

Tennessee River Gorge Trust, Inc.
Audited Consolidated Financial Statements
December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S 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 consolidated financial statements of Tennessee River Gorge Trust, Inc. (a nonprofit organization), which comprise the combined statement of financial position as of December 31, 2022, and the related consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tennessee River Gorge Trust, Inc. as of December 31, 2022, and the changes in their net assets and their 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 combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

The Walls Group, PC

Chattanooga, Tennessee

July 5, 2023

Tennessee River Gorge Trust, Inc.
Consolidated Statement of Financial Position
As of December 31, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 121,225	\$ 66,937
Investments	6,835,306	7,785,160
Prepaid Expenses	2,666	2,666
Operating Lease Right of Use Asset	17,446	41,736
Accounts Receivable	221,375	444,257
Pledges Receivable, Current Portion Without Donor Restriction	-	-
Pledges Receivable, Current Portion With Donor Restriction	62,000	10,000
Total Current Assets	7,260,018	8,350,756
Non-Current Assets		
Pledges Receivable, Non-Current Portion With Donor Restriction	20,000	30,000
Fixed Assets, net of accumulated depreciation of \$680,974 and \$646,289 for 2022 and 2021, respectively	13,895,456	11,132,976
Total Non-Current Assets	13,915,456	11,162,976
TOTAL ASSETS	\$ 21,175,474	\$ 19,513,732
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 85,810	\$ 14,316
Accrued Payroll Liabilities	49,719	42,199
Lease Liability	17,446	41,736
Line of Credit	483,701	813,164
Total Current Liabilities	636,676	911,415
TOTAL LIABILITIES	636,676	911,415
Net Assets		
Without donor restrictions	18,145,011	16,568,471
Without donor restrictions - board designated	2,132,205	1,968,193
With donor restrictions	261,582	65,653
TOTAL NET ASSETS	20,538,798	18,602,317
TOTAL LIABILITIES AND NET ASSETS	\$ 21,175,474	\$ 19,513,732

See accompanying notes and independent accountants' audit report.

Tennessee River Gorge Trust, Inc.
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 173,086	\$ 49,586	\$ 222,672
Grants	-	260,500	260,500
Rents	318,445	-	318,445
Gain on Sale of Land	368,961	-	368,961
Special Events	78,928	-	78,928
In-Kind Donation of Land	2,850,000	-	2,850,000
In-Kind Donation of Services	15,751	-	15,751
Investment Return, Net	(1,174,161)	-	(1,174,161)
Other Income	146,772	-	146,772
Release of Funds with Donor Restrictions	114,157	(114,157)	-
Total Revenues, Gains and Other Support	<u>2,891,939</u>	<u>195,929</u>	<u>3,087,868</u>
EXPENSES			
Program Services	856,475	-	856,475
General and Administrative	174,597	-	174,597
Fundraising	120,316	-	120,316
Total Expenses	<u>1,151,387</u>	<u>-</u>	<u>1,151,387</u>
CHANGE IN NET ASSETS	1,740,552	195,929	1,936,481
NET ASSETS			
Balance at the Beginning of the Year	<u>18,536,664</u>	<u>65,653</u>	<u>18,602,317</u>
End of Year	<u>\$ 20,277,216</u>	<u>\$ 261,582</u>	<u>\$ 20,538,798</u>

Tennessee River Gorge Trust, Inc.
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 174,652	\$ 127,248	\$ 301,900
Grants	847	314,000	314,847
Rents	381,806	-	381,806
Carbon Off-Sets	136,018	-	136,018
Special Events	62,609	-	62,609
Gifts in Kind	15,000	-	15,000
Investment Return, Net	759,214	-	759,214
Federal Assistance - PPP Funds	71,892	-	71,892
Federal Assistance - Employer Retention Credit	107,364	-	107,364
Other Income	1,347	-	1,347
Release of Funds with Donor Restrictions	390,877	(390,877)	-
Total Revenues, Gains and Other Support	2,101,626	50,371	2,151,997
 EXPENSES			
Program Services	586,720	-	586,720
General and Administrative	149,366	-	149,366
Fundraising	77,176	-	77,176
Total Expenses	813,262	-	813,262
 CHANGE IN NET ASSETS	 1,288,364	 50,371	 1,338,735
 NET ASSETS			
Balance at the Beginning of the Year	17,248,300	15,282	17,263,582
End of Year	\$ 18,536,664	\$ 65,653	\$ 18,602,317

Tennessee River Gorge Trust, Inc.
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2022

	<u>Supporting Services</u>			Total
	Program Services- Land Stewardship	General and Managerial	Fundraising	
Salaries and Wages	\$ 268,278	\$ 83,128	\$ 26,450	\$ 377,856
Carbon Offset Expense	122,818	-	-	122,818
Professional Fees	100,553	14,820	-	115,373
Contract Labor	62,737	-	-	62,737
Land Management	58,666	-	-	58,666
Employee Benefits	33,185	10,283	3,271	46,739
Insurance	36,359	6,926	-	43,285
Property Taxes	42,255	-	-	42,255
Special Events	-	-	41,260	41,260
Depreciation	34,685	-	-	34,685
Rent	26,935	4,040	2,694	33,669
Supplies and Equipment	17,466	14,459	-	31,925
Interest Expense	-	28,925	-	28,925
Marketing	-	-	28,113	28,113
Payroll Taxes	19,573	6,065	1,930	27,568
Event In-Kind Expenses	-	-	15,751	15,751
Travel	11,494	-	-	11,494
Utilities	8,470	1,271	847	10,588
Education	8,274	-	-	8,274
Dues and Fees	-	4,680	-	4,680
Training	4,727	-	-	4,727
Total Expenses	\$ 856,475	\$ 174,597	\$ 120,316	\$ 1,151,387

Tennessee River Gorge Trust, Inc.
Consolidated Statement of Functional Expenses
For the year ended December 31, 2021

	<u>Supporting Services</u>			Total
	Program Services- Land Stewardship	General and Managerial	Fundraising	
Salaries and Wages	\$ 247,078	\$ 76,559	\$ 24,360	\$ 347,997
Professional Fees	57,504	19,083	-	76,587
Insurance	37,852	7,210	-	45,062
Land Management	44,474	-	-	44,474
Employee Benefits	30,268	9,379	2,984	42,631
Property Taxes	41,781	-	-	41,781
Depreciation	31,301	-	-	31,301
Rent	23,098	3,465	2,310	28,873
Supplies and Equipment	14,503	13,407	-	27,910
Payroll Taxes	18,300	5,670	1,804	25,774
Contract Labor	22,481	-	-	22,481
Special Events	-	-	16,146	16,146
Event In-Kind Expenses	-	-	15,000	15,000
Marketing	-	-	13,678	13,678
Utilities	8,945	1,342	894	11,181
Dues and Fees	-	6,864	-	6,864
Travel	6,727	-	-	6,727
Interest Expense	-	6,387	-	6,387
Education	1,251	-	-	1,251
Training	1,157	-	-	1,157
Total Expenses	\$ 586,720	\$ 149,366	\$ 77,176	\$ 813,262

Tennessee River Gorge Trust, Inc.
Consolidated Statement of Cash Flows
For the years ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 1,936,481	\$ 1,338,735
Adjustments to reconcile net income to net cash provided by operations:		
Donation of land included in Increase in Net Assets	(2,850,000)	-
Depreciation	34,685	31,301
Net Gains on Investments	949,854	(730,737)
(Increase) decrease in current assets:		
Pledges Receivable	(42,000)	(29,000)
Accounts Receivable	222,882	(279,101)
Right of Use Asset	24,290	22,670
Increase (decrease) in current liabilities:		
Accounts Payable	71,494	(8,107)
Accrued Property Tax	-	(54,736)
Accrued Payroll Liabilities	7,520	6,677
Lease Liability	(24,290)	(22,670)
NET CASH PROVIDED BY OPERATING ACTIVITIES	330,916	275,032
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(266,663)	(1,536,189)
Proceeds from Sale or Maturity of Investments	377,501	1,632,947
Acquisition of Land and Equipment	(58,003)	(1,229,978)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	52,835	(1,133,220)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit		848,200
Principal Payments on Line of Credit	(329,463)	(35,036)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(329,463)	813,164
NET INCREASE (DECREASE) IN CASH	54,288	(45,024)
Cash, Beginning of Year	66,937	111,961
Cash, End of Year	\$ 121,225	\$ 66,937
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest paid during the year	\$ 8,274	\$ 6,387
Lease assets obtained in exchange for lease liabilities	\$ -	\$ 41,736

See accompanying notes and independent accountants' audit report.

Tennessee River Gorge Trust, Inc.
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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 Consolidated Financial Statements
December 31, 2022 and 2021

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 Consolidated Financial Statements
December 31, 2022 and 2021

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 and Assets. 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 Consolidated Financial Statements
December 31, 2022 and 2021

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, 2022 and 2020.

Basis of Consolidation.

The accompanying consolidated financial statements present the consolidated financial position and changes in net assets and cash flows of Tennessee River Gorge Trust, Inc. and Appalachian Carbon Exchange, LLC (ACE) which is an LLC formed in February 2022 of which Tennessee River Gorge Trust, Inc is the sole member. The goal is for ACE to eventually become an independent nonprofit promoting land conservation specifically through carbon offsets. For 2022, the activity of ACE was recorded in the books of Tennessee River Gorge Trust, Inc.

Tennessee River Gorge Trust, Inc.
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

NOTE A – ACCOUNTING POLICIES (continued)

New Accounting Standards.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2020-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

The Organization elected to adopt these ASUs effective January 1, 2021 and utilized all of the available practical expedients. The adoption had a material impact on the Organization's statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of Right of Use assets and lease liabilities for operating leases. The accounting for finance leases remained substantially unchanged. Adoption of the standard required the Organization to restate amounts as of January 1, 2021, resulting in an increase in operating lease ROU assets of \$41,736, and an increase in operating lease liabilities of \$41,736.

Tennessee River Gorge Trust, Inc.
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

NOTE B – PLEDGES RECEIVABLE

The Entity received unconditional promises to give as follows:

As of December 31, 2022:

To be received in:	With Donor Restriction
2023	\$ 62,000
2024	10,000
2025	10,000
Total	\$ 82,000

As of December 31, 2021:

To be received in:	With Donor Restriction
2022	\$ 10,000
2023	10,000
2024	10,000
2025	10,000
Total	\$ 40,000

Tennessee River Gorge Trust, Inc.
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

NOTE C – FIXED ASSETS

At December 31, 2022 and 2021, fixed assets consist of the following:

	<u>2022</u>	<u>2021</u>	<u>Useful Lives</u>
Land	\$ 13,812,107	\$ 11,067,945	Indeterminate
Buildings	498,804	498,804	5-25 years
Equipment	126,792	126,792	5-7 years
Vehicles	<u>138,727</u>	<u>85,724</u>	5 years
	\$ 14,576,430	\$ 11,779,265	
Less: Accumulated Depreciation	<u>(680,974)</u>	<u>(646,289)</u>	
Fixed Assets, Net	<u>\$ 13,895,456</u>	<u>\$ 11,132,976</u>	

Depreciation expense was \$34,685 and \$31,301 for years ended December 31, 2022 and 2021, respectively.

NOTE D – LEASE COMMITMENTS

Tennessee River Gorge Trust, Inc. occupies office space under a two-year operating lease that will expire in August of 2023. The Entity assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term.

Leases	Classification	<u>2022</u>	<u>2021</u>
Asset			
Operating	Right of use asset	<u>\$17,446</u>	<u>\$41,736</u>
Current Liabilities			
Operating	Lease Liability	<u>\$17,446</u>	<u>\$41,736</u>

Tennessee River Gorge Trust, Inc.
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

NOTE D – LEASE COMMITMENTS (continued)

Note: As most leases do not provide an implicit rate, the Entity uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of these lease payments.

Lease Cost	Classification	<u>2022</u>	<u>2021</u>
Operating	Program	\$ 26,935	\$ 23,098
	Management	4,040	3,465
	Fundraising	<u>2,694</u>	<u>2,310</u>
		<u>\$ 33,669</u>	<u>\$ 28,873</u>

Future minimum lease payments due under the lease are as follows:

As of December 31, 2022:

	<u>Future Minimum Lease Payments</u>
2023	<u>\$ 18,040</u>
Total	<u>\$ 18,040</u>

The Entity leases storage space under a month-to-month operating lease. Expense for rentals under these leases total \$33,669 and \$28,873 for the years ended December 31, 2022 and 2021, respectively.

Tennessee River Gorge Trust, Inc.
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Trail Planning	\$ 217,985	\$ 51,500
Bird Research	-	11,062
ACE	18,720	-
Pot Point Campsite	-	3,091
Mountain Bogs	17,108	-
Motus	<u>7,769</u>	<u>-</u>
Total Net Assets with Donor Restrictions	<u>\$ 261,582</u>	<u>\$ 65,653</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>2022</u>	<u>2021</u>
Quasi-endowment funds - land stewardship	\$ 1,371,201	\$ 1,681,987
Potential purchase of new office building	474,798	-
Carbon offset future compliance	<u>286,206</u>	<u>286,206</u>
Total Net Assets with Board Designations	<u>\$ 2,132,205</u>	<u>\$ 1,968,193</u>

Tennessee River Gorge Trust, Inc.
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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, 2022 and 2021.

Revenue from contracts with customers by type is as follows:

	<u>2022</u>	<u>2021</u>
Performance Obligations Fulfilled Over Time:		
Rental Income	\$ 318,445	\$ 381,806
Carbon Off-Sets	-	136,018
Performance Obligations Fulfilled at a Point in Time:		
Event Sponsorships, Tickets, and Auction	<u>78,928</u>	<u>62,609</u>
Total Revenue from Contracts with Customers	<u>\$ 397,373</u>	<u>\$ 580,433</u>

Accounts receivable related to contracts with customers totaled \$174,658 and \$335,676 for the years ended December 31, 2022 and 2021, respectively.

Tennessee River Gorge Trust, Inc.
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

NOTE H – 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>2022</u>	<u>2021</u>
Cash	\$ 121,225	\$ 66,937
Investments	6,835,306	7,785,160
Accounts Receivable	221,375	444,257
Pledge Receivable, Current Portion	<u>62,000</u>	<u>10,000</u>
Total Financial Assets	7,239,906	8,306,354
Less Net Assets with Donor Restriction	(310,810)	(65,653)
Less Net Assets with Board Designations	<u>(2,442,991)</u>	<u>(1,968,193)</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 4,486,105</u>	<u>\$ 6,272,508</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, 2022 were \$1,311,904.

NOTE I – CONDITIONAL CONTRIBUTION – PAYCHECK PROTECTION PROGRAM FUNDS

For the years ended December 31, 2021, and 2020, Entity received loan proceeds of \$71,892 and \$100,300, respectively, 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

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NOTE I – CONDITIONAL CONTRIBUTION – PAYCHECK PROTECTION PROGRAM FUNDS

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, 2021, and 2020, conditions had been met for the entire loan amounts of \$71,892 and \$100,300, which were recognized in the

accompanying financial statements as revenue from federal assistance – PPP funds. Loan forgiveness for both loans was officially received during 2021.

NOTE J – GOVERNMENT GRANTS- EMPLOYER RETENTION CREDIT FUNDS

During 2021, Tennessee River Gorge Trust, Inc. applied for \$107,364 of credits under the Employer Retention Credit (ERC). The ERC, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides a per employee credit to eligible businesses based on a percentage of qualified wages and health insurance benefits paid to employees. It works a refundable payroll tax credit to either reduce payroll taxes owed or provide a cash refund against previously paid taxes.

In accordance with current guidance from the AICPA for non-profits, the Entity has accounted for the ERC funds as a government grant, following the guidelines of ASC Subtopic 958-605 Not-for-Profit Entities—Revenue Recognition. Funds were recorded as receivable by the Entity in 2021. In 2022, a partial payment of \$27,441 was received and applied to the ERC receivable account. Remaining funds are anticipated to be received in 2023. These credits are considered a cash refund from previously paid payroll taxes and are therefore unconditional. The funds are recognized in the accompany financial statements as revenue from federal assistance – Employer Retention Credit.

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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.

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.

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

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.

Endowment Net Asset Composition by Type of Fund:

	Without Donor Restriction	With Donor Restriction	Total
	<u> </u>	<u> </u>	<u> </u>
As of December 31, 2022:			
Quasi-Endowment Funds, Board Designated	\$ 1,371,201	\$ -	\$ 1,371,201
Total Funds	<u>\$ 1,371,201</u>	<u>\$ -</u>	<u>\$ 1,371,201</u>
As of December 31, 2021:			
Quasi-Endowment Funds, Board Designated	\$ 1,681,987	\$ -	\$ 1,681,987
Total Funds	<u>\$ 1,681,987</u>	<u>\$ -</u>	<u>\$ 1,681,987</u>

Tennessee River Gorge Trust, Inc.
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

NOTE K – ENDOWMENT (continued)

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, 2022:			
Endowment Net Assets, Beginning of the Year	\$ 1,681,987	\$ -	\$ 1,681,987
Investment Return, Net	(270,257)	-	(270,257)
Contributions	-	-	-
Appropriation of Endowment Assets	(40,529)	-	(40,529)
Other Changes	<u>-</u>	<u>-</u>	<u>-</u>
Endowment Net Assets, End of Year	<u>\$ 1,371,201</u>	<u>\$ -</u>	<u>\$ 1,371,201</u>

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
As of December 31, 2021:			
Endowment Net Assets, Beginning of the Year	\$ 1,510,819	\$ -	\$ 1,510,819
Investment Return, Net	197,128	-	197,128
Contributions	-	-	-
Appropriation of Endowment Assets	(25,960)	-	(25,960)
Other Changes	<u>-</u>	<u>-</u>	<u>-</u>
Endowment Net Assets, End of Year	<u>\$ 1,681,987</u>	<u>\$ -</u>	<u>\$ 1,681,987</u>

Tennessee River Gorge Trust, Inc.
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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 Secured Overnight Financing Rate (SOFR). The rate at December 31, 2022 was 6.422%. As of December 31, 2022, outstanding draws on the line of credit were \$483,701 and available funds equaled \$1,316,229. For the year ended December 31, 2020, outstanding draws totaled \$813,164 and available funds equaled \$986,836.

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 \$15,750 and \$17,500 for the years ended December 31, 2022 and 2021, 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 2021, 11,576 off-set credits, derived from the additionality of sequestered carbon in trees held by the Entity on conserved land, were sold for \$136,018. Offsets were re-evaluated in 2022 but no credits were sold.

Tennessee River Gorge Trust, Inc.
Notes to the Consolidated Financial Statements
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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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	<u>\$6,835,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,835,306</u>

As of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	<u>\$7,785,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,785,160</u>

Tennessee River Gorge Trust, Inc.
Notes to the Consolidated Financial Statements
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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, 2022:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Net Unrealized Gain</u>
Equities	\$ 3,616,011	\$ 4,078,066	\$ 462,055
Fixed Income	1,148,112	1,031,747	(116,365)
Mutual Funds	789,479	877,903	88,424
Cash and Cash Equivalents	847,590	<u>847,590</u>	-
Total Investments		<u>\$ 6,835,306</u>	

As of December 31, 2021:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Net Unrealized Gain</u>
Equities	\$ 3,629,803	\$ 5,337,895	\$ 1,708,092
Fixed Income	1,289,147	1,303,935	14,788
Mutual Funds	824,844	972,724	147,880
Cash and Cash Equivalents	170,606	<u>170,606</u>	-
Total Investments		<u>\$ 7,785,160</u>	

NOTE R – IN KIND DONATION OF LAND

In 2022, the Entity received 290.94 acres of natural land at the intersection of Clingmans Lane and River Gorge Drive with an appraised value of \$2,850,000. The Entity’s policy related to real estate property gifts-in-kind is to utilize the assets given to carry out the mission of the Entity if possible. If the asset does not allow the Entity to utilize it in its normal course of business, the asset will be sold at its fair value as determined by an appraisal. The property acquired in 2022 borders current land owned by the Entity and will be part of a proposed trail system. There was no restriction on the use of the donated property.

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NOTE S – SUBSEQUENT EVENTS

Subsequent events were evaluated through July 5, 2023, which is the date the financial statements were available to be issued.