables are fully collectible. Therefore, no allowance for credit losses has been recognized at June 30, 2024 and 2023.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

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, 2024 and 2023, all grants and contributions receivable were collectible within one year.

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.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Investments (continued)

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.

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, 2024 and 2023

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, 2024 and 2023.

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, 2024 and 2023

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 and tree care 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.

In-Kind Contributions

The value of contributions that enhance a nonfinancial asset, which are considered specialized and can be estimated, and that would have been purchased if not donated, is reflected in the accompanying consolidated statements of activities as in-kind contributions. In-kind contributions include services, donated event facilities, and donated land that benefit both program and supporting services.

In-kind services and donated event facilities are recognized as both revenue and expense in the consolidated statements of activities at their estimated fair value, as provided by the donor, at the date of receipt, or at the calculated fair value of the property during the period it is used. Donated land is recognized as revenue in the consolidated statements of activities and recorded as property and equipment in the accompanying statements of financial position at its estimated fair value, as provided by the donor, at the date of receipt.

During the year ended June 30, 2024, the Organization received in-kind services and donated event facilities with an estimated fair value of \$5,000, as well as donated land valued at \$195,000. The Organization did not receive any in-kind donations for the year ended June 30, 2023.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

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.

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.

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.

Adopted Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), *Measurement of Credit Losses on Financial Instruments*. This ASU addresses measurement and reporting of credit losses related to accounts receivable, notes receivable, leases receivable, and held-to-maturity debt securities. The ASU mandates the current expected credit loss model, which measures and reports expected losses over the contractual life of an asset. The measurement of expected life credit losses will be based on relevant information, not just past events (including historical experience and current conditions), but also the “reasonable and supportable” forecasts that affect collectability of the reported amount. This guidance is effective for the Organization for the year ended June 30, 2024. The Organization adopted ASU 2016-13 during the year ended June 30, 2024, and has adjusted the presentation in the consolidated financial statements as permitted by ASU 2016-13.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Advertising and Promotion Costs

The Organization expenses advertising and promotion costs as incurred. Advertising and promotion expenses totaled \$63,539 and \$26,551 during the years ended June 30, 2024 and 2023, respectively.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 16, 2024, the date the consolidated financial statements were available to be issued.

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:

	2024	2023
Cash	\$ 60,671	\$ 104,519
Accounts receivable	528,105	183,277
Contributions and grants receivable	804,022	496,849
Accrued interest receivable	194,431	1,456
Short-term investments	148,626,031	137,018,599
Total financial assets	150,213,260	137,804,700
Less: endowment net assets	(49,311,463)	(49,311,463)
Total available for general expenditures	<u>\$ 100,901,797</u>	<u>\$ 88,493,237</u>

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2024 and 2023

3. Liquidity and Availability (continued)

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.

5. Investments

Investments consist of the following at June 30:

	2024	2023
Money market funds	\$ 2,120,610	\$ 649,427
Mutual funds	146,505,421	136,447,500
Alternative investments	22,250,392	20,931,202
Total investments	<u>\$ 170,876,423</u>	<u>\$ 158,028,129</u>

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2024 and 2023

5. Investments (continued)

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

	2024	2023
Interest and dividend income	\$ 3,341,130	\$ 3,331,159
Realized gain	6,740,753	3,484,909
Unrealized gain	9,296,253	5,794,803
Less: investment management fees	(144,539)	(142,092)
Total investment return, net	<u>\$ 19,233,597</u>	<u>\$ 12,468,779</u>

6. Fair Value Measurements

The Organization follows FASB Accounting Standards Codification 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.

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.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2024 and 2023

6. Fair Value Measurements (continued)

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, 2024:

	Level 1	Level 2	Level 3	NAV	Total
Money market funds	\$ 2,120,610	\$ -	\$ -	\$ -	2,120,610
Mutual funds:					
Equity	103,964,841	-	-	-	103,964,841
Fixed income	42,540,580	-	-	-	42,540,580
Alternative investments:					
Pooled funds	-	-	-	4,878,638	4,878,638
Private equity funds	-	-	-	17,371,754	17,371,754
Total investments	\$ 148,626,031	\$ -	\$ -	\$ 22,250,392	\$ 170,876,423

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2024 and 2023

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, 2023:

	Level 1	Level 2	Level 3	NAV	Total
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	\$ 137,096,927	\$ -	\$ -	\$ 20,931,202	\$ 158,028,129

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, 2024:

	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice
Pooled investment funds (a):				
White Oak Fixed Income Fund	\$ 4,878,638	\$ -	Quarterly	90 days
Private equity funds (b):				
Portfolio Advisors Private Equity Fund VII L.P.	795,648	295,203	Not eligible	Not eligible
Portfolio Advisors Private Equity Fund VI L.P.	513,747	205,092	Not eligible	Not eligible
HarbourVest Partners Co-Investment Fund IV L.P.	1,549,694	382,157	Not eligible	Not eligible
HarbourVest Partners Direct Fund L.P.	357,646	32,290	Not eligible	Not eligible
H.I.G. Middle Market LBO Fund	1,466,426	217,496	Not eligible	Not eligible
GLASfunds SPC	9,783,331	4,406,740	Not eligible	Not eligible
Harrison Street Real Estate Partners VIII, VIII-A, & VIII-B L.P.	2,905,262	419,405	Not eligible	Not eligible
Total investments based on NAV	\$ 22,250,392	\$ 5,958,383		

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2024 and 2023

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, 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.	2,669,291	628,326	Not eligible	Not eligible
Total investments based on NAV	<u>\$ 20,931,202</u>	<u>\$ 3,280,486</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 \$4,878,638 and \$5,023,125 at June 30, 2024 and 2023, 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, 2024 and 2023

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 \$1,309,395 and \$1,510,538 at June 30, 2024 and 2023, 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 \$1,907,340 and \$1,892,037 at June 30, 2024 and 2023, 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, 2024 and 2023

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 \$1,466,426 and \$1,431,488 at June 30, 2024 and 2023, 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 \$9,783,331 and \$8,404,723 at June 30, 2024 and 2023, 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 \$2,905,262 and \$2,669,291 at June 30, 2024 and 2023, 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, 2024 and 2023

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:

	2024	2023
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	(142,361)	(162,698)
Present value of beneficial interest in life estate	<u>\$ 624,524</u>	<u>\$ 604,187</u>

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2024 and 2023

8. Property and Equipment

Property and equipment consists of the following at June 30:

	2024	2023
Land	\$ 11,215,166	\$ 11,014,670
Land improvements	1,709,780	1,710,743
Buildings	9,859,148	9,751,921
Equipment	1,694,770	1,643,530
Construction in progress	16,619	8,500
Total property and equipment	24,495,483	24,129,364
Less: accumulated depreciation and amortization	(5,009,118)	(4,550,957)
Property and equipment, net	<u>\$ 19,486,365</u>	<u>\$ 19,578,407</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, 2024 and 2023

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, 2024 and 2023.

10. Fiscal Sponsorship

In September 2023, the Organization entered into a fiscal sponsorship agreement with an unincorporated association to sponsor specific projects and contracts that further the Organization's mission. All activities related to the fiscal sponsorship are recorded by the Organization in a restricted fund to receive and administer funds from third parties on behalf of the sponsored project. The remaining unused funds are considered restricted by purpose for the specific project in the agreement. The Organization will receive administrative fees for its services, to be negotiated on a project-by-project basis.

During the year ended June 30, 2024, the Organization received a total of \$16,800 of grants designated under specific projects for the fiscal sponsorship. Total expenditures for the year ended June 30, 2024 was \$1,835. The remaining balance of unspent funds at June 30, 2024 totaled \$14,965, and is reflected in net assets with donor restrictions in the accompanying consolidated financial statements.

11. Net Assets

Board-Designated Net Assets

The Organization's Board of Directors set aside a Land Conservation Legal Defense Fund ("the Fund") from the net assets without donor restrictions. The 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 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. The Fund's balance was \$48,300 at both June 30, 2024 and 2023.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2024 and 2023

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:

	2024	2023
Purpose restricted:		
Community outreach	\$ 39,316	\$ 39,191
Tree Planting and Care	35,000	-
Conservation easement stewardship	21,651	2,335
Fiscal sponsorship	14,965	-
Education programs	10,137	30,578
Total purpose restricted	121,069	72,104
Endowment:		
Endowment corpus	49,311,463	49,311,463
Total endowment	49,311,463	49,311,463
Total net assets with donor restrictions	\$ 49,432,532	\$ 49,383,567

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, 2024 and 2023

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, 2024 and 2023

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, 2024 and 2023, 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, 2024, the donor-restricted endowment funds experienced a net investment loss, resulting in a deficient balance of \$48,715,502, which was \$595,961 below the endowment corpus balance of \$49,311,463, at June 30, 2024. The net investment loss depleted the accumulated endowment earnings, and the Organization transferred assets without donor restrictions in the amount of \$595,961 to cover the balance of deficient funds at June 30, 2024. 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.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2024 and 2023

12. Endowment (continued)

Composition of Endowment Net Assets

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

	With Donor Restrictions		
	Accumulated Earnings	Endowment Corpus	Total
Endowment, beginning	\$ -	\$ 49,311,463	\$ 49,311,463
Investment return, net	8,917,496	-	8,917,496
Appropriation of assets	(9,513,457)	-	(9,513,457)
Transfer from assets without donor restrictions	595,961	-	595,961
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, 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>

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2024 and 2023

12. Endowment (continued)

Composition of Endowment Net Assets (continued)

Endowment net assets consist of the following at June 30:

	With Donor Restrictions	
	2024	2023
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, 2024 and 2023

14. Commitments and Contingencies (continued)

Operating Lease (continued)

Supplemental qualitative information related to the operating lease is as follows at June 30:

	2024	2023
Operating lease cost (lease expense)	\$ 4,689	\$ 4,689
Cash paid for amounts included in the measurement of lease liability – operating cash flows	\$ 4,924	\$ 4,514
ROU asset obtained in exchange for lease obligations	\$ -	\$ 22,739
Remaining lease term (in years)	3.1	4.1
Discount rate	2.88%	2.88%

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

2025	\$ 4,924
2026	4,924
2027	4,924
2028	410
Total minimum lease payments	15,182
Less: discount to present value at 2.88%	(1,880)
Present value of operating lease liability	<u>\$ 13,302</u>

License Agreement

The Organization utilizes land space on a university campus in Washington, D.C. under a license agreement extending through August 2030. The license agreement requires fixed annual payments. Future minimum payments under the license agreement are \$6,000 for the year ending June 30, 2025.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2024 and 2023

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, 2024 and 2023, the Organization made contributions of \$263,314 and \$196,138, 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 \$256,183 and \$140,091 at June 30, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023 totaled \$15,600 and \$19,830, respectively.

Casey Trees and Casey Tree Farm, LLC

Notes to Consolidated Financial Statements June 30, 2024 and 2023

17. Income Taxes (continued)

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, 2024 and 2023.