

Tennessee River Gorge Trust, Inc.
Audited Financial Statements
December 31, 2020 and 2019

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TheWallsGroup[™]

Certified Public Accountants

401 Chestnut Street
Suite 200
Chattanooga, TN 37402

T (423) 664 1004
F (423) 664 4776
wallsgroupcpas.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Executive Director
Tennessee River Gorge Trust
1214 Dartmouth Street
Chattanooga, TN 37405

Opinion

We have audited the accompanying financial statements of Tennessee River Gorge Trust, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tennessee River Gorge Trust, Inc., and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tennessee River Gorge Trust, Inc. and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Tennessee River Gorge Trust, Inc.'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 Tennessee River Gorge Trust, 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.

The financial statements for the year ended December 31, 2019 were audited by other accountants and they expressed an unqualified opinion on them in their report dated March 16, 2020, but they have not performed any auditing procedures since that date. Financial statements for that year are included in this report for comparative purposes, but were not audited by us. Financial statement presentation for that year was adapted for comparative purposes.

The Walls Group, P.C.

The Walls Group, P.C.

Chattanooga, Tennessee

May 21, 2021

Tennessee River Gorge Trust, Inc.
Statement of Financial Position
As of December 31, 2020 and 2019

	2020	2019 (Restated)
ASSETS		
Current Assets		
Cash and Cash Equivalents		
Without Donor Restrictions	\$ 111,961	\$ 148,187
With Donor Restrictions	-	8,517
Investments	7,151,180	5,801,898
Prepaid Expenses	2,666	-
Accounts Receivable	165,156	168,931
Pledges Receivable	11,000	11,400
Total Current Assets	7,441,963	6,138,933
Non-Current Assets		
Fixed Assets, net of accumulated depreciation of \$614,988 and \$579,903 for 2020 and 2019, respectively	9,934,300	10,532,196
	\$ 17,376,263	\$ 16,671,129
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 22,423	\$ 16,315
Accrued Property Tax	54,736	55,313
Accrued Payroll Liabilities	35,522	13,167
Unearned Revenue	-	1,000
Line of Credit	-	412,682
Total Current Liabilities	112,681	498,477
TOTAL LIABILITIES	112,681	498,477
Net Assets		
Without donor restrictions	15,449,682	14,639,784
Without donor restrictions - board designated	1,798,618	1,524,351
With donor restrictions	15,282	8,517
TOTAL NET ASSETS	17,263,582	16,172,652
TOTAL LIABILITIES AND NET ASSETS	\$ 17,376,263	\$ 16,671,129

Tennessee River Gorge Trust, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 212,507	\$ -	\$ 212,507
Grants	-	31,000	31,000
Rents	326,808	-	326,808
Carbon Off-Sets	241,933	-	241,933
Special Events	64,527	-	64,527
Gifts in Kind	17,967	-	17,967
Investment Return, Net	888,169	-	888,169
Federal Assistance - PPP Funds	100,300	-	100,300
Other Income	1,160	-	1,160
Release of Funds with Donor Restrictions	24,235	(24,235)	-
Total Revenues, Gains and Other Support	1,877,606	6,765	1,884,371
EXPENSES			
Program Services	586,638	-	586,638
General and Administrative	128,801	-	128,801
Fundraising	78,002	-	78,002
Total Expenses	793,441	-	793,441
CHANGE IN NET ASSETS	1,084,165	6,765	1,090,930
NET ASSETS			
Balance at the Beginning of the Year (Restated)	16,164,135	8,517	16,172,652
End of Year	\$ 17,248,300	\$ 15,282	\$ 17,263,582

Tennessee River Gorge Trust, Inc.
Statement of Activities and Changes in Net Assets (Restated)
Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 821,890	\$ -	\$ 821,890
Grants	616,226	8,517	624,743
Rents	313,303	-	313,303
Carbon Off-Sets	341,597	-	341,597
Special Events	98,049	-	98,049
Gifts in Kind	19,608	-	19,608
Investment Return, Net	946,041	-	946,041
Reclassifications	(63,858)	63,858	-
Other Income	355	-	355
Release of Funds with Donor Restrictions	68,858	(68,858)	-
Total Revenues, Gains and Other Support	<u>3,162,069</u>	<u>3,517</u>	<u>3,165,586</u>
EXPENSES			
Program Services	711,334	-	711,334
General and Administrative	118,071	-	118,071
Fundraising	112,211	-	112,211
Total Expenses	<u>941,616</u>	<u>-</u>	<u>941,616</u>
CHANGE IN NET ASSETS	2,220,453	3,517	2,223,970
NET ASSETS			
Balance at the Beginning of the Year (Restated)	<u>13,943,682</u>	<u>5,000</u>	<u>13,948,682</u>

Tennessee River Gorge Trust, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	<u>Supporting Services</u>			Total
	Program Services- Land Stewardship	General and Managerial	Fundraising	
Salaries and Wages	\$ 259,688	\$ 80,467	\$ 25,603	\$ 365,758
Property Taxes	63,349	-	-	63,349
Employee Benefits	27,106	8,399	2,673	38,178
Professional Fees	16,539	20,010	-	36,549
Depreciation	35,086	-	-	35,086
Insurance	26,862	5,117	-	31,979
Land Management	30,741	-	-	30,741
Payroll Taxes	20,504	6,354	2,022	28,880
Rent	22,503	3,375	2,250	28,128
Supplies and Equipment	17,928	1,196	798	19,922
Contract Labor	18,574	-	-	18,574
Bird Research	18,037	-	-	18,037
In-Kind Expenses	1,917	-	16,050	17,967
Special Events	-	-	13,985	13,985
Marketing	-	-	13,810	13,810
Utilities	10,350	858	571	11,779
Dues and Fees	5,936	626	240	6,802
Carbon Off-Set Expenses	4,835	-	-	4,835
Travel	3,701	-	-	3,701
Education	2,417	-	-	2,417
Training	565	1,452	-	2,017
Interest Expense	-	947	-	947
Total Expenses	\$ 586,638	\$ 128,801	\$ 78,002	\$ 793,441

Tennessee River Gorge Trust, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	<u>Supporting Services</u>			Total
	Program Services- Land Stewardship	General and Managerial	Fundraising	
Salaries and Wages	\$ 206,360	\$ 63,942	\$ 20,345	\$ 290,647
Professional Fees	79,908	-	-	79,908
Depreciation	72,794	-	-	72,794
Property Taxes	56,821	-	-	56,821
Carbon Off-Set Expenses	49,343	-	-	49,343
Special Events			48,070	48,070
Land Management	44,973	-	-	44,973
Consultants	-	40,599	-	40,599
Insurance	39,929	-	-	39,929
Employee Benefits	21,031	6,516	2,073	29,620
Rent	27,081	-	-	27,081
Supplies and Equipment	26,368	-	-	26,368
Payroll Taxes	17,552	5,438	1,730	24,720
Bird Research	22,915	-	-	22,915
Interest Expense	-	-	22,667	22,667
In-Kind Expenses	19,608	-	-	19,608
Marketing			17,326	17,326
Utilities	10,908	-	-	10,908
Dues and Fees	6,541	1,576	-	8,117
Education	5,525	-	-	5,525
Travel	2,457	-	-	2,457
Training	1,220	-	-	1,220
Total Expenses	\$ 711,334	\$ 118,071	\$ 112,211	\$ 941,616

Tennessee River Gorge Trust, Inc.
Statement of Cash Flows
For the years ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 1,090,930	\$ 2,223,970
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	35,086	72,794
Net Unrealized Gains on Investments	(786,557)	(920,418)
(Increase) decrease in current assets:		
Pledges Receivable	400	1,100
Accounts Receivable	3,775	(63,656)
Prepaid Expenses	(2,666)	-
Deposits	-	5,000
Increase (decrease) in current liabilities:		
Accounts Payable	6,108	2,354
Accrued Property Tax	(577)	-
Accrued Payroll Liabilities	22,355	4,583
Unearned Revenue	(1,000)	(1,500)
NET CASH PROVIDED BY OPERATING ACTIVITIES	367,854	1,324,227
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Invesments	(1,845,203)	(952,868)
Proceeds from Sale of Investments	1,282,478	1,053,656
Acquisition of Land and Equipment	(90,742)	(1,329,286)
Proceeds from Sale of Land	653,552	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	85	(1,228,498)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	-	710,796
Payments on Line of Credit	(412,682)	(729,813)
NET CASH USED BY FINANCING ACTIVITIES	(412,682)	(19,017)
NET INCREASE (DECREASE) IN CASH	(44,743)	76,712
Cash, Beginning of Year	156,704	79,992
Cash, End of Year	\$ 111,961	\$ 156,704
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest paid during the year	\$ 947	\$ 22,667

See accompanying notes and independent accountants' audit report.

Tennessee River Gorge Trust, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE A – ACCOUNTING POLICIES

Nature of Activities. Tennessee River Gorge Trust, Inc. (the Entity) operates as a non-profit entity located in the greater Chattanooga, Tennessee area to preserve a healthy Tennessee River Gorge as a community treasure for generations through land protection, education, and the promotion of good land stewardship. The majority of the Entity's revenues come from grants, contributions from individuals and businesses, and rents.

Basis of Presentation – Net Asset Accounting. Tennessee River Gorge Trust, Inc. follows the recommendations of the Financial Accounting Standards Board (FASB) ASC 958-2016-14. Under FASB ASC 958-2016-14, Tennessee River Gorge Trust, Inc. is required to report information regarding its financial position and activities according to two classes of net assets: Net assets with donor restrictions and net assets without donor restrictions. In addition, the Entity is required to present a Statement of Cash Flows.

Basis of Accounting. The preparation of financial statements in conformity with generally accepted accounting principles requires management to recognize revenue when earned and expenses when incurred. The financial statements reflect all significant receivables, payables and other liabilities.

The Entity follows the recommendations of FASB ASC Topic 606, Revenue from Contracts with Customers, which establishes a single, comprehensive model for accounting for contract revenue from customers. This model provides a basis for deciding when revenue is recognized over time or at a point in time.

Restricted and Unrestricted Support and Revenue. Contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence and/or nature of donor restrictions. Revenue is considered to be without donor restrictions unless specifically restricted by the donor or grantor.

The Entity reports contributions as restricted if they are received with donor stipulations. When restrictions expire, the applicable net assets with donor restrictions are reclassified to net assets without donor restrictions.

Occasionally, the governing board will review the financials and determine to designate funds for use for a specific purpose. These board designated funds are reported as a component of net assets without donor restrictions.

Quasi-Endowment Funds. The Entity maintains endowment funds that consist of board-designated funds that function as an endowment. These funds are referred to as a quasi-endowment and are set aside for long-term investing in support of the Entity's mission.

Tennessee River Gorge Trust, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE A – ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents. The Entity considers all unrestricted highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Pledges Receivable. Donor’s promises to give are evaluated on the basis of criteria in FASB ASC 958-310-25. Those that meet the criteria are recorded as pledges receivable at the time the promises are received. They remain pledges receivable until collected or determined to be uncollectible.

Accounts Receivable. Accounts receivable are stated at unpaid balances. Management has evaluated balances and believes them to all be collectible and that no allowance for doubtful accounts is needed. It is the Entity’s policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Property and Equipment. The Entity capitalizes expenditures for property and major equipment in excess of \$5,000. Property and equipment are recorded at cost. Minor repairs and maintenance are expensed as incurred. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings	5-25 years
Equipment	5-7 years
Vehicles	5 years

Income Taxes. The Entity is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes on related income. The Entity accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefits are estimated based on the cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Entity include, but are not limited to, the tax-exempt status and determination of whether income is subject to the unrelated business income tax; however, the Entity has determined that such tax positions do not result in an uncertainty requiring recognition.

Tennessee River Gorge Trust, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE A – ACCOUNTING POLICIES (continued)

Investments. Investments are stated at fair value and are determined based on quoted market prices or estimated values provided by external investment managers or other sources. Any gains or losses, realized or unrealized, are included in the change of net assets in the Statement of Activities. Donated investments are reflected as contributions at their market value at date of receipt. The Entity chooses to show restricted gains and investment income, whose restrictions are met in the same reporting period, as unrestricted support.

Fair Value Measurement. The Entity follows the provisions of FASB ASC 820-10-50 applicable to financial assets and liabilities, as well as for other non-financial assets and liabilities that are carried at fair value on a recurring basis.

Value of Donated Services. The Entity depends on the services donated by volunteers to carry out many of its internal operations. The Entity follows the recommendation of FASB ASC 958-605-25-16 in reporting contributed services. Contributions of services are recognized as revenue and expenses if the services received create or enhance nonfinancial assets, require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other contributed services that do not meet the above criteria are not recognized. The services donated do not meet the criteria which would require recognition of their value in the financial statements.

Estimates. The preparation of financial statements in conformity with accounting principles generally 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.

Functional Expenses. The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Property and Equipment. The Entity reports gifts of land, buildings and equipment at estimated fair market value and as unrestricted support unless donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with donor restrictions are recorded as restricted support.

Tennessee River Gorge Trust, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE A – ACCOUNTING POLICIES (continued)

Compensated Absences. The Entity provides paid leave to employees based on employment status and years of service. The Entity’s policy is that employees may accrue up to 80 hours of vacation leave that would be paid out upon employment ending. The Entity’s policy is that after five years of full-time employment, 1/3 of the balance of an employee’s accrued sick leave will be paid out upon employment ending. These accruals are recorded as a liability in the accompanying statement of financial position.

Advertising. The Entity expenses advertising costs as they are incurred, and advertising communications costs the first time the advertising takes place. Advertising costs were \$0 for the years ended December 31, 2020 and 2019.

NOTE B – PLEDGES RECEIVABLE

As of December 31, 2020 and 2019, the Entity had received unconditional promises to give, due in less than one year of \$11,000 and \$11,400, respectively.

NOTE C – FIXED ASSETS

At December 31, 2020 and 2019, fixed assets consist of the following:

	<u>2020</u>	<u>2019</u>	<u>Useful Lives</u>
Land	\$ 9,837,968	\$ 9,751,533	Indeterminate
Buildings	498,804	1,148,050	5-25 years
Equipment	126,792	126,792	5-7 years
Vehicles	<u>85,724</u>	<u>85,724</u>	5 years
	\$ 10,549,288	\$ 11,112,099	
Less: Accumulated Depreciation	<u>(614,988)</u>	<u>(579,903)</u>	
Fixed Assets, Net	<u>\$ 9,934,300</u>	<u>\$ 10,532,196</u>	

Depreciation expense was \$35,086 and \$72,794 for years ended December 31, 2020 and 2019, respectively.

Tennessee River Gorge Trust, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE D – LEASE COMMITMENTS

Tennessee River Gorge Trust, Inc. occupies office space under a two-year operating lease with a one-year optional renewal that was exercised during 2020 and will expire in August of 2021. Future minimum lease payments due under the lease total \$18,040. The Entity leases storage space under a month-to-month operating lease. Expense for rentals under these leases total \$28,036 and \$27,081 for the years ended December 31, 2020 and 2019, respectively.

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	2020	2019 (Restated)
Subject to expenditure for specified purpose:		
Pot Point Campsite	\$ 8,788	\$ -
Bird Research	4,994	8,517
Trail Planning	<u>1,500</u>	<u>-</u>
Total Net Assets with Donor Restrictions	<u>\$ 15,282</u>	<u>\$ 8,517</u>

NOTE F – NET ASSETS WITH BOARD DESIGNATIONS

Net assets without donor restrictions that are board-designated consist of funds designated by the board for the following purposes and include quasi-endowment funds as discussed in Note K:

	<u>2020</u>	<u>2019</u>
Quasi-endowment funds - land stewardship	\$ 1,510,819	\$ 1,247,824
Carbon offset future compliance	<u>287,799</u>	<u>276,527</u>
Total Net Assets with Board Designations	<u>\$ 1,798,618</u>	<u>\$ 1,524,351</u>

Tennessee River Gorge Trust, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE G – REVENUE RECOGNITION- REVENUE FROM CONTRACTS

Tennessee River Gorge Trust, Inc. recognizes revenue from contracts with customers based on the provisions of FASB ASC Topic 606, Revenue from Contracts with Customers as discussed in Note A. The Entity’s revenues from contracts with customers consist of rental income, carbon-offsets, corporate event sponsorships and event tickets. These revenues are recognized as related performance obligations are met. Performance obligations for sponsorships and event tickets are met at a point in time when the event occurs while performance obligations for carbon off-sets and rental income are met over time. No refunds are offered on revenue from contracts with customers and no funds are collected in advance. There are no contract assets or liabilities for the years ended December 31, 2020 and 2019.

Revenue from contracts with customers by type is as follows:

	<u>2020</u>	<u>2019</u>
Performance Obligations Fulfilled Over Time:		
Rental Income	\$ 326,808	\$ 313,303
Carbon Off-Sets	241,933	341,597
Performance Obligations Fulfilled at a Point in Time:		
Event Sponsorships and Tickets	<u>51,500</u>	<u>74,449</u>
Total Revenue from Contracts with Customers	<u>\$ 620,241</u>	<u>\$ 729,349</u>

Accounts receivable related to contracts with customers totaled \$165,332 and \$168,413 for the years ended December 31, 2020 and 2019, respectively.

Tennessee River Gorge Trust, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE H—PRIOR PERIOD ADJUSTMENT

During the fiscal year ended December 31, 2020, Tennessee River Gorge Trust, Inc. performed additional analysis and identified and reclassified \$1,247,824 of board-designated net assets without donor restrictions that had been previously reported as net assets with donor restrictions. These net assets relate to the Entity’s endowment fund which was created with funds that were not restricted by the donor but were designated by the board as a board-designated or quasi-endowment. The correction of this error had no effect on total net assets at December 31, 2020 or 2019, or on total change in net assets for the years then ended. However, the effect of the correction on change in net assets without donor restriction was an increase of \$1,247,824 and year ended December 31, 2019, with a corresponding decrease in net assets with donor restriction.

NOTE I – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Entity’s financial assets available for general expenditures within one year of the statement of financial position are shown below. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action.

	<u>2020</u>	<u>2019</u>
Cash	\$ 111,961	\$ 156,704
Investments	7,151,180	5,801,898
Accounts Receivable	165,156	168,931
Promises to Give	<u>11,000</u>	<u>11,400</u>
Total Financial Assets	7,439,297	6,138,933
Less Net Assets with Donor Restriction	(15,282)	(8,517)
Less Net Assets with Board Designations	<u>(1,798,618)</u>	<u>(1,524,351)</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 5,625,397</u>	<u>\$ 4,606,065</u>

In addition to the funds above, the Entity maintains a line of credit, as discussed in Note L, to help manage unanticipated liquidity needs. Available funds at December 31, 2020 were \$1,800,000.

Tennessee River Gorge Trust, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE J – CONDITIONAL CONTRIBUTION – PAYCHECK PROTECTION PROGRAM FUNDS

On April 17, 2020, the Entity received loan proceeds of \$100,300 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

In accordance with current guidance from the AICPA for non-profits, the Entity has accounted for loan proceeds as a conditional contribution, following the guidelines of ASC Subtopic 958-605 Not-for-Profit Entities—Revenue Recognition and TQA (section 3200). The loan proceeds were initially recorded as a refundable advance and that advance was reduced and the contribution revenue recognized once conditions of release were substantially met. The Entity spent PPP funds on eligible payroll and as of December 31, 2020 conditions had been met for the entire loan of \$100,300, which were recognized in the accompanying financial statements as revenue from federal assistance – PPP funds.

NOTE K – ENDOWMENT

The Entity’s endowment consists of funds designated by the Board of Directors to function as an endowment (quasi-endowment) established for a variety of purposes related to land conservation and stewardship. The Entity does not currently have any donor restricted endowment funds. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: Tennessee River Gorge Trust, Inc. is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and has interpreted it as requiring the preservation of the fair value of the original gift as of the gift date, absent explicit donor stipulations to the contrary, and therefore classifies amounts in donor restricted endowment funds as net assets with donor restriction. Amounts in quasi-endowment funds are classified as net assets without donor restriction as they are the result of an endowment established by the Board of Directors with donor funds that were without restriction.

Tennessee River Gorge Trust, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE K – ENDOWMENT (Continued)

In accordance with UPMIFA, the Entity 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 economic 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

Return Objectives and Risk Parameters: The primary financial objective of the endowment is to provide funds for support of the Entity both current and in the future. The endowment funds' objective is to maximize total return consistent with an appropriate prudent level of risk to ensure long-term growth. Both fixed income and equity securities are appropriate for inclusion in the portfolio. Over a full market cycle, this mix of assets should result in an investment return of 5% annually. Actual returns in any given year may vary from that amount.

Strategies Employed for Achieving Objectives: The Board of Directors establishes all policies for the Entity's endowment. The endowment funds should be managed with a long-term investment horizon for growth and capital appreciation. The policies adopted by the Entity seek to provide a predictable stream of funding while seeking to maintain the purchasing power of endowment assets. The fund has a long-term targeted rate of inflation (measured by CPI) of CPI + 6%.

Spending Policy and How the Investment Objectives Relate to the Spending Policy: The Entity has a policy of appropriating up to 5% of endowment funds annually for use in general operations. Over the long-term the Entity expects the endowment funds to grow at an average rate that is in excess of this appropriation, consistent with the Entity's objective of long-term growth for the funds.

Tennessee River Gorge Trust, Inc.
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NOTE K – ENDOWMENT (Continued)

Endowment Net Asset Composition by Type of Fund:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
As of December 31, 2020:			
Quasi-Endowment Funds, Board Designated	\$ 1,510,819	\$ -	\$ 1,510,819
Total Funds	<u>\$ 1,510,819</u>	<u>\$ -</u>	<u>\$ 1,510,819</u>

As of December 31, 2019 (restated):			
Quasi-Endowment Funds, Board Designated	\$ 1,247,824	\$ -	\$ 1,247,824
Total Funds	<u>\$ 1,247,824</u>	<u>\$ -</u>	<u>\$ 1,247,824</u>

Reconciliation of Changes in Net Assets of the Endowment:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
As of December 31, 2020:			
Endowment Net Assets, Beginning of the Year	\$ 1,247,824	\$ -	\$ 1,247,824
Investment Return, Net	222,459	-	222,459
Contributions	-	-	-
Appropriation of Endowment Assets	-	-	-
Other Changes	<u>40,536</u>	<u>-</u>	<u>40,536</u>
Endowment Net Assets, End of Year	<u>\$ 1,510,819</u>	<u>\$ -</u>	<u>\$ 1,510,819</u>

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
As of December 31, 2019 (restated):			
Endowment Net Assets, Beginning of the Year	\$ 1,034,496	\$ -	\$ 1,034,496
Investment Return, Net	218,328	-	218,328
Contributions	-	-	-
Appropriation of Endowment Assets	(68,858)	-	(68,858)
Other Changes	<u>63,858</u>	<u>-</u>	<u>63,858</u>
Endowment Net Assets, End of Year	<u>\$ 1,247,824</u>	<u>\$ -</u>	<u>\$ 1,247,824</u>

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NOTE L – LINE OF CREDIT

The Entity maintains a line of credit with UBS Bank at a variable interest rate based on 30-day LIBOR and a spread of 2.25%. The rate at December 31, 2020 was 2.427%. As of December 31, 2020 outstanding draws on the line of credit were \$0 and available funds equaled \$1,800,000. For the year ended December 31, 2019, outstanding draws totaled \$412,682 and available funds equaled \$1,387,318.

NOTE M – RETIREMENT PLAN

Tennessee River Gorge Trust, Inc. provides a 403(b) tax-deferred retirement plan for full-time employees and part-time employees who have completed 1,000 hours and one year of service to the Entity. The Entity will contribute up to \$3,500 to the plan each year for eligible employees who choose to participate in the plan. Matching funds expense for the plan totaled \$14,875 and \$16,483 for the years ended December 31, 2020 and 2019, respectively.

NOTE N – EASEMENTS

Tennessee River Gorge Trust, Inc. has acquired conservation easements on 955 acres since its inception at a cost of \$1,220,286. A portion of these easements has been donated.

NOTE O – CARBON OFF-SET PROJECT

Tennessee River Gorge Trust, Inc. utilizes a portion of its conserved land to sell carbon off-sets to an unrelated corporation. During 2020, 20,590 off-set credits, derived from the additionality of sequestered carbon in trees held by the Entity on conserved land, were sold for \$241,933. During 2019, 25,684 off-set credits were sold for a total of \$341,597. The sale of these off-sets is reflected in the accompanying Statement of Activities as Carbon Off-set Income. Off-sets will be re-evaluated again in 2021.

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NOTE P – FAIR VALUE MEASUREMENT

The Entity follows FASB ASC 820-10-50 which defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the assets or liability or, in the absence of a principal market the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 - quoted available in active markets for identical assets or liabilities as of December 31. A quoted price for an identical asset provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - pricing inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly as of December 31. These include investments with available quoted prices that are traded less frequently and investments that are measured at fair value using other security, the parameters of which can be directly observed.

Level 3 - unobservable inputs for the assets or liability that rely on management's own assumptions and their best estimate of fair value. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Entity's own data.)

The fair value hierarchy for the Entity's investments measured at fair value is as follows:

As of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	<u>\$7,151,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$7,151,180</u>

As of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	<u>\$5,801,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,801,898</u>

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NOTE Q – INVESTMENTS

Investments are carried at fair market value, as described in Note P, and consist of the following:

As of December 31, 2020:

	Cost	Fair Market Value	Net Unrealized Gain
Equities	\$ 3,261,653	\$ 4,570,448	\$ 1,308,795
Fixed Income	1,130,503	1,187,146	56,643
Mutual Funds	802,349	870,605	68,256
Cash and Cash Equivalents	522,981	<u>522,981</u>	-
Total Investments		<u>\$ 7,151,180</u>	

As of December 31, 2019:

	Cost	Fair Market Value	Net Unrealized Gain
Equities	\$ 3,217,455	\$ 3,830,177	\$ 612,722
Fixed Income	1,080,710	1,094,700	13,990
Mutual Funds	739,309	745,108	5,799
Cash and Cash Equivalents	131,913	<u>131,913</u>	-
Total Investments		<u>\$ 5,801,898</u>	

NOTE R – SUBSEQUENT EVENTS

Subsequent events were evaluated through May 21, 2020, which is the date the financial statements were available to be issued.

In March 2020, the COVID-19 pandemic began to significantly impact the national and global economy. As of the date of these financial statements, the Entity has made adjustments to their special events as a result of the pandemic. COVID-19 has hindered the ability of some business to operate and individuals to earn at their normal rates and may therefore affect their ability to contribute to charitable organizations or participate in activities. The future impact for the Entity is not readily determinable.

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NOTE R – SUBSEQUENT EVENTS (Continued)

In January 2021, loan forgiveness was granted for the Entity's entire PPP loan of \$100,300.

In February 2021, Tennessee River Gorge Trust, Inc. received a second draw on PPP funds, totaling \$71,892.