

**ALLIANCE FOR
THE CHESAPEAKE BAY, INC.**

FINANCIAL REPORT

DECEMBER 31, 2025 AND 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Alliance for the Chesapeake Bay, Inc.
Annapolis, Maryland

Opinion

We have audited the financial statements of Alliance for the Chesapeake Bay, Inc. (a not-for-profit organization), which comprise the Statements of Financial Position as of December 31, 2025 and 2024, 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 accompanying financial statements present fairly, in all material respects, the financial position of Alliance for the Chesapeake Bay, Inc. as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Alliance for the Chesapeake Bay, Inc. 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 Alliance for the Chesapeake Bay, Inc.'s ability as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Alliance for the Chesapeake Bay, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2026 on our consideration of Alliance for the Chesapeake Bay, Inc.'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 Alliance for the Chesapeake Bay, Inc.'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 Alliance for the Chesapeake Bay, Inc.'s internal control over financial reporting and compliance.

Anderson, Davis & Associates, CPA

Glen Burnie, Maryland
September 18, 2026

THE ALLIANCE FOR THE CHESAPEAKE BAY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2025 and 2024

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,435,859	\$ 822,319
Cash, contractually restricted	989,217	4,731,190
Investments, fair value	16,636	15,015
Grants and contracts receivable	5,420,990	4,259,350
Prepaid expenses	50,780	41,185
Total current assets	<u>7,913,482</u>	<u>9,869,059</u>
Other assets		
Investments, quasi-endowment	490,747	446,513
Operating right-of-use asset, net of accumulated amortization	174,088	276,564
Total other assets	<u>664,835</u>	<u>723,077</u>
 Total assets	 <u><u>\$ 8,578,317</u></u>	 <u><u>\$ 10,592,136</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,906,117	\$ 1,478,956
Accrued expenses	487,743	338,240
Refundable advances	2,196,127	4,761,225
Operating lease liability	110,026	105,600
Total current liabilities	<u>4,700,013</u>	<u>6,684,021</u>
Noncurrent liabilities		
Operating lease liability, net of current portion	75,982	186,008
Total liabilities	<u>4,775,995</u>	<u>6,870,029</u>
Net assets		
Without donor restrictions		
Operations	810,491	701,750
Board-designated net assets	490,747	446,513
	<u>1,301,238</u>	<u>1,148,263</u>
With donor restrictions	2,501,084	2,573,844
Total net assets	<u>3,802,322</u>	<u>3,722,107</u>
 Total liabilities and net assets	 <u><u>\$ 8,578,317</u></u>	 <u><u>\$ 10,592,136</u></u>

See the Independent Auditor's Report and the Notes to the Financial Statements.

THE ALLIANCE FOR THE CHESAPEAKE BAY, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2025

	Without donor restrictions	With donor restrictions	Total
Revenues and other support:			
Grants and contracts	\$ -	\$ 25,665,627	\$ 25,665,627
Public support	517,300	-	517,300
Event income	198,021	-	198,021
Other income	14,405	-	14,405
Investment income, net	93,296	21,264	114,560
Net assets released from restrictions (Note 9):			
Satisfaction of program restrictions	25,759,651	(25,759,651)	-
Total revenues and other support	26,582,673	(72,760)	26,509,913
Expenses:			
Program services	24,150,972	-	24,150,972
Management and general	1,926,390	-	1,926,390
Fundraising	352,336	-	352,336
Total expenses	26,429,698	-	26,429,698
Change in net assets	152,975	(72,760)	80,215
Net assets, beginning of year	1,148,263	2,573,844	3,722,107
Net assets, end of year	\$ 1,301,238	\$ 2,501,084	\$ 3,802,322

See the Independent Auditor's Report and the Notes to the Financial Statements.

THE ALLIANCE FOR THE CHESAPEAKE BAY, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2024

	Without donor restrictions	With donor restrictions	Total
Revenues and other support:			
Grants and contracts	\$ -	\$ 15,456,456	\$ 15,456,456
Public support	346,052	-	346,052
Event income	195,147	-	195,147
Other income	3,712	-	3,712
Investment income, net	68,909	25,031	93,940
Net assets released from restrictions (Note 9):			
Satisfaction of program restrictions	15,183,620	(15,183,620)	-
Total revenues and other support	15,797,440	297,867	16,095,307
Expenses:			
Program services	13,580,118	-	13,580,118
Management and general	1,740,015	-	1,740,015
Fundraising	300,822	-	300,822
Total expenses	15,620,955	-	15,620,955
Change in net assets	176,485	297,867	474,352
Net assets, beginning of year	971,778	2,275,977	3,247,755
Net assets, end of year	\$ 1,148,263	\$ 2,573,844	\$ 3,722,107

See the Independent Auditor's Report and the Notes to the Financial Statements.

THE ALLIANCE FOR THE CHESAPEAKE BAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2025

	Agriculture	Forests	Green infrastructure	Stewardship and engagement	Total program services	Management and general	Fundraising	Total expenses
Salaries and wages	\$ 780,297	\$ 798,839	\$ 792,212	\$ 1,247,715	\$ 3,619,063	\$ 1,231,630	\$ 158,836	\$ 5,009,529
Fringe benefits	193,034	185,346	191,272	335,605	905,257	153,266	38,550	1,097,073
Total personnel expenses	973,331	984,185	983,484	1,583,320	4,524,320	1,384,896	197,386	6,106,602
Project costs	2,700,140	3,451,868	11,894,525	1,309,058	19,355,591	-	-	19,355,591
Travel	44,020	77,472	21,140	128,429	271,061	3,665	3,949	278,675
Technology and IT operations	-	-	-	-	-	104,917	10,503	115,420
Lease expense	-	-	-	-	-	105,811	-	105,811
Rent and occupancy	-	-	-	-	-	73,526	-	73,526
Fundraising events	-	-	-	-	-	-	64,335	64,335
HR administrative services	-	-	-	-	-	61,468	-	61,468
Professional development	-	-	-	-	-	57,453	-	57,453
Office supplies, postage, and printing	-	-	-	-	-	43,752	12,458	56,210
Professional fees	-	-	-	-	-	-	48,000	48,000
Insurance	-	-	-	-	-	40,393	-	40,393
Conferences and meetings	-	-	-	-	-	26,524	8,988	35,512
Telephone and internet	-	-	-	-	-	13,262	-	13,262
Bank fees	-	-	-	-	-	7,973	3,915	11,888
Miscellaneous	-	-	-	-	-	743	2,802	3,545
Store merchandise	-	-	-	-	-	2,007	-	2,007
Total non-personnel expenses	2,744,160	3,529,340	11,915,665	1,437,487	19,626,652	541,494	154,950	20,323,096
Total expenses	<u>\$ 3,717,491</u>	<u>\$ 4,513,525</u>	<u>\$ 12,899,149</u>	<u>\$ 3,020,807</u>	<u>\$ 24,150,972</u>	<u>\$ 1,926,390</u>	<u>\$ 352,336</u>	<u>\$ 26,429,698</u>

See the Independent Auditor's Report and the Notes to the Financial Statements.

THE ALLIANCE FOR THE CHESAPEAKE BAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2024

	Agriculture	Forests	Green infrastructure	Stewardship and engagement	Total program services	Management and general	Fundraising	Total expenses
Salaries and wages	\$ 709,387	\$ 609,996	\$ 663,013	\$ 1,171,008	\$ 3,153,404	\$ 991,246	\$ 162,137	\$ 4,306,787
Fringe benefits	126,915	95,938	106,135	195,670	524,658	261,323	24,961	810,942
Total personnel expenses	836,302	705,934	769,148	1,366,678	3,678,062	1,252,569	187,098	5,117,729
Project costs	2,009,199	1,717,868	4,875,946	1,008,566	9,611,579	-	-	9,611,579
Travel	57,907	75,561	14,940	142,069	290,477	6,256	7,298	304,031
Technology and IT operations	-	-	-	-	-	113,188	11,671	124,859
Lease expense	-	-	-	-	-	120,416	-	120,416
Fundraising events	-	-	-	-	-	-	81,638	81,638
Rent and occupancy	-	-	-	-	-	48,182	-	48,182
HR administrative services	-	-	-	-	-	49,787	-	49,787
Office supplies, postage, and printing	-	-	-	-	-	41,001	8,621	49,622
Insurance	-	-	-	-	-	38,405	-	38,405
Professional development	-	-	-	-	-	34,755	-	34,755
Conferences and meetings	-	-	-	-	-	15,388	-	15,388
Telephone and internet	-	-	-	-	-	11,859	-	11,859
Bank fees	-	-	-	-	-	5,781	3,654	9,435
Miscellaneous	-	-	-	-	-	1,064	842	1,906
Store merchandise	-	-	-	-	-	1,364	-	1,364
Total non-personnel expenses	2,067,106	1,793,429	4,890,886	1,150,635	9,902,056	487,446	113,724	10,503,226
Total expenses	<u>\$ 2,903,408</u>	<u>\$ 2,499,363</u>	<u>\$ 5,660,034</u>	<u>\$ 2,517,313</u>	<u>\$ 13,580,118</u>	<u>\$ 1,740,015</u>	<u>\$ 300,822</u>	<u>\$ 15,620,955</u>

See the Independent Auditor's Report and the Notes to the Financial Statements.

THE ALLIANCE FOR THE CHESAPEAKE BAY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 80,215	\$ 474,352
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Unrealized appreciation on investments	(31,958)	(9,692)
Amortization of right of use asset	102,476	115,616
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(1,161,640)	(1,061,680)
Prepaid expenses	(9,595)	(3,155)
Increase (decrease) in:		
Accounts payable	427,161	1,051,116
Accrued expenses	149,503	51,416
Refundable advances	(2,565,098)	2,628,264
Operating lease liability	(105,600)	(115,864)
Net cash (used in) provided by operating activities	<u>(3,114,536)</u>	<u>3,130,373</u>
Cash flows from investing activities:		
Proceeds from sale of investments	-	779,786
Purchases of investments	<u>(13,897)</u>	<u>(818,577)</u>
Net cash used in investing activities	<u>(13,897)</u>	<u>(38,791)</u>
Net (decrease) increase in cash and cash equivalents	(3,128,433)	3,091,582
Cash and restricted cash, beginning of year	<u>5,553,509</u>	<u>2,461,927</u>
Cash and restricted cash, end of year	<u><u>\$ 2,425,076</u></u>	<u><u>\$ 5,553,509</u></u>
Supplementary information:		
Interest paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Income taxes paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See the Independent Auditor's Report and the Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1. ORGANIZATION AND PURPOSE

Alliance for the Chesapeake Bay, Inc. (the Organization) was incorporated in Maryland in August 1973 and was formed to serve as a neutral forum where Bay-related issues may be analyzed and considered, for the purpose of providing its membership, responsible officials, and the public with a basis for making informed decisions concerning the management of the resources of the Chesapeake Bay. Alliance for the Chesapeake Bay, Inc. is a nonstock, not-for-profit entity.

The Organization's mission statement states:

"The Alliance brings together communities, companies, and conservationists to improve our lands and waters."

Founded in 1971, Alliance for the Chesapeake Bay, Inc. is funded by individuals, businesses, governments, and private foundations. The Organization maintains offices in Annapolis, Maryland, Richmond, Virginia, Lancaster, Pennsylvania, and the District of Columbia.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization maintains its financial records and prepares its financial statements on the accrual basis of accounting in accordance with Financial Accounting Standards Board (FASB) Accountings Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under this basis, revenues and related assets are recognized when earned, and expenses and related liabilities are recognized when the obligations are incurred.

Basis of Presentation

The Organization follows the recommendations of the FASB in its ASC. Under these recommendations, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net asset without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors. The sub-classifications are as follows:

Operations – Represents the cumulative net assets without donor restrictions excluding those net assets designated for specific activities.

Board-designated – Represents resources set aside by the Board of Directors to be used for specific activities within guidelines established by the Board.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. As of December 31, 2025, the Organization's cash balances in excess of FDIC insured amounts totaled \$2,175,076.

NOTES TO THE FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents, and Restricted Cash (continued)

The following is a reconciliation to total cash, cash equivalents, and restricted cash reported within the Statement of Financial Position that sum to the total of the same such amounts shown on the Statement of Cash Flows at December 31:

	2025	2024
Cash and cash equivalents	\$ 1,435,859	\$ 822,319
Cash, contractually restricted	989,217	4,731,190
Total cash, cash equivalents, and restricted cash shown in the Statements of Cash Flows	<u>\$ 2,425,076</u>	<u>\$ 5,553,509</u>

Credit Risk

The Organization maintains cash in bank deposit accounts at a financial institution, and cash balances may, from time to time, exceed the federally insured limits. The Organization has not experienced any losses in these accounts and management does not believe it is exposed to any significant credit risk with respect to its cash.

Market Value Risk

The Organization invests funds in a professionally managed portfolio. Such investments are exposed to market and credit risks. The Organization's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Investments

Equity and debt securities with readily determinable fair values are recorded at fair value in the Statement of Financial Position. Fair value is determined using net asset values reported by the investment firm. Gains and losses on investments, including changes in market value, are reported in the Statement of Activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulation.

Fair Value Measurements

The Organization follows the recommendations of the FASB ASC in measuring its investments at fair value on a recurring basis. In addition to defining fair value, these recommendations require specific disclosures regarding fair value as well as a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety.

These levels are:

Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fair Value Measurements (continued)

Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Property and Equipment

Property and equipment is stated at cost. The Organization chooses to capitalize fixed asset additions of \$10,000 and greater. Depreciation is provided on the straight-line method over the estimated useful life of the asset. The Organization held no property and equipment at the year ended December 31, 2025.

Income Taxes

The Organization is a not-for-profit entity and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, contributions to the Organization are tax deductible under Section 170 of the Internal Revenue Code.

Uncertainty in Income Taxes

The Organization adopted the recommendations of the FASB in its ASC for Accounting of Uncertainty in Income Taxes without any material effect to the financial statements. These recommendations clarify the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. They also provide guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2025 and 2024. With few exceptions, the Organization's tax returns remain open for three years for federal and state examination.

Donated Services and Goods

As required by FASB ASC 958-605-25, *Accounting for Contributions Received and Contributions Made*, donated services include assistance which creates or enhances non-financial assets or requires specialized skills provided by individuals possessing those skills. Those services would typically need to be purchased if not donated and are recorded by the Organization at their fair value in the period such services are delivered.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Grants and Contracts Receivable

Grants and contracts receivable at December 31, 2025 and 2024 consist mainly of grants and contracts earned, but not yet received. No allowance for uncollectible accounts has been recorded at December 31, 2025 and 2024, due to any potential uncollectible amounts determined by management as immaterial.

NOTES TO THE FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Office supplies, postage, and printing	Time and effort
Travel	Time and effort
Other	Time and effort

Revenue Recognition

The Organization follows the FASB's ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and FASB ASU NO. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*.

The Organization recognizes revenue from exchange transactions over time as the related work is accomplished. Funds relating to exchange transactions received in advance of work being completed are recorded as deferred revenue. Grants and donations with donor restrictions received in advance of the accomplishment of the restricted purpose are recorded as revenue and net assets with donor restrictions.

Contributions, Grants, and Support

Contributions and grants received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor/grantor stipulations that limit the use of the donated assets, or if they are designated as support for future years.

When a donor/grantor 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. The Organization reports cost reimbursable grants as support without donor restrictions. Revenue from contracts is recognized as the service is completed.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor/grantor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Recently Adopted Accounting Pronouncements

The Organization adopted FASB ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard sets forth a current expected credit loss model ("CECL"), which requires the measurement of credit losses for most financial assets and certain other instruments that are not measured at fair value through net income.

Under this model, an entity recognizes an allowance for expected credit losses based on historical experience, current conditions, and forecasted information rather than the previous methodology of delaying recognition of credit losses until it is probable a loss has been incurred.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure through September 18, 2026, the date the financial statements were available to be issued.

NOTES TO THE FINANCIAL STATEMENTS

Note 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the Statement of Financial Position date, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statement of Financial Position date:

	2025	2024
Financial assets available at year end		
Cash and cash equivalents	\$ 1,435,859	\$ 822,319
Investments	507,383	461,528
Grants and contracts receivable	5,420,990	4,259,350
Total financial assets	7,364,232	5,543,197
Less amounts not available to be used within one year		
Quasi-endowment	(490,747)	(446,513)
Net assets with donor restrictions	(2,501,084)	(2,573,844)
Financial assets available for general use	<u>\$ 4,372,401</u>	<u>\$ 2,522,840</u>

The financial assets available for general use cover approximately three months of expenses. The majority of the Organization's expenses are program expenses reimbursed through restricted grants. In addition, the Organization has a line of credit with a maximum available balance of \$1.5 million for general operating needs (See Note 6).

Note 4. INVESTMENTS

Assets measured at fair value on a recurring basis at December 31, 2025 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 48,364	\$ -	\$ -	\$ 48,364
Exchange-traded funds	459,019	-	-	459,019
Total	<u>\$ 507,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 507,383</u>

Assets measured at fair value on a recurring basis at December 31, 2024 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 47,261	\$ -	\$ -	\$ 47,261
Exchange-traded funds	414,267	-	-	414,267
Total	<u>\$ 461,528</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 461,528</u>

Net investment income for the years ended December 31, 2025 and 2024 is as follows:

	2025	2024
Interest and dividend income	\$ 17,755	\$ 16,104
Investment fees	(3,414)	(2,258)
Unrealized appreciation	31,958	9,692
Interest from money market treated as cash equivalent	68,261	70,402
Total	<u>\$ 114,560</u>	<u>\$ 93,940</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 5. **REFUNDABLE ADVANCES**

The following table provides information about significant changes in the contract liabilities for the years ended December 31,:

Refundable advances at December 31, 2023	\$ 2,132,961
Revenue recognized that was included in refundable advances at the beginning of the year	(2,132,961)
Increase in refundable advances due to cash and contracts received during the year	<u>4,761,225</u>
Refundable advances at December 31, 2024	4,761,225
Revenue recognized that was included in refundable advances at the beginning of the year	(4,761,225)
Increase in refundable advances due to cash and contracts received during the year	<u>2,196,621</u>
Refundable advances at December 31, 2025	<u>\$ 2,196,621</u>

Note 6. **LINE OF CREDIT**

The Organization has a line of credit agreement with a bank for an amount up to \$1,500,000. This line of credit is renewable each year. As of December 31, 2025 and 2024, there was no balance on the line of credit. There were no draws in the years ended December 31, 2025 and 2024. The line of credit is secured by all personal property of the Organization and is payable on demand. Interest is due monthly at the secured overnight financing rate plus three percent.

The interest rate was 6.63% and 8.09% as of December 31, 2025 and 2024, respectively. There was no interest expense for the years ended December 31, 2025 and 2024.

Note 7. **BOARD DESIGNATED NET ASSETS**

The Board of Directors of the Organization has designated amounts of net assets without donor restriction, which are set aside for specific programs (See Note 13 for detail).

Note 8. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at December 31, 2025 and 2024 are available for the following purposes:

	2025	2024
Various federal, state, and private agency programs	<u>\$ 2,501,084</u>	<u>\$ 2,573,844</u>
Total	<u>\$ 2,501,084</u>	<u>\$ 2,573,844</u>

Note 9. **NET ASSETS RELEASED FROM RESTRICTIONS**

During the years ended December 31, 2025 and 2024, net assets were released from donor/grantor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors/grantors.

Purpose restrictions accomplished:

	2025	2024
Purpose restrictions accomplished:		
Various expenses related to performance of federal, State, and private agency programs	<u>\$ 25,759,651</u>	<u>\$ 15,183,620</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 10. CONCENTRATION OF REVENUES

During the years ended December 31, 2025 and 2024, the Organization recognized revenues from United States Environmental Protection Agency of approximately \$10.1 and \$10.3 million, respectively, for program services performed. This represents 38% and 64% of all revenues recognized by the Organization as a whole in 2025 and 2024, respectively.

The Organization receives grants from various agencies of the U.S. Government. Such grants are subject to audit under the provisions of Uniform Guidance. The ultimate determination of amounts received under the U.S. Government grants is based upon the allowance of costs reported to and accepted by the U.S. Government.

Audits in accordance with Uniform Guidance have been completed for the Organization for all required years through 2025. Until such audits have been accepted by the U.S. Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no additional material liability will result from such audits.

Note 11. RETIREMENT PLAN

The Organization has a 403(b)(7) retirement plan whereby eligible employees can contribute to his or her own custodial account, through salary reduction, with certain limitations, as outlined in the Plan document. The plan also includes an employer match of 4% of employee deferred wages after one year of service. The match expense was \$165,325 and \$136,312 for the years ended December 31, 2025 and 2024, respectively.

Note 12. OPERATING LEASES

The Organization leases office space in Annapolis, MD, Lancaster, PA, Richmond, VA, and Washington, D.C.

The base rate for the Annapolis, MD office is \$4,997 per month and increases 2.5% annually. This lease was consummated in December of 2022 and expires February 1, 2028. The base rate for the Richmond, VA office is \$3,330 per month and increases 3.0% annually. This lease was consummated in February of 2020 and expires January 31, 2027.

The Organization's leases for office space in Washington, D.C. and Lancaster, PA are on a year-to-year and month-to-month basis, respectively.

Lease expense was \$105,811 and \$120,416 for the years ended December 31, 2025 and 2024, respectively.

Below are the Organization's costs recognized in the Statements of Activities for the years ended December 31, 2025 and 2024, as well as additional quantitative information relating to its leases:

	2025	2024
Operating lease cost	\$ 105,811	\$ 120,416
Operating cash flows from operating leases	\$ 108,935	\$ 120,664
Weight-average remaining lease term (years) – operating leases	1.89	2.84
Weighted-average discount rate – operating leases	1.37%	1.37%

NOTES TO THE FINANCIAL STATEMENTS

Note 12. OPERATING LEASES (continued)

Future minimum lease payments are as follows:

2026	\$	111,887
2027		70,272
2028 and beyond		5,653
Total lease payments		187,812
Less interest		(1,804)
Total lease liability	\$	186,008

Note 13. ENDOWMENT FUNDS

The Organization has established a Board-designated quasi-endowment to support general operations and special programs through annual distributions funded by income earned on the investments. At the Board's discretion, the principal balance of the quasi-endowment may be accessed by the Organization to support urgent needs that cannot be funded through alternate means. This quasi-endowment is a result of an internal designation and not restrictions placed by donors. Accordingly, income earned on investments related to the quasi-endowment is not restricted and is included in income without donor restrictions.

Interpretation of Relevant Law

The Organization classifies as perpetually restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated 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 in purpose restricted net assets is classified as time restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA (Uniform Prudent Management of Institutional Funds Act).

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

- 1) The duration and preservation of the fund
- 2) The purposes of the Organization and the donor-restricted endowment fund
- 3) General endowment conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Organization
- 7) The investment policies of the Organization

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that current law requires the Organization to retain for a fund of perpetual duration.

In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with restrictions. Such deficiencies may result from unfavorable market fluctuations. There is no such deficiency as of December 31, 2025 or 2024.

Investment Policies

The objectives of the investment policy are to invest the funds held in the quasi-endowment and endowment in high quality, diversified and liquid assets with an emphasis on capital preservation and growth over the long-term. The intent of investment policy is to have a moderate risk profile, though it is understood that there can be considerable volatility in the shorter term. Funds are to be invested in a diverse manner across industries while considering companies and funds that have stated environmental, social and governance policies that generally align with the mission of the Organization. However, this is a directional but not exclusionary guideline.

NOTES TO THE FINANCIAL STATEMENTS

Note 13. ENDOWMENT FUNDS (continued)

Investment Policies (continued)

The Organization would like to match their mission with their investments as much as possible without sacrificing return or increasing volatility.

The Finance Committee of the Board will assist the Organization's senior staff in providing oversight of the endowment funds. The Finance Committee will report to the Board on the status of investments and any proposed changes to the investment policy. Additionally, the Organization will engage an external Investment Advisor and Investment Custodian to manage the funds in accordance the Organization's fund objectives.

Policy for the Appropriation of Endowment Assets for Expenditure

The endowment fund is intended to exist in perpetuity and that any distributions from the fund will be at the discretion of the Board of Directors. The amount of annual distributions will follow a formula described within the policy to provide 5% of the endowment balance on an annual basis for projects determined by the Organization's senior staff. As of December 31, 2025, no distributions have been made.

Endowment net asset composition by Type of Fund as of December 31, 2025:

	Without donor restrictions
Board-designated endowment funds	\$ 425,000
Donor restricted endowment funds	-
Accumulated investment gains	65,747
Total funds	<u>\$ 490,747</u>

Endowment net asset composition by Type of Fund as of December 31, 2024:

	Without donor restrictions
Board-designated endowment funds	\$ 425,000
Donor restricted endowment funds	-
Accumulated investment gains	21,513
Total funds	<u>\$ 446,513</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 13. **ENDOWMENT FUNDS (continued)**

The Organization had the following changes in endowment net assets for the year ended December 31, 2024 and 2025:

	Without donor restrictions
Endowment net assets, December 31, 2023	\$ 398,865
Investment gain, net	22,648
Contributions	25,000
Appropriation of endowment for expenditure	-
Endowment net assets, December 31, 2024	446,513
Investment gain, net	44,234
Contributions	-
Appropriation of endowment for expenditure	-
Endowment net assets, December 31, 2025	<u>\$ 490,747</u>