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CHESAPEAKE BAY TRUST

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2024 AND 2023

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Independent Auditor's Report

To the Board of Trustees
Chesapeake Bay Trust

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Chesapeake Bay Trust (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Chesapeake Bay Trust 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chesapeake Bay Trust 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 opinions.

Responsibilities of Management for the Financial Statements

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

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

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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Independent Auditor's Report (Continued)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2024, on our consideration of Chesapeake Bay Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chesapeake Bay Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chesapeake Bay Trust's internal control over financial reporting and compliance.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
November 20, 2024

CHESAPEAKE BAY TRUST
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	**$ 2,283,511**	$ 1,903,073
Federal, state and local grants and awards receivable	**2,906,102**	2,941,412
Contributions receivable, net	**768,216**	938,794
Interest receivable	**14,031**	14,634
Other receivables	**15,866**	7,319
Investments	**33,386,986**	26,221,895
Prepaid expenses and other assets	**71,916**	64,913
Total Current Assets	**39,446,628**	32,092,040
Non-Current Assets		
Property and equipment, net of accumulated depreciation	**3,022,019**	3,070,219
Other Assets		
Investments	**463,234**	444,623
Contributions receivable, net	**23,096**	44,238
Operating lease right-of-use assets	**6,263**	7,782
Total Other Assets	**492,593**	496,643
Total Assets	**$ 42,961,240**	$ 35,658,902
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	**$ 502,176**	$ 707,302
Salaries and benefits payable	**318,481**	270,153
Deferred revenue	**6,490,543**	6,802,609
Current maturities of long-term debt	**90,228**	86,456
Current maturities of operating lease liabilities	**2,987**	3,553
Total Current Liabilities	**7,404,415**	7,870,073
Non-Current Liabilities		
Deferred revenue	**12,595,369**	7,557,116
Mortgage payable, net of current portion	**1,430,562**	1,520,341
Operating lease liabilities, net of current maturities	**3,258**	4,229
Total Non-Current Liabilities	**14,029,189**	9,081,686
Total Liabilities	**21,433,604**	16,951,759
Commitments and Contingencies (Notes 13, 14, 15 and 18)		
Net Assets		
Without donor restrictions:		
Undesignated	**9,624,452**	7,532,352
Board designated reserve	**6,645,724**	6,612,482
Designated approved contracts and awarded grants	**2,445,438**	2,405,709
Total Without Donor Restrictions	**18,715,614**	16,550,543
With donor restrictions	**2,812,022**	2,156,600
Total Net Assets	**21,527,636**	18,707,143
Total Liabilities and Net Assets	**$ 42,961,240**	$ 35,658,902

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

CHESAPEAKE BAY TRUST
Statements of Activities
Years Ended June 30, 2024 and 2023

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Gains			
Federal, state and local grants and awards	$ 20,732,666	$ -0-	$ 20,732,666
Contributions:			
Chesapeake Bay license plate	3,548,328	-0-	3,548,328
State tax check-off	398,904	-0-	398,904
Other	841,999	1,826,774	2,668,773
Special events, net of direct benefits to donors	90,489	-0-	90,489
Gifts-in-kind	55,621	-0-	55,621
Merchandise sales, net of cost of goods sold	5,825	-0-	5,825
Net investment return	2,312,621	-0-	2,312,621
Loss on disposal of property	(462,489)	-0-	(462,489)
Net assets released from restrictions:			
Satisfaction of program restrictions	1,171,352	(1,171,352)	-0-
Total Revenue, Support and Gains	28,695,316	655,422	29,350,738
Expenses			
Program services:			
Restoration program	11,560,260	-0-	11,560,260
Community Stewardship program	9,999,544	-0-	9,999,544
Environmental Education program	996,303	-0-	996,303
Program management	2,463,099	-0-	2,463,099
Total Program Services	25,019,206	-0-	25,019,206
Supporting services:			
Management and general	656,708	-0-	656,708
Fundraising	854,331	-0-	854,331
Total Supporting Services	1,511,039	-0-	1,511,039
Total Expenses	26,530,245	-0-	26,530,245
Change in Net Assets	2,165,071	655,422	2,820,493
Net Assets at Beginning of Year	16,550,543	2,156,600	18,707,143
Net Assets at End of Year	$ 18,715,614	$ 2,812,022	$ 21,527,636

CHESAPEAKE BAY TRUST
Statements of Activities (Continued)
Years Ended June 30, 2024 and 2023

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Revenue, Support and Gains			
Federal, state and local grants and awards	$ 15,573,963	$ -0-	$ 15,573,963
Contributions			
Chesapeake Bay license plate	3,540,704	-0-	3,540,704
State tax check-off	427,799	-0-	427,799
Other	635,228	1,280,888	1,916,116
Special events, net of direct benefit to donors	95,340	-0-	95,340
Gifts-in-kind	42,726	-0-	42,726
Merchandise, net of cost of goods sold	5,682	-0-	5,682
Net investment return	1,342,089	-0-	1,342,089
Loss on disposal of property	(166)	-0-	(166)
Net assets released from restrictions:			
Satisfaction of program restrictions	735,156	(735,156)	-0-
Total Revenue, Support and Gains	22,398,521	545,732	22,944,253
Expenses			
Program services			
Restoration program	9,966,990	-0-	9,966,990
Community Stewardship program	5,935,911	-0-	5,935,911
Environmental Education program	1,035,506	-0-	1,035,506
Program management	1,901,306	-0-	1,901,306
Total Program Services	18,839,713	-0-	18,839,713
Supporting services			
Management and general	553,807	-0-	553,807
Fundraising	772,459	-0-	772,459
Total Supporting Services	1,326,266	-0-	1,326,266
Total Expenses	20,165,979	-0-	20,165,979
Change in Net Assets	2,232,542	545,732	2,778,274
Net Assets at Beginning of Year	14,318,001	1,610,868	15,928,869
Net Assets at End of Year	$ 16,550,543	$ 2,156,600	$ 18,707,143

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

CHESAPEAKE BAY TRUST
Statements of Functional Expenses
Years Ended June 30, 2024 and 2023

	2024					
	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Cost of Goods Sold	Total
Personnel expenses:						
Salaries	$ 1,639,929	$ 439,915	$ 388,813	$ -0-	$ -0-	$ 2,468,657
Payroll taxes	148,507	39,838	35,210	-0-	-0-	223,555
Retirement	84,808	22,750	20,107	-0-	-0-	127,665
Other fringe benefits	141,467	37,949	33,541	-0-	-0-	212,957
Total personnel expenses	2,014,711	540,452	477,671	-0-	-0-	3,032,834
Programmatic initiatives (grants and other programs)	22,556,108	-0-	-0-	-0-	-0-	22,556,108
Development	-0-	-0-	138,962	56,017	-0-	194,979
Professional fees	92,726	24,874	21,985	-0-	-0-	139,585
Information technology	92,684	24,863	21,975	-0-	-0-	139,522
Marketing and communication	-0-	-0-	134,945	-0-	-0-	134,945
Depreciation and amortization	46,899	12,581	11,120	-0-	-0-	70,600
Interest	42,752	11,468	10,136	-0-	-0-	64,356
Staff development	30,677	8,229	7,273	-0-	-0-	46,179
Office expense	26,059	6,990	6,178	-0-	-0-	39,227
Office supplies	18,437	4,945	4,370	-0-	-0-	27,752
Meetings and conferences	15,985	4,288	3,790	-0-	-0-	24,063
Insurance	15,697	4,211	3,722	-0-	-0-	23,630
Utilities	13,515	3,626	3,204	-0-	-0-	20,345
Dues and memberships	10,629	2,851	2,520	-0-	-0-	16,000
Travel expenses	10,193	2,734	2,417	-0-	-0-	15,344
Public affairs	15,000	-0-	-0-	-0-	-0-	15,000
Cost of goods sold, merchandise	-0-	-0-	-0-	-0-	14,350	14,350
Telecommunications	6,464	1,734	1,533	-0-	-0-	9,731
Repairs and maintenance	5,210	1,397	1,235	-0-	-0-	7,842
Lease expense	4,615	1,238	1,094	-0-	-0-	6,947
Internal culture swag	690	185	164	-0-	-0-	1,039
Bank and merchant fees	155	42	37	-0-	-0-	234
Total Expenses	25,019,206	656,708	854,331	56,017	14,350	26,600,612
Less: Cost of goods sold, netted with merchandise sales in the statements of activities	-0-	-0-	-0-	-0-	(14,350)	(14,350)
Less: Cost of direct benefits to donors netted with special events revenue in the statements of activities	-0-	-0-	-0-	(56,017)	-0-	(56,017)
Total Expenses reported in the statements of activities	$ 25,019,206	$ 656,708	$ 854,331	$ -0-	$ -0-	$ 26,530,245

CHESAPEAKE BAY TRUST
Statements of Functional Expenses (Continued)
Years Ended June 30, 2024 and 2023

	2023					
	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Cost of Goods Sold	Total
Personnel expenses:						
Salaries	$ 1,238,235	$ 360,671	$ 329,811	$ -0-	$ -0-	$ 1,928,717
Payroll taxes	113,133	32,953	30,133	-0-	-0-	176,219
Retirement	63,403	18,468	16,888	-0-	-0-	98,759
Other fringe benefits	121,997	35,534	32,494	-0-	-0-	190,025
Total personnel expense	1,536,768	447,626	409,326	-0-	-0-	2,393,720
Programmatic initiatives (grants and other programs)	16,938,407	-0-	-0-	-0-	-0-	16,938,407
Development	-0-	-0-	151,762	49,844	-0-	201,606
Professional fees	74,821	21,793	19,929	-0-	-0-	116,543
Information technology	83,571	24,343	22,260	-0-	-0-	130,174
Marketing and communication	-0-	-0-	114,276	-0-	-0-	114,276
Depreciation and amortization	46,168	13,448	12,297	-0-	-0-	71,913
Interest	43,127	12,562	11,487	-0-	-0-	67,176
Staff development	27,093	7,891	7,216	-0-	-0-	42,200
Office expense	27,131	7,903	7,227	-0-	-0-	42,261
Office supplies	4,710	1,373	1,253	-0-	-0-	7,336
Meetings and conferences	6,370	1,855	1,696	-0-	-0-	9,921
Insurance	13,628	3,969	3,630	-0-	-0-	21,227
Utilities	8,953	2,607	2,385	-0-	-0-	13,945
Dues and memberships	10,272	2,992	2,736	-0-	-0-	16,000
Travel expenses	5,545	1,615	1,477	-0-	-0-	8,637
Public affairs	-0-	-0-	-0-	-0-	-0-	-0-
Cost of goods sold, merchandise	-0-	-0-	-0-	-0-	20,204	20,204
Telecommunications	5,850	1,704	1,558	-0-	-0-	9,112
Repairs and maintenance	1,487	433	396	-0-	-0-	2,316
Lease expense	4,445	1,295	1,184	-0-	-0-	6,924
Internal culture swag	931	271	248	-0-	-0-	1,450
Bank and merchant fees	436	127	116	-0-	-0-	679
Total Expenses	18,839,713	553,807	772,459	49,844	20,204	20,236,027
Less: Cost of goods sold, netted with merchandise sales in the statements of activities	-0-	-0-	-0-	-0-	(20,204)	(20,204)
Less: Cost of direct benefits to donors netted with special events revenue in the statements of activities	-0-	-0-	-0-	(49,844)	-0-	(49,844)
Total Expenses reported in the statements of activities	$ 18,839,713	$ 553,807	$ 772,459	$ -0-	$ -0-	$ 20,165,979

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

CHESAPEAKE BAY TRUST
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	**$ 2,820,493**	$ 2,778,274
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized loss on investments	**46,334**	98,690
Unrealized gain on investments	**(949,836)**	(741,005)
Donated stock contributions	**(21,319)**	(32,598)
Depreciation	**69,761**	71,074
Loss on disposal of property	**462,489**	166
Amortization (non-cash interest expense)	**839**	839
Changes in operating assets and liabilities:		
Federal, state and local grants and awards receivable	**35,310**	(576,420)
Contributions receivable	**191,720**	(106,703)
Interest receivable	**603**	(177)
Other receivables	**(8,547)**	23,280
Prepaid expenses and other assets	**(7,003)**	68,452
Operating lease right-of-use assets	**3,862**	3,757
Accounts payable and accrued expenses	**(165,265)**	(67,103)
Salaries and benefits payable	**48,328**	63,186
Deferred revenue	**4,726,187**	10,291,511
Operating lease liabilities	**(3,880)**	(3,757)
Net Cash Provided by Operating Activities	**7,250,076**	11,871,466
Cash Flows from Investing Activities		
Purchases of property and equipment	**(523,911)**	(69,903)
Purchases of investments	**(29,240,060)**	(14,821,876)
Proceeds from sale of investments	**22,981,179**	3,002,278
Net Cash Used in Investing Activities	**(6,782,792)**	(11,889,501)
Cash Flows from Financing Activities		
Principal payments on mortgage payable	**(86,846)**	(84,026)
Net Increase (Decrease) in Cash and Cash Equivalents	**380,438**	(102,061)
Cash and Cash Equivalents - Beginning of Year	**1,903,073**	2,005,134
Cash and Cash Equivalents - End of Year	**$ 2,283,511**	$ 1,903,073

CHESAPEAKE BAY TRUST
Statements of Cash Flows (Continued)
Years Ended June 30, 2024 and 2023

	2024	2023
Supplemental Disclosure of Cash Flow Information:		
Interest paid	**$ 64,356**	$ 67,176
Operating cash flows for amounts paid included in the measurement of lease liabilities	**$ 4,105**	$ 4,026
Non-cash Operating Activities:		
Right-of-use assets aquired under lease modifications	**$ 2,343**	$ -0-
Right-of-use assets acquired under operating leases	**-0-**	11,539
Lease liabilities acquired under operating leases	**$ 2,343**	$ 11,539
Noncash Investing and Financing Activities:		
Purchases of property	**$ 484,050**	$ 88,687
Less: Change in property-related accounts payable and accrued expenses	**39,861**	(18,784)
Cash paid for purchases of property (included in cash flows from investing activities)	**$ 523,911**	$ 69,903

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

Note 1: Nature of Organization and Summary of Significant Accounting Policies

Chesapeake Bay Trust (the Trust) is a body corporate that was created July 1, 1985, by the General Assembly of the State of Maryland (the State). The Trust was organized for the general benefit of the residents of Maryland and has the statutory mission to solicit and accept gifts, grants, legacies and endowments for the advancement, restoration and protection of the water quality, land and aquatic resources of the Chesapeake Bay.

The Trust is a grant-making organization dedicated to improving the Chesapeake Bay and its rivers through three major programs:

Restoration: Encouraging outreach and community engagement activities that increase stewardship ethic of natural resources and on-the-ground restoration activities that demonstrate techniques and engaging residents in the restoration and protection of the Chesapeake Bay and its rivers.

Community Stewardship: Increasing public awareness and involvement in activities that restore and promote Maryland's natural resources.

Environmental Education: Striving to advance kindergarten through twelfth grade environmental education through experimental learning, outdoor experiences and curriculum development.

The Trust's support comes primarily from the following sources: 1) proceeds from the State from the sale and renewal of Chesapeake Bay license plates; 2) a Maryland state income tax check-off; and 3) federal, state and local grants and contributions.

The accounting and reporting policies of the Trust conform to accounting principles generally accepted in the United States of America (GAAP). Following is a description of the most significant of those policies:

Basis of Accounting: The financial statements are prepared on the accrual basis of accounting in accordance with GAAP for not-for-profit organizations.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the statement of financial position date and the reported amounts of revenue, support and expenses during the reporting period. Management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that the estimates and assumptions are reasonable under the circumstances; however, the actual results could differ from those estimates.

Cash and Cash Equivalents: The Trust classifies certain investments which are readily convertible to cash and which have a maturity date of three months or less when purchased as cash and cash equivalents. Cash and cash equivalents designated and held for investment purposes are included in investments and are not considered cash and cash equivalents for cash flow purposes.

Federal, State and Local Grants and Awards Receivable: Federal, state and local grants and awards receivable represents amounts due from grantors on cost reimbursement grants and awards. All grants and awards receivable are considered fully collectible at June 30, 2024 and 2023.

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Contributions Receivable: Contributions receivable are unconditional promises to give that are recorded as contributions when the promise is received. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Management has recorded an allowance for uncollectible contributions receivable of $4,100 and $6,950 as of June 30, 2024 and 2023, respectively.

Investments: Investments with readily determinable fair values are reported at fair value in the statements of financial position. Investments, whose fair values are not readily determinable, are recorded at cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses on investments for the year are reported in the statements of activities as part of net investment return.

Property and Equipment: Property and equipment is stated at cost or, if donated, at fair market value at the date of the gift, less accumulated depreciation. Expenditures for maintenance and routine repairs are charged to expense as incurred; expenditures for improvements and major repairs that materially extend the useful lives of fixed assets are capitalized. It is the Trust's policy to capitalize all property acquisitions in excess of $1,000 having useful lives of more than one year. Depreciation is computed using the straight-line method, with half-year depreciation in the year of acquisition, over the estimated useful lives of the assets as follows:

Building and improvements	7-40 years
Furniture and equipment	5-7 years

The Trust reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is measured by the amount by which the carrying amount of these assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. There was no impairment of long-lived assets recognized during the years ended June 30, 2024 and 2023.

Leases: The Trust determines if an arrangement is a lease at the inception of the contract. As of the lease commencement date, each lease is evaluated to determine if it will be classified as an operating or finance lease. Leases with a term of 12 months or less are considered short-term leases and lease assets and liabilities are not recognized. Lease terms include the non-cancellable portion of the leases and reasonably certain renewal periods, termination options and purchase options. The Trust accounts for lease and non-lease components as a single lease. The Trust uses the risk-free interest rate when the rate implicit in the lease is not available. Variable lease payments that cannot be determined at the commencement of the lease such as increases in the lease payments based on changes in index rates or usage are not included in the lease assets or liabilities.

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Deferred Financing Costs: Deferred financing costs represent the costs incurred to obtain financing (see Note 8) which are being amortized on a straight-line basis over the term of the applicable debt obligation and charged to interest expense. GAAP requires that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Under GAAP, debt issuance costs related to the recognized debt liability are required to be presented in the statements of financial position as a direct reduction from the carrying amount of the debt liability. In December 2020, the Trust refinanced the mortgage and incurred financing costs of $10,275. As a result of this refinancing, the Trust wrote off the remaining unamortized deferred financing costs of $8,640 related to the original mortgage. Total amortization of deferred financing costs for both years ended June 30, 2024 and 2023 was $839. As of June 30, 2024 and 2023, the accumulated amortization of deferred financing costs was $2,936 and $2,097, respectively.

Deferred Revenue: Deferred revenue represents funds received in advance under cost-reimbursement grants and awards. Funds received in advance are deferred to the applicable period in which the expenditures are incurred, or the related services are performed.

Net Assets: Net assets, revenue, support, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a reserve for future needs.

Net Assets with Donor Restrictions: Net assets subject to donor-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.

Revenue Recognition: The Trust derives revenue primarily from grants and awards, contributions, special events, merchandise sales, and investment income. Special events, merchandise sales, and investment income are recognized as revenue when earned. Grants and awards revenue is recognized when the qualifying costs are incurred for cost reimbursement grants or when the service is provided for awards. Contributions, including unconditional promises to give, are recognized when received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions: Contributions received are recorded without donor restrictions or with donor restriction support depending on the existence and/or nature of any donor restrictions.

Recognition of Donor Restrictions: All donor-restricted support is reported as an increase in net assets with donor restrictions. Upon the expiration of a temporary restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statements of activities.

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Gifts-In-Kind: Gifts-in-kind include donated commodities, services, and advertising. Donated commodities, which include auction items, art and computer equipment, are recorded at their estimated fair market value on the date of receipt. The Trust received donated auction items of $17,828 and $13,064 for the years ended June 30, 2024 and 2023, respectively, which were used in its fundraising event. Donated art and computer equipment are either capitalized or expensed based on the Trust's property capitalization policy. Donated art capitalized for the year ended June 30, 2024 and 2023 was valued at $3,600 and $-0-, respectively, and is included in property on the statements of financial positions. Donated computer equipment expensed, which is included in office supplies on the statements of functional expenses, for the years ended June 30, 2024 and 2023 was valued at $20,217 and $-0-, respectively, and is allocated based on time and effort.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Trust. Donated services are valued at a comparable fair market value billing rates times the number of hours provided. The Trust received donated consulting services of $6,000 and $4,988 for the years ended June 30, 2024 and 2023, respectively, which were allocated among their respective functional classification of expenses.

Donated advertising is valued at the standard fair market value for such advertising. The Trust received donated advertising of $7,976 and $24,674 for the years ended June 30, 2024 and 2023, respectively, which was used in in its fundraising activities.

A substantial number of unpaid volunteers have made significant contributions of their time and services to the Trust. The value of this contributed time is not recorded as a contribution in these financial statements since the recognition criteria was not met.

Functional Allocation of Expenses: The costs of providing various programs and other support activities have been summarized on a functional basis in the statements of activities and by natural classification in the statements of functional expenses. Costs that can be identified with specific programs or support services are allocated directly. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated based on estimates of time and effort.

Advertising: Advertising costs are charged to operations when incurred. The Trust had no significant direct-response advertising. Advertising expense for the years ended June 30, 2024 and 2023 totaled $92,450 and $59,570, respectively, and is included in marketing and communication on the statements of functional expenses.

Income Taxes: The Trust has been recognized by the Internal Revenue Service (IRS) as a tax-exempt organization, as defined by Section 501(c)(3) of the Internal Revenue Code (IRC), that is publicly supported and, therefore, not a private foundation. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Trust had no unrelated business income for the years ended June 30, 2024 and 2023. Accordingly, no provision for income taxes is reflected in these financial statements.

The Trust's federal exempt organization tax returns are subject to examination by the IRS, generally for a period of three years after the returns are filed.

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Subsequent Events: In preparing these financial statements, the Trust has evaluated events and transactions for the potential recognition or disclosure through November 20, 2024, the date the financial statements were available to be issued. During the period from July 1, 2024 through November 20, 2024, the Trust did not have any material reportable subsequent events.

Note 2: Liquidity and Availability of Funds

A summary of the financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date consisted of the following:

	2024	2023
Cash and cash equivalents	$ 2,283,511	$ 1,903,073
Federal, state and local grants and awards receivable	2,906,102	2,941,412
Contributions receivable, current	768,216	938,794
Interest receivable	14,031	14,634
Other receivables	15,866	7,319
Investments, current	33,386,986	26,221,895
Less: Net assets without donor restrictions, board designated reserve	(6,645,724)	(6,612,482)
Less: Amounts not available within one year (long term deferred revenue)	(12,595,369)	(7,557,116)
Financial Assets Available for General Expenditure	$ 20,133,619	$ 17,857,529

As part of the Trust's liquidity management plan, the Trust invests cash in excess of daily requirements in short-term investments and money market funds. The Board of Trustees (the Board) of the Trust has designated certain investments to be held for future operations of the Trust (see Note 10). Even though there is no intent of the Board to remove this designation, the Board could make these amounts available, as necessary. The amount designated for future operations and not included within the liquidity calculation as of June 30, 2024 and 2023 was $6,645,724 and $6,612,482, respectively.

Note 3: Contributions Receivable

Contributions receivable consisted of the following at June 30, 2024 and 2023:

	2024	2023
Chesapeake Bay license plate revenue receivable	$ 554,662	$ 683,730
Tax check-off revenue receivable	195,270	225,930
Promises to give (endowment)	20,839	34,493
Promises to give (capital campaign)	20,161	35,007
Promises to give (other)	5,075	13,477
Total contributions receivable before net present value and allowance for uncollectible promises to give adjustments	$ 796,007	$ 992,637

Note 3: Contributions Receivable (Continued)

	2024	2023
Receivables in less than one year	$ 784,227	$ 954,137
Receivables in one to five years	11,780	38,500
Total unconditional promises to give	796,007	992,637
Less: Discount to net present value (2.99% -5.43% effective rate)	(595)	(2,655)
Less: Allowance for uncollectible promises to give	(4,100)	(6,950)
Total contributions receivable, net	791,312	983,032
Less: Long-term and restricted contributions receivable, net	23,096	44,238
Contributions receivable, (current), net	$ 768,216	$ 938,794

Note 4: Investments

The Trust's investment portfolio at June 30, 2024 and 2023 consisted of the following:

	2024		2023	
	Fair Value	Cost	Fair Value	Cost
Money market funds	$ 22,838,251	$ 22,838,251	$ 16,528,129	$ 16,528,129
Mutual funds, equities	6,537,790	4,975,771	5,720,138	5,004,596
Corporate obligations	1,502,516	1,596,563	1,036,896	1,153,336
U.S. Government agency bonds	1,052,602	1,092,044	942,499	991,709
Exchange traded funds	1,028,247	692,428	949,084	692,428
U.S. Treasury obligations	861,567	993,691	1,316,196	1,465,281
Municipal bonds	29,247	30,000	173,576	175,000
	$ 33,850,220	$ 32,218,748	$ 26,666,518	$ 26,010,479
Investments, non-current, held for endowment fund	$ 463,234		$ 444,623	
Investments, current	33,386,986		26,221,895	
Total Investments	$ 33,850,220		$ 26,666,518	

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

	2024	2023
Interest income	$ 1,441,624	$ 730,810
Realized loss on investments	(46,334)	(98,690)
Unrealized gain on investments	949,836	741,005
Investment expenses	(32,505)	(31,036)
	$ 2,312,621	$ 1,342,089

Note 5: Fair Value Measurement

GAAP establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

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

Money Market Funds: Valued at original cost, which approximates fair value.

Mutual Funds and Exchange Traded Funds: Mutual funds are valued at the last sales price reported in the active market in which the individual fund is traded. Exchange traded funds are valued at the time of bid.

U.S. Treasury Obligations, U.S. Government Agency Bonds, Municipal Bonds and Corporate Obligations: Valued using inputs such as benchmark yields, reported trades, broker/dealer quotes and issuer spreads.

In determining the appropriate levels, the Trust performs a detailed analysis of the assets and liabilities that are subject to fair value measurements.

Note 5: Fair Value Measurement (Continued)

The table below represent the assets measured at fair value on a recurring basis by level within the hierarchy, as of June 30, 2024:

June 30, 2024	Total	Level 1	Level 2	Level 3
Money market funds	$ 22,838,251	$ 22,838,251	$ -0-	$ -0-
Mutual funds, equities	6,537,790	6,537,790	-0-	-0-
Corporate obligations	1,502,516	-0-	1,502,516	-0-
U.S. Government agency bonds	1,052,602	-0-	1,052,602	-0-
Exchange traded funds	1,028,247	1,028,247	-0-	-0-
U.S. Treasury obligations	861,567	-0-	861,567	-0-
Municipal bonds	29,247	-0-	29,247	-0-
	$ 33,850,220	$ 30,404,288	$ 3,445,932	$ -0-

The table below represent the assets measured at fair value on a recurring basis by level within the hierarchy, as of June 30, 2023:

June 30, 2023	Total	Level 1	Level 2	Level 3
Money market funds	$ 16,528,129	$ 16,528,129	$ -0-	$ -0-
Mutual funds, equities	5,720,138	5,720,138	-0-	-0-
U.S. Treasury obligations	1,316,196	-0-	1,316,196	-0-
Corporate obligations	1,036,896	-0-	1,036,896	-0-
Exchange traded funds	949,084	949,084	-0-	-0-
U.S. Government agency bonds	942,499	-0-	942,499	-0-
Municipal bonds	173,576	-0-	173,576	-0-
	$ 26,666,518	$ 23,197,351	$ 3,469,167	$ -0-

Note 6: Property and Equipment

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

	2024	2023
Land	$ 618,900	$ 618,900
Building and improvements	2,091,547	2,634,321
Furniture and equipment	105,735	99,841
Construction in progress	587,920	109,764
	3,404,102	3,462,826
Less: Accumulated depreciation	(382,083)	(392,607)
	$ 3,022,019	$ 3,070,219

Depreciation expense for the years ended June 30, 2024 and 2023 was $69,761 and $71,074, respectively.

Note 7: Leases

The Trust leases copier and other office equipment under various non-cancelable lease agreements which expire between February 2025 and January 2027. The Trust recorded right-of-use assets of $7,475, which are being expensed over the life of the leases and off-setting lease liabilities of $7,475 as of July 1, 2022. In 2024, the Trust entered into a lease modification agreement to extend an office equipment lease and recorded a right-of-use asset of $2,343 for the modification, which is being amortized over the life of the amended lease and an off-setting lease liability of $2,343 as of February 1, 2024.

In November 2022, the Trust entered into a non-cancelable lease agreement for a postage machine which expires in October 2027. The Trust recorded a right-of-use asset of $4,064, which is being expensed over the life of the lease and an off-setting lease liability of $4,064 as of November 1, 2022.

While all lease agreements provide for minimum lease payments, some include variable payments which are primarily based on output of the underlying leased assets. Variable payments are not determinable at the lease commencement and not included in the measurement of the right-of-use assets and liabilities.

The Trust's total lease expense for the year ended June 30, 2024 and 2023 was as follows:

	2024	2023
Fixed lease costs	$ 4,104	$ 4,284
Variable lease costs	2,843	2,640
Total lease expense	$ 6,947	$ 6,924

As of June 30, 2024 and 2023, the right-of-use assets and operating lease liabilities related to operating leases were as follows:

	2024	2023
Operating lease right-of-use assets	$ 6,263	$ 7,782
Operating lease liabilities:		
Current maturities of operating lease liabilities	$ 2,987	$ 3,553
Operating lease liabilities, net of current maturities	3,258	4,229
Total operating lease liabilities	$ 6,245	$ 7,782

Other operating lease details as of June 30, 2024 and 2023 are as follows:

	2024	2023
Weighted average remaining lease term in years	2.48	2.80
Weighted average discount rate	3.88%	3.51%

Note 7: Leases (Continued)

As of June 30, 2024, the future minimum lease payments under operating leases are as follows:

Year ending June 30,	
2025	$ 3,165
2026	1,729
2027	1,384
2028	281
Total	6,559
Less: Amount representing interest	(314)
Present value of future minimum lease payments	$ 6,245

Note 8: Long-Term Debt

Long-term debt consisted of the following as of June 30, 2024 and 2023:

	2024	2023
Mortgage payable to Sandy Spring Bank	$ 1,528,129	$ 1,614,975
Less: Unamortized deferred financing costs	(7,339)	(8,178)
Long-term debt, net	1,520,790	1,606,797
Less: Current maturities	(90,228)	(86,456)
Long-term debt, net of current maturities	$ 1,430,562	$ 1,520,341

On March 28, 2018, the Trust entered into a mortgage with Sandy Spring Bank in the amount of $2,000,000 to purchase property. The mortgage is payable in monthly principal and interest payments of $12,600. Interest is calculated at a fixed per annum rate of 3.99%. The mortgage is scheduled to mature on March 28, 2033. The mortgage is subject to prepayment penalties and fees at varying rates if the mortgage is paid in whole or in part prior to the maturity date. The mortgage is secured by a first lien on the property located in Annapolis, Maryland.

The aggregate annual maturities of the mortgage payable and the amortization of unamortized deferred financing costs for each of the years subsequent to June 30, 2024 are as follows:

Year ending June 30,	Mortgage Payable	Deferred Financing Costs	Total
2025	$ 91,067	$ (839)	$ 90,228
2026	94,820	(839)	93,981
2027	98,728	(839)	97,889
2028	102,665	(839)	101,826
2029	107,028	(839)	106,189
Thereafter	1,033,821	(3,144)	1,030,677
	$ 1,528,129	$ (7,339)	$ 1,520,790

Note 8: Long-Term Debt (Continued)

Interest expense for the years ended June 30, 2024 and 2023 was $64,356 and $67,176, respectively, which does not include the amortization of deferred financing costs of $839 for both the years ended June 30, 2024 and 2023.

Note 9: Compensated Absences

Employees accumulate leave based on years of service. Upon termination, employees are paid for annual leave, holiday and compensatory leave. Employees may be entitled to be paid for annual leave up to a maximum of 75 days plus any annual leave earned and unused in the year up to the date of separation. Employees may also be entitled to be paid for compensatory leave. Any remaining hours over the stipulated maximum will be forfeited. As of June 30, 2024 and 2023, accrued compensated absences were $284,574 and $243,433, respectively, and are included in salaries and benefits payable on the statements of financial position. See Note 13 for the Inter-Agency Agreement.

Note 10: Net Assets Without Donor Restrictions

Board Designated Reserve: The Trust's Board has established a designated reserve of $6,500,000 as of June 30, 2024 and 2023, to help perpetuate the existence of the Trust and protect against future conditions which may alter its ability to support Chesapeake Bay restoration, community stewardship and educational projects. This reserve is a result of an internal designation and not restrictions placed by donors. Accordingly, income earned on investments related to the designated reserve is not designated and is used by the Trust to fund annual operating expenses.

Per the Board approved gift acceptance policy, any future unrestricted bequests received by the Trust will be added to the board designated reserve.

The Trust's board has established a designated reserve of $20,000 and $10,000 as of June 30, 2024 and 2023, for the purpose of funding future building infrastructure costs outside normal routine repairs and maintenance costs. The reserve is increased $10,000 annually and all expenditures must be approved by the Board.

Net assets under the board designated reserve consisted of the following as of June 30, 2024 and 2023:

	2024	2023
Operating reserve, general	$ 6,500,000	$ 6,500,000
Operating reserve, bequests	125,724	102,482
Building reserve	20,000	10,000
	$ 6,645,724	$ 6,612,482

Approved Contracts and Awarded Grants: The Board of Trustees and management have also designated net assets for approved contracts and awarded grants. At June 30, 2024 and 2023, amounts designated were $2,445,438 and $2,405,709, respectively.

Note 11: Net Assets with Donor Restrictions

The Trust has several restricted funds, some which may be expended but only for the purpose specified by the respective donors. Net assets with donor restrictions were available for the following purposes as of June 30, 2024:

	2023	Current Year Activity		2024
		Contributions	Released From Restrictions	
Subject to expenditure for a specified purpose:				
Community stewardship program	$ 1,127,293	$ 1,387,375	$ (1,051,352)	$ 1,463,316
Environmental education	187,000	150,000	(120,000)	217,000
Building campaign	368,121	281,953	-0-	650,074
	1,682,414	1,819,328	(1,171,352)	2,330,390
Subject to spending policy or appropriation:				
Endowment fund	474,186	7,446	-0-	481,632
	$ 2,156,600	$ 1,826,774	$ (1,171,352)	$ 2,812,022

Net assets with donor restrictions were available for the following purposes as of June 30, 2023:

	2022	Prior Year Activity		2023
		Contributions	Released From Restrictions	
Subject to expenditure for a specified purpose:				
Community stewardship program	$ 714,713	$ 1,046,649	$ (634,069)	$ 1,127,293
Environmental education	138,087	150,000	(101,087)	187,000
Building campaign	307,637	60,484	-0-	368,121
	1,160,437	1,257,133	(735,156)	1,682,414
Subject to spending policy or appropriation:				
Endowment fund	450,431	23,755	-0-	474,186
	$ 1,610,868	$ 1,280,888	$ (735,156)	$ 2,156,600

The Trust's net assets with donor restrictions subject to spending policy or appropriation is comprised of an endowment fund, of which the original principal of the fund may not be expended. The income earned on the endowment fund, including appreciation, is expendable but only for the purpose established by the respective donors. If no purpose is stipulated by the donor, the income earned is considered available for use as determined by the Trust.

FASB issued guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The State of Maryland has enacted UPMIFA. This guidance also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

Note 11: Net Assets with Donor Restrictions (Continued)

The board of trustees of the Trust has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Trust 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.

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions, that are perpetual in nature, is classified as net assets with donor restrictions that are temporary in nature until those amounts are appropriated for expenditure by the Trust in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Trust considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of 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 of investments, and (6) other resources of the Trust.

Investment Return Objectives, Risk Parameters and Strategies

The Trust has adopted investment and spending policies, approved by the board of trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment fund while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of not more than 5%, while growing the funds if possible. Therefore, the Society expects its endowment assets, over time, to produce an average annual rate of return that is higher than the inflation rate in order to maintain the purchasing power of the endowment fund. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Trust has a policy of appropriating for distribution each year not more than 5% of a rolling three-year average of the endowment fund's fair value. In establishing this policy, the Trust considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Trust expects the current spending policy to allow its endowment fund to grow. This is consistent with the Trust's objective is to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Note 12: Maryland State Income Tax Check-Off and Chesapeake Bay License Plate Contributions

Maryland taxpayers can elect to make charitable contributions with the filing of their State income returns. Such contributions are distributed equally between the Trust and the Wildlife and Heritage Division of Maryland Department of Natural Resources. Contributions allocated to the Trust under this program amounted to $398,904 and $427,799 for the years ended June 30, 2024 and 2023, respectively. This program continues through the upcoming fiscal year.

Residents of the State may also purchase the Chesapeake Bay commemorative license plates for their vehicle for a total amount of $20, of which $10 goes directly to the Trust. Contributions allocated to the Trust under this program amounted to $581,594 and $582,923 for the years ended June 30, 2024 and 2023, respectively. The Trust also receives the renewal fees collected by the Maryland Vehicle Administration when the Chesapeake Bay commemorative license plates are renewed. The Trust received $2,966,734 and $2,957,781 in plate renewal fees during the years ended June 30, 2024 and 2023, respectively.

Note 13: Inter-Agency Agreement

The Trust entered into an Inter-Agency Agreement with the Maryland Environmental Services (MES) whereby MES hires employees, who are assigned to the Trust, to provide administrative and management services. Under this agreement, the Trust has agreed to fully reimburse MES for all salaries, benefits and other employee related costs associated with providing these employees. This agreement can be terminated by either party at any time upon a thirty-day written notice.

Note 14: Retirement Plan

As part of the Inter-Agency Agreement, the employees assigned to the Trust participate in the MES 401(k) retirement plan (the Plan). Under the terms of the Plan, employees are eligible to participate in the Plan upon hire if they are a full-time or part-time employee working at least 1,000 hours per year, as defined in the MES employee handbook. Participating employees may elect to contribute pre-tax dollars into the plan not to exceed the maximum contribution allowable under applicable provisions of the IRC. Employees are automatically enrolled in the plan with a minimum 3% employee deferral that increases 1% annually until a maximum of 6% is reached. Employees can change or opt out of the automatic increase at any time. The Trust makes employer contributions to the Plan for participating employees equal to a minimum of 3% of gross payroll earnings with a maximum up to 6% depending on each employee's deferral percentage. Total retirement expense for the years ended June 30, 2024 and 2023 was $127,665 and $98,759, respectively.

Note 15: Contract and Grant Commitments

At June 30, 2024 and 2023, the Trust has conditionally awarded contracts and grants to organizations in the amounts of $23,906,216 and $16,456,136, respectively. These organizations must meet certain criteria to receive the awarded grant and/or contract funding.

Note 16: Related Party Transactions

The Trust awarded several grants or contracts during the years ended June 30, 2024 and 2023 to organizations related to the Trust, primarily through common board membership. A trustee who has an actual or potential conflict of interest with respect to a proposed action or transaction of the Trust is not present during deliberations and does not participate in the decision making of the Trust with respect to such action or transaction. The disinterested members of the Board of Trustees may approve the proposed action or transaction upon concluding that it is in the best interest of the Trust.

Note 17: Conditional Grants and Appropriations

The Trust has received conditional grants from various sources in the amount of $90,925,423, which can only be earned by incurring qualifying expenses under the respective grant programs. As of June 30, 2024, the Trust has earned $54,227,430 of these grants which have been recognized as revenue during the current and prior years. The outstanding balance of these conditional grants was $36,697,993 as of June 30, 2024, which will be recognized as revenue when the conditions of the grants have been met.

Subsequent to year end, the Trust was awarded a conditional grant from the United States Department of Agriculture (USDA), Forest Service in the amount of $17,500,000 to provide competitive passthrough funding to community-based organizations who have historically faced constraints for funding to address environmental justice issues. The grant requires all funding to be expended no later than July 2029.

Note 18: Certain Significant Risks and Uncertainties

Uninsured Balances: The Trust maintains its cash balances at various financial institutions. Periodically during the year, the Trust's cash balances may exceed federally insured limits. The Trust has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash balances.

Investment Risk: The Trust invests in a professionally managed portfolio that may contain U.S. Treasury obligations, U.S. Government agency bonds, corporate obligations, mutual funds and other investments. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Construction Commitment: The Trust has entered into a contract with an Architect firm related to the planned renovations of the building. The expected fees under this contract are expected to be approximately $1,100,700. As of June 30, 2024, the Trust has incurred costs under this contract of approximately $588,000.

Unconditional Promise to Give: In 2023, the Trust was notified that it had been named a beneficiary of an estate. Based on preliminary information provided to the Trust, this estate was valued at approximately $600,000. However, a significant portion of the estate's assets were comprised of investment brokerage accounts and a pension account. The actual value of these accounts could not be reasonably determined or projected until final valuation was performed by the estate. Therefore, due to the uncertainty of the amount that will actually be received by the Trust and the timeframe for the distributions from the estate, this estate has not been recorded in these financial statements as of June 30, 2024 and 2023. It is the Trust's policy to record final valued estates at the time of receipt. Subsequent to year end, the Trust received final valuation from the estate valuing the estate at approximately $606,000.

CHESAPEAKE BAY TRUST

SUPPLEMENTARY INFORMATION

JUNE 30, 2024 AND 2023

CHESAPEAKE BAY TRUST
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing	Grant Number/ Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures (Allowable)
U.S. Department of Commerce				
National Oceanic & Atmospheric Administration (NOAA)				
Chesapeake Bay Studies	11.457	NA20NMF4570230	$ 100,398	$ 109,665
	11.457	NA23NMF4570171	102,617	120,843
Total Chesapeake Bay Studies			203,015	230,508
National Oceanic & Atmospheric Administration (NOAA)				
Passed through State of Maryland Department of Natural Resources		14-23-4044 CZM IIJA		
Office for Coastal Management	11.473	Capacity 043	-0-	149,677
Total U.S. Department of Commerce			203,015	380,185
U.S. Department of the Interior				
National Park Service				
Youth and Veteran Organizations Conservation Activities	15.931	P20AC00393	-0-	20,894
U.S. Environmental Protection Agency				
Geographic Programs - Chesapeake Bay Program	66.466	CB-96374201	-0-	674,367
	66.466	4H-95338501	-0-	7,500
Total Geographic Programs - Chesapeake Bay Program			-0-	681,867
Passed through National Fish and Wildlife Foundation				
Geographic Programs - Chesapeake Bay Program	66.466	0600.20.070304	1,051,314	1,384,523
Passed through District of Columbia Department of Energy & Environment				
Geographic Programs - Chesapeake Bay Program	66.466	676368	12,750	12,750
Total Geographic Programs - Chesapeake Bay Program			1,064,064	2,079,140
Geographic Programs - Chesapeake Bay Program Implementation, Regulatory/Accountability and Monitoring Grants	66.964	4I - 95309901 - 0	478,035	583,466
	66.964	C2 - 96387301 - 0	880,800	940,112
Total Geographic Programs - Chesapeake Bay Program Implementation, Regulatory/Accountability and Monitoring Grants			1,358,835	1,523,578
Passed through Maryland Department of Natural Resources				
Geographic Programs - Chesapeake Bay Program Implementation, Regulatory/Accountability and Monitoring Grants	66.964	14-22-3009 CBG 9001	46,155	46,155
		14-23-4013 CBG 9001	27,852	27,852
		14-24-4071 CBG 9001	334,883	345,265
Total Passed through Maryland Department of Natural Resources			408,890	419,272
Passed through District of Columbia Department of Energy & Environment				
Geographic Programs - Chesapeake Bay Program Implementation, Regulatory/Accountability and Monitoring Grants	66.964	672689	-0-	20,645
Passed through Maryland Department of the Environment				
Geographic Programs - Chesapeake Bay Program Implementation, Regulatory/Accountability and Monitoring Grants	66.964	U00P3600546	182,216	187,852
	66.964	U00P3600685	-0-	345,680
	66.964	U00P4600530	453,251	467,269
Total Passed through Maryland Department of the Environment			635,467	1,000,801

See accompanying notes to Schedule of Expenditures of Federal Awards

CHESAPEAKE BAY TRUST
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing	Grant Number/ Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures (Allowable)
U.S. Environmental Protection Agency (Continued)				
Passed through from West Virginia Department of Environmental Protection				
Geographic Programs - Chesapeake Bay Program				
Implementation, Regulatory/Accountability and Monitoring Grants	66.964	95300301	343,168	377,797
Total Geographic Programs - Chesapeake Bay Program Implementation, Regulatory/Accountability and Monitoring Grants			2,746,360	3,342,093
Passed through from Montgomery County, Maryland				
Congressional Mandated Projects	66.202	1164744	324,881	324,881
Total U.S. Environmental Protection Agency			4,135,305	5,746,114
Corporation for National and Community Services				
Passed through from Maryland Governor's Office on Service and Volunteerism				
AmeriCorps State and National	94.006	23AC260243	-0-	48,806
Total Expenditures of Federal Awards			$ 4,338,320	$ 6,195,999

See accompanying notes to Schedule of Expenditures of Federal Awards

CHESEAPEAKE BAY TRUST
Notes to Schedule of Expenditures of Federal Awards
June 30, 2024

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant award activity of Chesapeake Bay Trust under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance*).* Because the Schedule presents only a selected portion of the operations of Chesapeake Bay Trust, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Chesapeake Bay Trust.

Note B: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

Note C: Indirect Cost Rate

Chesapeake Bay Trust has elected to use the 10% *de minimis* indirect cost rate allowed under the Uniform Guidance on a grant-by-grant basis. Grants that Chesapeake Bay Trust does not elect to use the 10% de minimis indirect cost rate under the Uniform Guidance are charged other various indirect cost rates, not to exceed 10%, as defined in the grant agreements.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Chesapeake Bay Trust

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Chesapeake Bay Trust, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report dated November 20, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chesapeake Bay Trust's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chesapeake Bay Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of Chesapeake Bay Trust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chesapeake Bay Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
November 20, 2024

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by The Uniform Guidance

To the Board of Trustees
Chesapeake Bay Trust

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Chesapeake Bay Trust's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Chesapeake Bay Trust's major federal programs for the year ended June 30, 2024. Chesapeake Bay Trust's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Chesapeake Bay Trust complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Chesapeake Bay Trust and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Chesapeake Bay Trust's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Chesapeake Bay Trust's federal programs.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance (Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Chesapeake Bay Trust's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Chesapeake Bay Trust's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Chesapeake Bay Trust's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Chesapeake Bay Trust's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Chesapeake Bay Trust's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance (Continued)

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
November 20, 2024

CHESAPEAKE BAY TRUST
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Chesapeake Bay Trust were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards.*

3. No instances of noncompliance material to the financial statements of Chesapeake Bay Trust which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies or material weaknesses related to internal control over major federal award programs is reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance.

5. The auditor's report on compliance for the major federal award programs for Chesapeake Bay Trust expresses an unmodified opinion of all major federal award programs.

6. There were no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) in this schedule.

7. The program tested as major program was the Geographic Programs - Chesapeake Bay Program from the U.S. Environmental Protection Agency (Assistance Listing #66.466).

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. Chesapeake Bay Trust qualified as a low-risk auditee as defined by the Uniform Guidance.

Findings - Financial Statement Audit

None.

Findings and Questioned Costs - Major Federal Award Program Audit

None.

Summary Schedule of Prior Audit Findings

None.

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