

THE LAND TRUST FOR TENNESSEE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

MARCH 31, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Land Trust for Tennessee, Inc.
Nashville, Tennessee

OPINION

We have audited the financial statements of The Land Trust for Tennessee, Inc. (the "Organization"), which comprise the statements of financial position as of March 31, 2023 and 2022, and 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 The Land Trust for Tennessee, Inc. as of March 31, 2023 and 2022, 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 the Organization'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 AUDITS 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, 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 the Organization'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 audits.

Kraft CPAs PLLC

Nashville, Tennessee
October 4, 2023

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash and cash equivalents:		
Operating funds without restriction or designation	\$ 617,652	\$ 887,709
Operating funds with donor restrictions	2,410,945	2,694,069
Operating funds with board designations	1,987,419	1,806,400
Contributions receivable:		
Operating receivables without purpose restriction or designation	17,152	10,500
Operating receivables with donor restrictions	62,819	125,622
Operating receivables with board designation	-	25,000
Accounts receivable	3,448	2,754
Prepaid expenses and other	72,219	38,519
Investments:		
Investments without restriction or designation	252,900	251,523
Investments with donor restrictions	4,605,822	4,601,372
Investments with board designations	3,602,275	4,126,981
Furniture and equipment, net	81,956	69,597
Real estate:		
Glen Leven Farm, net	4,406,507	4,479,775
Protected land	5,016,771	4,925,271
Operating lease, right-of-use asset	184,180	-
Finance lease, right-of-use asset, net	10,906	-
TOTAL ASSETS	<u>\$ 23,332,971</u>	<u>\$ 24,045,092</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 19,461	\$ 262,024
Accrued expenses	3,405	8,501
Operating lease liability	186,849	-
Finance lease liability	11,043	-
TOTAL LIABILITIES	<u>220,758</u>	<u>270,525</u>
<u>NET ASSETS</u>		
Net assets without donor restrictions:		
Designated for protected land	5,016,771	4,925,271
Board-designated quasi-endowment - Ashby Fund	3,045,288	3,250,691
Board designations - other	3,330,052	3,407,088
Undesignated	1,707,004	2,068,000
Total net assets without donor restrictions	13,099,115	13,651,050
Net assets with donor restrictions	10,013,098	10,123,517
TOTAL NET ASSETS	<u>23,112,213</u>	<u>23,774,567</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,332,971</u>	<u>\$ 24,045,092</u>

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

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Contributions, public support and other:			
Individuals, foundations and other	\$ 1,045,293	\$ 474,259	\$ 1,519,552
Stewardship contributions	-	80,611	80,611
In-kind contributions	237,520	-	237,520
Special events	632,274	-	632,274
Less: direct benefits to donors	(286,120)	-	(286,120)
Gain on sale of protected land	25,048	-	25,048
Interest and dividend income	251,339	-	251,339
Net realized and unrealized loss on investments	(726,902)	-	(726,902)
Other revenue	198,626	-	198,626
Net assets released from restrictions	<u>665,289</u>	<u>(665,289)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>2,042,367</u>	<u>(110,419)</u>	<u>1,931,948</u>
EXPENSES			
Program services	1,659,892	-	1,659,892
Supporting services:			
Administration	501,907	-	501,907
Fundraising	<u>432,503</u>	<u>-</u>	<u>432,503</u>
TOTAL EXPENSES	<u>2,594,302</u>	<u>-</u>	<u>2,594,302</u>
CHANGE IN NET ASSETS	(551,935)	(110,419)	(662,354)
NET ASSETS - BEGINNING OF YEAR	<u>13,651,050</u>	<u>10,123,517</u>	<u>23,774,567</u>
NET ASSETS - END OF YEAR	<u>\$ 13,099,115</u>	<u>\$ 10,013,098</u>	<u>\$ 23,112,213</u>

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

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Contributions, public support and other:			
Individuals, foundations and other	\$ 807,276	\$ 2,361,498	\$ 3,168,774
Stewardship contributions	-	196,236	196,236
In-kind contributions	139,808	-	139,808
Special events	460,066	-	460,066
Less: direct benefits to donors	(202,842)	-	(202,842)
Loss on sale of furniture and equipment	(3,189)	-	(3,189)
Loss on sale of protected land	(198,432)	-	(198,432)
Interest and dividend income	418,503	-	418,503
Net realized and unrealized loss on investments	(323,509)	-	(323,509)
Paycheck Protection Program loan forgiveness	249,312	-	249,312
Other revenue	53,207	-	53,207
Net assets released from restrictions	<u>1,970,626</u>	<u>(1,970,626)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>3,370,826</u>	<u>587,108</u>	<u>3,957,934</u>
EXPENSES			
Program services	2,243,437	-	2,243,437
Supporting services:			
Administration	420,152	-	420,152
Fundraising	<u>353,509</u>	<u>-</u>	<u>353,509</u>
TOTAL EXPENSES	<u>3,017,098</u>	<u>-</u>	<u>3,017,098</u>
CHANGE IN NET ASSETS	353,728	587,108	940,836
NET ASSETS - BEGINNING OF YEAR	<u>13,297,322</u>	<u>9,536,409</u>	<u>22,833,731</u>
NET ASSETS - END OF YEAR	<u>\$ 13,651,050</u>	<u>\$ 10,123,517</u>	<u>\$ 23,774,567</u>

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

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (662,354)	\$ 940,836
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Bad debt expense	500	4,800
Depreciation	106,295	101,424
Amortization	3,043	-
Net realized and unrealized loss on investments	726,902	323,509
Loss on sale of furniture and equipment	-	3,189
Protected land received	(175,000)	-
Protected land sold	86,651	773,000
Paycheck Protection Program loan forgiveness	-	(249,312)
(Increase) decrease in:		
Contributions receivable	81,151	3,161
Accounts receivable	(1,194)	(2,830)
Prepaid expenses and other	(33,700)	23,723
Operating lease, right-of-use asset	21,164	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(247,659)	(22,362)
Operating lease liability	(18,495)	-
TOTAL ADJUSTMENTS	<u>549,658</u>	<u>958,302</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(112,696)</u>	<u>1,899,138</u>
INVESTING ACTIVITIES		
Purchase of furniture and equipment	(48,537)	(25,387)
Proceeds from sale of furniture and equipment	-	3,421
Proceeds from sale of investments	4,917,045	4,296,595
Purchases of investments	<u>(5,125,068)</u>	<u>(4,664,127)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(256,560)</u>	<u>(389,498)</u>
FINANCING ACTIVITIES		
Payments on finance lease	<u>(2,906)</u>	<u>-</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(2,906)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(372,162)	1,509,640
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>5,388,178</u>	<u>3,878,538</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,016,016</u>	<u>\$ 5,388,178</u>

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

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MARCH 31, 2023

	Program Services	Supporting Services			Total
		Administration	Fundraising	Total	
Salaries and related benefits	\$ 930,849	\$ 370,268	\$ 290,966	\$ 661,234	\$ 1,592,083
Computer expense	55,452	17,986	14,087	32,073	87,525
Depreciation	62,444	23,750	20,101	43,851	106,295
Amortization	1,522	913	608	1,521	3,043
Development/fundraising	5,003	1,888	109,707	111,595	116,598
Dues and subscriptions	9,552	2,683	3,599	6,282	15,834
Easement preparation	2,327	-	-	-	2,327
Education and outreach	10,810	2,829	1,242	4,071	14,881
Events:					
Related costs	473	-	162,356	162,356	162,829
Donated goods and services	-	-	34,095	34,095	34,095
Office expenses	12,817	2,690	12,756	15,446	28,263
Insurance	52,163	20,685	17,369	38,054	90,217
Marketing and public relations	10,767	2,559	1,716	4,275	15,042
Occupancy	79,424	32,038	27,134	59,172	138,596
Professional services:					
Donated	28,425	-	-	-	28,425
Other	21,093	11,844	9,263	21,107	42,200
Stewardship	3,120	33	25	58	3,178
Taxes, licenses and fees	3,767	1,493	1,253	2,746	6,513
Telephone and utilities	12,011	4,763	3,999	8,762	20,773
Transaction assistance	225,093	-	-	-	225,093
Travel and entertainment	42,969	5,355	8,245	13,600	56,569
Bad debt expense	500	-	-	-	500
Easement and land acquisitions	56,400	-	-	-	56,400
Glen Leven Master Plan	32,911	130	102	232	33,143
TOTAL EXPENSES	1,659,892	501,907	718,623	1,220,530	2,880,422
Less expenses included with revenues on the statement of activities - direct benefits to donors	-	-	(286,120)	(286,120)	(286,120)
TOTAL EXPENSES INCLUDED IN EXPENSES SECTION OF STATEMENT OF ACTIVITIES	\$ 1,659,892	\$ 501,907	\$ 432,503	\$ 934,410	\$ 2,594,302

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

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MARCH 31, 2022

	Program	Supporting Services			
	Services	Administration	Fundraising	Total	Total
Salaries and related benefits	\$ 899,184	\$ 316,273	\$ 251,156	\$ 567,429	\$ 1,466,613
Computer expense	46,346	11,873	9,428	21,301	67,647
Depreciation	69,230	17,492	14,702	32,194	101,424
Development/fundraising	11,643	2,464	52,279	54,743	66,386
Dues and subscriptions	11,333	2,702	2,646	5,348	16,681
Easement preparation	1,171	234	186	420	1,591
Education and outreach	19,655	2,251	206	2,457	22,112
Events:					
Related costs	-	-	140,122	140,122	140,122
Donated goods and services	-	-	27,856	27,856	27,856
Office expenses	12,789	3,342	9,053	12,395	25,184
Insurance	58,799	14,857	12,487	27,344	86,143
Marketing and public relations	5,352	1,013	651	1,664	7,016
Occupancy	78,087	19,730	16,584	36,314	114,401
Professional services:					
Donated	111,952	-	-	-	111,952
Other	42,141	19,841	8,736	28,577	70,718
Stewardship	2,286	-	-	-	2,286
Taxes, licenses and fees	6,039	1,541	1,295	2,836	8,875
Telephone and utilities	16,770	4,237	3,562	7,799	24,569
Transaction assistance	682,681	431	343	774	683,455
Travel and entertainment	28,580	1,871	5,059	6,930	35,510
Bad debt expense	4,800	-	-	-	4,800
Glen Leven Master Plan	134,599	-	-	-	134,599
TOTAL EXPENSES	2,243,437	420,152	556,351	976,503	3,219,940
Less expenses included with revenues on the statement of activities - direct benefits to donors	-	-	(202,842)	(202,842)	(202,842)
TOTAL EXPENSES INCLUDED IN EXPENSES SECTION OF STATEMENT OF ACTIVITIES	\$ 2,243,437	\$ 420,152	\$ 353,509	\$ 773,661	\$ 3,017,098

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

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023 AND 2022

NOTE 1 - GENERAL

The Land Trust for Tennessee, Inc. (the “Organization”) is a Tennessee not-for-profit organization, incorporated on January 15, 1999, whose mission is to conserve the unique character of Tennessee’s natural and historic landscapes and sites for future generations.

The Organization works with partners at the federal, state, and local level to assist landowners, citizen groups and other interested parties to conserve forever the scenic and natural values of land throughout the state. Lands protected include private land, public parks, and open spaces. The primary tool used to permanently conserve land is the conservation easement, but the Organization also protects land through land donations, bargain sale arrangements, transaction facilitation, and land purchases. As of March 31, 2023, the Organization has completed 450 conservation transactions, protecting 134,156 acres throughout Tennessee.

A conservation easement is a voluntary agreement between a landowner and the Organization in which the owner places permanent restrictions on the future uses and development in order to protect the conservation values of the property. This agreement permanently limits how the land can be developed and subdivided in order to protect its conservation values. Under a conservation easement, the landowner retains ownership and management responsibilities, and the property may be sold, passed to heirs, or otherwise transferred with the conservation easement in place. The Organization holds the conservation easement and accepts responsibility for monitoring compliance with the terms of the easement and for defending the easement should the terms be threatened or violated. The Organization refers to its ongoing responsibility as stewardship.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

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 the Board of Directors.

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.

Restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with financial institutions and money market funds that can be liquidated without significant penalty or restriction (including accrued interest).

The following table provides a reconciliation of cash and cash equivalents reported on the Statements of Financial Position that sum to the total in the Statements of Cash Flows as of March 31:

	<u>2023</u>	<u>2022</u>
Operating funds without restriction or designation	\$ 617,652	\$ 887,709
Operating funds with donor restrictions	2,410,945	2,694,069
Operating funds with board designations	<u>1,987,419</u>	<u>1,806,400</u>
Total cash and cash equivalents	<u>\$ 5,016,016</u>	<u>\$ 5,388,178</u>

Revenues and Support

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give are received. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation of transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as donor-restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Special events revenue is generated from sponsorships, ticket sales and sales of items at events held during the period and revenues are recognized when the events occur, which is the completion of the Organization's performance obligation. Some of these revenues are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the amount paid and the exchange element. The Organization records fundraising income equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Unconditional promises and bequests to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed at a risk-free interest rate applicable to the year in which the promise is received. In 2023 and 2022, management considered this amount to be immaterial, and it was not recorded. Conditional promises to give are not included as support until such time as the conditions are substantially met.

An allowance for uncollectible amounts has not been provided on contributions receivable since, in management's opinion, the receivable amounts are fully collectible, based on past history.

Bequests

When a will is declared valid and the Organization agrees to accept the terms of the bequest, the Organization recognizes the bequest receivable and revenue at the actual or estimated realizable value of its interest in the estate.

Investments

Investments consist of money market accounts, mutual funds, and exchange traded funds. Money market accounts are carried at cash value plus accrued interest. Mutual funds and exchange traded funds are carried at their quoted market value on the last business day of the reporting period. Interest and dividends, as well as changes in unrealized gains and losses, are recognized currently in the Statements of Activities.

Furniture and Equipment

Furniture and equipment are reported at cost at the date of purchase or at estimated fair value at the date of the gift to the Organization. The Organization's policy is to capitalize purchases with a cost of \$750 or more and an estimated useful life greater than one year. Depreciation is recorded using the straight-line method over the assets' estimated useful lives, except for leasehold improvements, which are depreciated over the shorter of their estimated useful lives or the respective lease term.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Real Estate

Real estate is reported at cost at the date of purchase or at estimated fair value at the date of the gift to the Organization and includes any additional improvements made by the Organization. Additional improvements are reported at cost at the date of purchase or at estimated fair value at the date of the gift to the Organization. Depreciation of improvements is recorded using the straight-line method over the assets' estimated useful lives.

Real estate is reviewed for impairment when events or circumstances indicate that the carrying values may not be recoverable. If any such indicators are present and where the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is written down to its recoverable amount through the Statements of Activities.

Board-Designated Net Assets

The Board of Directors has established several board-designated funds: the Ashby Fund as a quasi-endowment to generate revenue and capital growth, an Operating Reserve for use in emergencies to sustain financial operations, a Working Capital Reserve Fund to meet the ebbs and flows during the year, and a Revolving Fund to assist with the acquisition of land over short periods of approximately 24-36 months. Within this structure, funds are invested, used, managed and transferred as set out in policies created by the Board of Directors and in accordance with internal procedures. The Glen Leven Reserve Fund is used strictly for necessary capital improvements and unusual or infrequent expenses relating to the upkeep and maintenance of Glen Leven Farm.

Board-designated funds consisted of the following at March 31:

	<u>2023</u>	<u>2022</u>
Board-designated quasi-endowment - Ashby Fund	<u>\$ 3,045,288</u>	<u>\$ 3,250,691</u>
Operating Reserve Fund	\$ 375,000	\$ 375,000
Working Capital Reserve Fund	300,000	300,000
Revolving Fund	626,756	626,756
Jeanie Nelson Conservation Legacy Fund	841,324	878,916
Glen Leven Reserve Fund	240,745	168,000
Stewardship Reserve earnings	771,443	988,117
Proceeds from sale of donated land reserved for special projects	<u>174,784</u>	<u>70,299</u>
Total board designations - other	<u>\$ 3,330,052</u>	<u>\$ 3,407,088</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-kind Contributions

Donated items are recorded as gifts in the period received at estimated fair value if there is an objective and measurable basis for determining such value.

Donated services are recognized if they create or enhance non-financial assets or the donated service requires specialized skills, were performed by a donor who possesses such skills, and would have been purchased by the Organization if not donated. Such services are recognized at estimated fair value as support and expense in the period the services are performed.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services - consist of programs to promote and aid in the permanent conservation of land with agricultural, recreational, scenic, ecological, and historical significance for future generations.

The Organization identifies land of strategic importance to the overall mission of the Organization. These projects offer unique land protection opportunities and are made up of some of Tennessee's most remarkable intact large landscapes, farmland, timber tracts, wildlife habitats, historic landscapes, scenic viewsheds, pristine waterways and recreational opportunities. To support the Organization's strategic mission, donations are received to allow the Organization to do outreach to landowners and communities, acquire and hold conservation easements, complete necessary due diligence for all land transactions, and own and manage land when appropriate.

Supporting Services:

Administration - includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program or with fundraising. Includes costs associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting and related purposes.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Allocated expenses and method of allocation are as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and related benefits	Time and effort
Computer expense	Time and effort
Depreciation	Square footage
Amortization	Square footage
Development/fundraising	Time and effort
Dues and subscriptions	Time and effort
Easement preparation	Time and effort
Education and outreach	Time and effort
Office expenses	Time and effort
Insurance	Square footage
Marketing and public relations	Time and effort
Occupancy	Square footage
Other professional services	Time and effort
Taxes, licenses and fees	Square footage
Telephone and utilities	Square footage
Transaction assistance	Time and effort
Travel and entertainment	Time and effort

Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and allocation of functional expenses during the reporting period. Actual results could differ from those amounts.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization made an accounting policy election available under Topic 842 not to recognize right-of-use (“ROU”) assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or April 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization used the discount rate implicit in the lease agreement, if readily determinable. For leases in which the rate implicit in the lease agreement is not readily determinable, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index, which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred.

Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Income Taxes

The Organization qualifies as a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization’s income tax returns to determine whether the income tax positions meet a “more likely than not” standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the “more likely than not” standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Conservation Easements

Conservation easements held by the Organization are not recognized as assets in the accompanying financial statements. Assets are defined as probable future economic benefits obtained or controlled by an entity; the Organization does not believe that the easements meet the definition criteria. The cost of obtaining conservation easements is expensed when the easement is acquired. When the Organization places a conservation easement on land owned by the Organization as part of a sale of the property, the change in market value due to the conservation easement is recorded as a program expense.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on net assets or the change in net assets as previously reported.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between March 31, 2023 and October 4, 2023, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a ROU asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statements of activities. The Organization adopted Topic 842 on April 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on April 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

The Organization has not elected to adopt the “hindsight” practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on April 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization’s operating lease of approximately \$205,000 at April 1, 2022. The adoption of the new lease standard did not materially impact the change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

NOTE 4 - AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets as of March 31:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 5,016,016	\$ 5,388,178
Contributions receivable	79,971	161,122
Accounts receivable	3,448	2,754
Investments	<u>8,460,997</u>	<u>8,979,876</u>
	13,560,432	14,531,930
Less: amounts not available to be used within one year:		
Board-designated amounts	(5,700,340)	(5,982,779)
Donor-restricted amounts for specified purposes	<u>(5,987,342)</u>	<u>(6,273,517)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,872,750</u>	<u>\$ 2,275,634</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 4 - AVAILABILITY AND LIQUIDITY (CONTINUED)

See Note 12 for detail of amounts restricted by donor with time or purpose. Donors provide funding to support conservation activities throughout the year. Revenue and expenses are analyzed monthly to determine the amount of restricted funds to release from restriction. It is estimated that \$150,000 of existing restricted cash and investments will be released from restriction in the upcoming year to cover conservation activities.

The Operating Reserve Fund of \$375,000 consists of cash and is held in the operating cash account. It is a board-designated fund that is available to sustain financial operations during unanticipated events or for significant unbudgeted increases in operating expenses and/or decreases in operating revenues. The Board of Directors approves all withdrawals from the fund. The fund cannot be used for non-operating expenses.

The Working Capital Reserve Fund of \$300,000 consists of cash and is held in the operating cash account. It is a board-designated fund and is used to meet the normal ebbs and flows of revenues and expenses over the course of the fiscal year. The fund may be used to ensure there is sufficient available cash to help cover the operating costs in any given fiscal year. The President & CEO, along with the Director of Finance & Operations, has the authority to access the fund as needed, as long as the disbursement is reported to the Finance & Audit Committee. The fund cannot be used for non-operating expenses and is expected to be replenished at the beginning of the next fiscal year.

Both the Operating Reserve Fund and the Working Capital Reserve Fund are included in financial assets available to meet general expenditures over the next twelve months.

Although the Organization does not intend to spend from its board-designated amounts, the Board of Directors could approve the release of designations, if necessary.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of March 31:

	<u>2023</u>	<u>2022</u>
Operating receivables without purpose restriction or designation	\$ 17,152	\$ 10,500
Operating receivables with donor restrictions	62,819	125,622
Operating receivables with board designation	<u>-</u>	<u>25,000</u>
	<u>\$ 79,971</u>	<u>\$ 161,122</u>

	<u>2023</u>	<u>2022</u>
Due in less than one year	\$ 43,236	\$ 155,056
Due in one to five years	<u>36,735</u>	<u>6,066</u>
	<u>\$ 79,971</u>	<u>\$ 161,122</u>

NOTE 6 - INVESTMENTS

Investments consisted of the following at March 31:

	<u>2023</u>	<u>2022</u>
Money market accounts	\$ 924,382	\$ 702,391
Mutual funds	4,509,250	6,490,349
Exchange traded funds	<u>3,027,365</u>	<u>1,787,136</u>
	<u>\$ 8,460,997</u>	<u>\$ 8,979,876</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 7 - FAIR VALUE MEASUREMENTS

The Organization classifies its investments based on a hierarchy consisting of: Level 1 (valued using quoted prices in active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available) and Level 3 (valued based on significant unobservable inputs).

An asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Mutual funds and exchange traded funds are valued using the net asset value per unit as quoted in active markets at the valuation date.

There have been no changes in the methodologies used at March 31, 2023 and 2022.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization's valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 7 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth the Organization's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy as of March 31:

	2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments				
Money market accounts	\$ 924,382	\$ -	\$ -	\$ 924,382
Mutual funds:				
Mid cap growth	217,258	-	-	217,258
Large cap value	393,173	-	-	393,173
Large cap growth	278,660	-	-	278,660
Indexed equity	1,655,193	-	-	1,655,193
Intermediate core-plus bond	1,262,036	-	-	1,262,036
International developed	702,930	-	-	702,930
Exchange traded funds:				
Small cap value	333,965	-	-	333,965
Mid cap value	129,645	-	-	129,645
Large cap value	698,975	-	-	698,975
Intermediate term	951,263	-	-	951,263
Ultrashort bond	913,517	-	-	913,517
Total investments	<u>\$ 8,460,997</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,460,997</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 7 - FAIR VALUE MEASUREMENTS (CONTINUED)

	2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments				
Money market accounts	\$ 702,391	\$ -	\$ -	\$ 702,391
Mutual funds:				
Mid cap growth	494,275	-	-	494,275
Large cap value	813,545	-	-	813,545
Large cap growth	894,461	-	-	894,461
Indexed equity	779,513	-	-	779,513
Intermediate core-plus bond	1,580,074	-	-	1,580,074
Fixed income	1,219,048	-	-	1,219,048
International developed	709,433	-	-	709,433
Exchange traded funds:				
Small cap value	575,740	-	-	575,740
Mid cap value	289,462	-	-	289,462
Large cap value	747,915	-	-	747,915
Large cap growth	174,019	-	-	174,019
Total investments	<u>\$ 8,979,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,979,876</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 8 - FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following as of March 31:

	<u>2023</u>	<u>2022</u>
Furniture, fixtures and equipment	\$ 37,072	\$ 37,072
Buildings	3,460	3,460
Computers and software	138,310	127,489
Leasehold improvements	<u>32,675</u>	<u>4,925</u>
	211,517	172,946
Less: accumulated depreciation	<u>(129,561)</u>	<u>(103,349)</u>
Furniture and equipment, net	<u>\$ 81,956</u>	<u>\$ 69,597</u>

NOTE 9 - PROPERTY BEQUEATHED FROM GLEN LEVEN FARM

During 2006, the Organization received a testamentary bequest consisting of 59 acres of land and a historic house with 5 acres known as the Glen Leven Farm. The appraised fair values were \$1,500,000 and \$2,200,000, respectively, at the date of the bequest. The decedent placed significant restrictions on the use of this property or the proceeds in the event of its sale.

The Glen Leven Farm property consisted of the following as of March 31:

	<u>2023</u>	<u>2022</u>
Glen Leven Farm bequest	\$ 3,700,000	\$ 3,700,000
Property, restorations and improvements	<u>1,279,046</u>	<u>1,279,046</u>
	4,979,046	4,979,046
Less: accumulated depreciation	<u>(572,539)</u>	<u>(499,271)</u>
Glen Leven Farm, net	<u>\$ 4,406,507</u>	<u>\$ 4,479,775</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 9 - PROPERTY BEQUEATHED FROM GLEN LEVEN FARM (CONTINUED)

Direct costs, including donated services, incurred by the Organization related to this property, which are reported in program services, are as follows for the years ended March 31:

	<u>2023</u>	<u>2022</u>
Insurance	\$ -	\$ 5,894
Taxes and fees	3,973	1,587
Repairs and maintenance	78,659	53,828
Utilities and other	3,786	4,905
Professional fees	1,563	231,120
Outreach	1,204	5,077
Supplies	<u>313</u>	<u>1,064</u>
	<u>\$ 89,498</u>	<u>\$ 303,475</u>

Glen Leven Farm hosts a myriad of events and activities that support the mission of the Organization. The facility is now a center for both internal and external programs including board, staff and committee meetings; volunteer workshops for the stewardship program; educational programs about agriculture, land conservation and wildlife; and other events that are open to the public.

NOTE 10 - PROTECTED LAND

Protected land consists of tracts of land purchased by or donated to the Organization that are being held consistent with the Organization's mission. The Moran Road tract was purchased by the Organization in a prior year for \$2,014,471, with funds that were donated for that purpose. During fiscal year 2019, the Organization received a bequest of land with an appraised value of \$2,800,000. At March 31, 2023, two other tracts of land totaling \$202,300 (two other tracts of land totaling \$110,800 at March 31, 2022) comprise the remaining balance of protected land. At March 31, 2023, there were no tracts included in net assets with donor restrictions. There was one tract of \$83,500 included in net assets with donor restrictions at March 31, 2022.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 11 - PROGRAM ACCOMPLISHMENTS

Conservation Success: During fiscal year 2023, the Organization completed 13 projects, protecting 991 additional acres of land in Tennessee. Eleven of these properties were protected with conservation easements (the Organization's primary tool for conserving land), one was an outright donation of land, and one was an amendment to add 27 acres of land to an existing conservation easement. Eight of these 13 projects are located in one of the Organization's ten Conservation Opportunity Regions ("CORs"), which are the priority areas established through the Organization's strategic conservation plan *Forever Tennessee*. The permanent protection of these properties resulted in the preservation of 5.4 miles of public road frontage as well as 5.4 miles of Tennessee's rivers and streams. As of March 31, 2023, the Organization had protected a total of 134,156 acres of land through 450 projects.

Stewardship: The Organization completed 100% of its annual monitoring during the year ending March 31, 2023, through both in-person visits (557 visits completed) and satellite imagery (47 visits completed). Due to the timing of the fiscal year, some properties were visited twice during this period. Monitoring is a critical part of the Organization's commitment to uphold its promise of protecting land in perpetuity. The Organization's stewardship staff also handled hundreds of other stewardship items including activity requests, approvals, easement interpretations, and property transfers. The Organization continued to invest in its stewardship program by adding an additional staff position to the department, a Stewardship Field Coordinator.

Fundraising Success: The Organization had a strong fundraising year and was able to meet its annual fundraising goals. The Organization increased fundraising event revenue, exceeding its goals for *Once in a Blue Moon* event in October 2022 and continuing to develop newer events including *Music on the Farm* in June 2022 and *Forever Tennessee* in March 2023. These events provided additional revenue sources and donor cultivation opportunities. The Organization also achieved its highest unrestricted revenue to date, raising over \$1,045,000 to support its conservation work across the state.

Outreach and Engagement: In addition to utilizing outreach methods through social media, e-newsletters and other virtual platforms, the Organization engaged in-person audiences by attending and presenting at conferences, tabling events, and hosting programs and volunteer events at Glen Leven Farm. This includes free monthly Community Days, volunteer opportunities for individuals and companies, and Field Studies for grades K-2.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of March 31:

	<u>2023</u>	<u>2022</u>
Land protection activities:		
North Davidson County, Robertson County, Sumner County and Northeast Tennessee	\$ 26,521	\$ 30,427
Southeast General	165,577	111,668
Williamson County	4,734	-
Humphreys County	260,688	200,345
Shelby Farms	19,607	24,012
Wildlife	-	2,195
Duck River	34,728	45,894
West Tennessee	43,672	25,836
Southeast McKee Fund	862,572	946,197
Lynchburg	235,998	197,650
Stewardship and protection:		
Stewardship funds for monitoring and enforcement of protected properties	4,244,311	4,111,398
Transaction assistance funds for landowners	48,425	31,425
Easement and land acquisition funds	190,509	696,470
Real estate:		
Glen Leven property	3,700,000	3,700,000
Glen Leven stabilization, operations, maintenance and capital campaign funds	<u>175,756</u>	<u>-</u>
	<u>\$ 10,013,098</u>	<u>\$ 10,123,517</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 13 - BOARD-DESIGNATED QUASI-ENDOWMENT FUND

The board-designated quasi-endowment fund (“Ashby Fund”) consists of funds that were transferred to the quasi-endowment by the Board of Directors. The Board of Directors anticipates these funds will remain in the quasi-endowment in perpetuity but may withdraw them for other uses. For investment purposes, the Ashby Fund is considered perpetual in nature. The Finance & Audit Committee will have the responsibility for developing and recommending policies and guidelines for the investment of the Ashby Fund.

Investment return objective, risk parameters and strategies - The Organization has adopted investment policies, approved by the Board of Directors, to establish asset allocation targets, investment objectives and guidelines, and the degree of investment risk the Board of Directors deems acceptable. The purpose of the quasi-endowment fund is to generate revenue and capital growth.

Spending policy - The Organization may annually withdraw funds from the Ashby Fund provided that such withdrawals do not exceed the quasi-endowment fund’s market value earnings over the prior twelve quarters calculated as of March 31st each year less prior earning withdrawals. One-fourth of the annual spending rule amount may be withdrawn each quarter; the exact dates for which shall be determined by the Finance & Audit Committee and approved by the Board of Directors.

A schedule of changes in the Ashby Fund follows for the years ended March 31:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 3,250,691	\$ 3,296,200
Investment income	85,908	144,406
Investment fees	(14,304)	(16,157)
Net depreciation (realized and unrealized)	(250,234)	(173,758)
Amounts appropriated for expenditure	<u>(26,773)</u>	<u>-</u>
Balance, end of year	<u>\$ 3,045,288</u>	<u>\$ 3,250,691</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 14 - LEASES

The Organization leases office space under an operating lease agreement that has an initial term of 5 years. The lease includes one or more options to renew, generally at the Organization's sole discretion, with renewal terms that can extend the lease term up to 6 years. In addition, the lease contains termination options, where the rights to terminate are held by either the Organization, the lessor or both parties. These options extend or terminate the lease are included in the lease terms when it is reasonably certain that the Organization will exercise that option. Operating lease cost is recognized on a straight-line basis over the lease term.

The Organization leases office equipment under a finance lease agreement with a term of 5 years. Finance lease cost is recognized as a combination of amortization expense for the ROU asset and interest expense for the outstanding lease liability, and results in a front-loaded expense pattern over the lease term. Payments under this lease, which continue through 2026, totaled approximately \$3,200 during the year ended March 31, 2023.

The components of lease expense are as follows for the year ended March 31, 2023:

Operating lease cost	\$ 26,594
Finance lease cost - amortization of right-of-use asset	3,043
Finance lease cost - interest on lease liability	<u>322</u>
Total lease cost	<u>\$ 29,959</u>

Additional information related to leases is as follows as of March 31, 2023:

Operating lease:	
Current maturity of operating lease	\$ 26,818
Operating lease liability, non-current	<u>160,031</u>
Total operating lease liability	<u>\$ 186,849</u>
Finance lease:	
Office equipment	\$ 13,949
Accumulated amortization	<u>(3,043)</u>
Finance lease, right-of-use asset, net	<u>\$ 10,906</u>
Current maturity of finance lease	\$ 3,228
Finance lease liability, non-current	<u>7,815</u>
Total finance lease liability	<u>\$ 11,043</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 14 - LEASES (CONTINUED)

Weighted-average remaining lease term:

Operating lease	7.08 years
Finance lease	3.58 years

Weighted-average discount rate:

Operating lease	3.04%
Finance lease	2.55%

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the Statements of Financial Position are as follows as of March 31, 2023:

	Operating Lease	Finance Lease
<u>Years ending March 31:</u>		
2024	\$ 26,818	\$ 3,228
2025	27,622	3,228
2026	28,451	3,228
2027	29,304	1,883
2028	30,184	-
Thereafter	65,786	-
Total lease payments	208,165	11,567
Less imputed interest	(21,316)	(524)
Total present value of lease liabilities	<u>\$ 186,849</u>	<u>\$ 11,043</u>

Future minimum lease commitments, as determined under Topic 840, for all non-cancelable leases are as follows as of March 31, 2022:

Year ending March 31:

2023	\$ 23,116
2024	26,818
2025	27,622
2026	28,451
2027	29,304
Thereafter	2,449
	<u>\$ 137,760</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 15 - PENSION PLAN

The Organization sponsors a defined contribution employee benefit plan for eligible employees. At the discretion of the Board of Directors, the Organization contributes to the plan on behalf of all eligible employees based on their compensation. All employees are eligible to participate in the plan upon employment and to receive the employer discretionary match after two years of service. Total pension plan expense of the Organization was \$23,909 in 2023 (\$23,986 in 2022).

NOTE 16 - IN-KIND CONTRIBUTIONS

The Organization received the following in-kind contributions for the years ended March 31:

	<u>2023</u>	<u>2022</u>
Protected land	\$ 175,000	\$ -
Special events - goods and services	34,095	27,856
Professional services:		
Legal	4,389	6,540
Other	<u>24,036</u>	<u>105,412</u>
	<u>\$ 237,520</u>	<u>\$ 139,808</u>

During the year ending March 31, 2023, the Organization received a contribution of protected land. The land is valued at estimated fair market value, which was determined based on the price per acre of sales of comparable property in the surrounding area.

The Organization was provided various professional services, including legal and other services, at no cost or reduced cost. Such services are valued and reported at the estimated fair value in the financial statements based on current market rates for such services.

The Organization hosts certain special events during the year for which they receive equipment rental and various other items at no cost. These items are valued at the price that would otherwise be paid for such items or services.

There are no donor-imposed restrictions associated with any of the gifts in-kind.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization; however, no values for such in-kind contributions have been included in the financial statements since there is no objective basis by which to measure the values.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 17 - DONOR-DESIGNATED ENDOWMENT FUNDS IN TRUST

Two donor-designated endowment funds have been established with the Community Foundation of Middle Tennessee for the benefit of the Organization. The Community Foundation of Middle Tennessee has the ultimate authority and control over the funds and, therefore, these assets are not included in the financial statements of the Organization. Income distributed to the Organization is recognized by the Organization in the year received. There were no such distributions in 2023 or 2022. Total assets held in these funds approximated \$194,000 at March 31, 2023 (\$208,000 at March 31, 2022).

NOTE 18 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash accounts at reputable financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Organization's cash balances may, at times, exceed statutory limits. The Organization has not experienced any losses in such accounts and management considers this to be a normal business risk.

Investments are subject to market risk, the risk inherent in a fluctuating market. The broker/dealer that is the custodian of the Organization's securities is covered by the Securities Investor Protection Corporation ("SIPC"), which provides protection to investors in certain circumstances such as fraud or failure of the institution. Coverage is limited to \$500,000, including up to \$250,000 in cash. The SIPC does not insure against market risk.

Contributions receivable from two and three sources comprised 38% and 47% of total receivables at March 31, 2023, and March 31, 2022, respectively.

Contributions from one and two sources were 13% and 34% of total revenues for the years ended March 31, 2023, and 2022, respectively.

NOTE 19 - RELATED PARTY TRANSACTIONS

There were no pledges due from the Organization's Board of Directors as of March 31, 2023 (\$500 was due from one member as of March 31, 2022).

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2023 AND 2022

NOTE 20 - PAYCHECK PROTECTION PROGRAM

In March 2021, the Organization received a loan in the amount of \$249,312 under the Paycheck Protection Program (PPP Loan). The loan accrued interest at a rate of 1% and had an original maturity date of two years from the date of funding. Under the requirements of the CARES Act, as amended by the PPP Flexibility Act and Consolidated Appropriations Act of 2021, proceeds were only to be used for the Organization's eligible payroll costs or other eligible costs. The PPP loan could be fully forgiven if certain requirements were met. The Organization applied for and received full forgiveness of the PPP Loan as of January 2022. The forgiveness is recognized on the Statement of Activities for the year ended March 31, 2022.

NOTE 21 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	<u>2023</u>	<u>2022</u>
CASH PAID FOR		
Operating cash flow - payments on operating leases	<u>\$ 23,925</u>	<u>\$ -</u>
Operating cash flow - interest on finance leases	<u>\$ 322</u>	<u>\$ -</u>
Financing cash flow - payments on finance leases	<u>\$ 3,228</u>	<u>\$ -</u>
NON-CASH TRANSACTIONS		
ROU asset obtained in exchange for operating lease liability	<u>\$ 205,344</u>	<u>\$ -</u>
ROU asset obtained in exchange for finance lease liability	<u>\$ 13,949</u>	<u>\$ -</u>