

THE LAND TRUST FOR TENNESSEE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

MARCH 31, 2020 AND 2019

THE LAND TRUST FOR TENNESSEE, INC.

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## INDEPENDENT AUDITOR'S REPORT

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

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of The Land Trust for Tennessee, Inc., which comprise the statements of financial position as of March 31, 2020 and 2019, and related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Land Trust for Tennessee, Inc. as of March 31, 2020 and 2019, 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.

*Kraft CPAs PLLC*

Nashville, Tennessee  
February 26, 2021

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2020 AND 2019

|  | <u>2020</u>          | <u>2019</u>          |
|--|----------------------|----------------------|
| <u>ASSETS</u>  |                      |                      |
| Cash and cash equivalents:                                       |                      |                      |
| Operating funds without restriction or designation               | \$ 446,772           | \$ 314,197           |
| Operating funds with donor restrictions                          | 1,287,473            | 2,136,274            |
| Operating funds with board designations                          | 1,605,165            | 1,222,220            |
| Contributions receivable:  |                      |                      |
| Operating receivables without purpose restriction or designation | 131,151              | 64,106               |
| Operating receivables with donor restrictions                    | 12,000               | 116,757              |
| Operating receivables with board designation                     | 65,000               | 74,500               |
| Accounts receivable  | 3,674                | 17,855               |
| Prepaid expenses and other                                       | 54,069               | 67,886               |
| Investments:   |                      |                      |
| Investments with donor restrictions                              | 4,009,189            | 3,238,905            |
| Investments with board designations                              | 2,607,531            | 3,929,511            |
| Furniture and equipment, net                                     | 88,483               | 61,127               |
| Real estate:   |                      |                      |
| Glen Leven estate property, net                                  | 4,633,770            | 4,681,628            |
| Protected land   | 5,614,771            | 5,614,771            |
| Funds held on behalf of others                                   | <u>500</u>           | <u>1,750</u>         |
| TOTAL ASSETS   | <u>\$ 20,559,548</u> | <u>\$ 21,541,487</u> |
| <u>LIABILITIES AND NET ASSETS</u>                                |                      |                      |
| <u>LIABILITIES</u>   |                      |                      |
| Accounts payable   | \$ 56,368            | \$ 101,998           |
| Accrued expenses   | 77,708               | 118,542              |
| Funds held on behalf of others                                   | <u>1,090</u>         | <u>1,750</u>         |
| TOTAL LIABILITIES  | <u>135,166</u>       | <u>222,290</u>       |
| <u>NET ASSETS</u>  |                      |                      |
| Net assets without donor restrictions:                           |                      |                      |
| Designated for protected land                                    | 5,079,771            | 5,079,771            |
| Board-designated quasi-endowment - Ashby Fund                    | 2,437,136            | 2,639,597            |
| Board designations - other                                       | 2,061,210            | 2,123,202            |
| Undesignated   | <u>1,439,440</u>     | <u>1,333,828</u>     |
| Total net assets without donor restrictions                      | 11,017,557           | 11,176,398           |
| Net assets with donor restrictions                               | <u>9,406,825</u>     | <u>10,142,799</u>    |
| TOTAL NET ASSETS   | <u>20,424,382</u>    | <u>21,319,197</u>    |
| TOTAL LIABILITIES AND NET ASSETS                                 | <u>\$ 20,559,548</u> | <u>\$ 21,541,487</u> |

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

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

|  | 2020                          |                            |                      |
|--|-------------------------------|----------------------------|----------------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
| REVENUES AND SUPPORT                                   |                               |                            |                      |
| Contributions, public support and other:               |                               |                            |                      |
| Individuals, foundations and other                     | \$ 783,661                    | \$ 384,179                 | \$ 1,167,840         |
| Bequests   | -                             | -                          | -                    |
| Easement and land acquisition assistance               | -                             | 983,483                    | 983,483              |
| Stewardship contributions                              | -                             | 282,242                    | 282,242              |
| Donated goods and services                             | 169,314                       | -                          | 169,314              |
| Special events   | 407,566                       | -                          | 407,566              |
| Less: direct benefits to donors                        | (103,349)                     | -                          | (103,349)            |
| Loss on sale of furniture and equipment                | -                             | -                          | -                    |
| Interest and dividend income                           | 152,733                       | -                          | 152,733              |
| Net realized and unrealized gain (loss) on investments | (473,970)                     | -                          | (473,970)            |
| Net assets released from restrictions                  | <u>2,385,878</u>              | <u>(2,385,878)</u>         | <u>-</u>             |
| TOTAL REVENUES AND SUPPORT                             | <u>3,321,833</u>              | <u>(735,974)</u>           | <u>2,585,859</u>     |
| EXPENSES   |                               |                            |                      |
| Program services                                       | 2,868,091                     | -                          | 2,868,091            |
| Supporting services:                                   |                               |                            |                      |
| Administration   | 132,663                       | -                          | 132,663              |
| Fundraising  | <u>479,920</u>                | <u>-</u>                   | <u>479,920</u>       |
| TOTAL EXPENSES   | <u>3,480,674</u>              | <u>-</u>                   | <u>3,480,674</u>     |
| CHANGE IN NET ASSETS                                   | (158,841)                     | (735,974)                  | (894,815)            |
| NET ASSETS - BEGINNING OF YEAR                         | <u>11,176,398</u>             | <u>10,142,799</u>          | <u>21,319,197</u>    |
| NET ASSETS - END OF YEAR                               | <u>\$ 11,017,557</u>          | <u>\$ 9,406,825</u>        | <u>\$ 20,424,382</u> |

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

| 2019                          |                            |                      |
|-------------------------------|----------------------------|----------------------|
| Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
| \$ 840,661                    | \$ 528,872                 | \$ 1,369,533         |
| 2,800,000                     | -                          | 2,800,000            |
| -                             | 204,959                    | 204,959              |
| -                             | 167,237                    | 167,237              |
| 73,541                        | -                          | 73,541               |
| 298,024                       | -                          | 298,024              |
| (75,634)                      | -                          | (75,634)             |
| (2,397)                       | -                          | (2,397)              |
| 139,412                       | -                          | 139,412              |
| 161,260                       | -                          | 161,260              |
| 703,514                       | (703,514)                  | -                    |
| <u>4,938,381</u>              | <u>197,554</u>             | <u>5,135,935</u>     |
| 1,625,382                     | -                          | 1,625,382            |
| 134,027                       | -                          | 134,027              |
| 348,305                       | -                          | 348,305              |
| <u>2,107,714</u>              | <u>-</u>                   | <u>2,107,714</u>     |
| 2,830,667                     | 197,554                    | 3,028,221            |
| <u>8,345,731</u>              | <u>9,945,245</u>           | <u>18,290,976</u>    |
| <u>\$ 11,176,398</u>          | <u>\$ 10,142,799</u>       | <u>\$ 21,319,197</u> |

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| OPERATING ACTIVITIES   |                     |                     |
| Change in net assets   | \$ (894,815)        | \$ 3,028,221        |
| Adjustments to reconcile change in net assets to net cash (used in)<br>provided by operating activities: |                     |                     |
| Depreciation   | 94,971              | 80,530              |
| Net realized and unrealized loss (gain) on investments   | 473,970             | (161,260)           |
| Loss on sale of furniture and equipment  | -                   | 2,397               |
| Protected land received  | -                   | (2,800,000)         |
| (Increase) decrease in:  |                     |                     |
| Contributions receivable   | 47,212              | 106,936             |
| Accounts receivable  | 14,181              | (8,612)             |
| Prepaid expenses and other   | 13,817              | (25,714)            |
| Other assets   | 1,250               | -                   |
| Increase (decrease) in:  |                     |                     |
| Accounts payable and accrued expenses  | (87,124)            | 75,412              |
| TOTAL ADJUSTMENTS  | 558,277             | (2,730,311)         |
| NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES  | (336,538)           | 297,910             |
| INVESTING ACTIVITIES   |                     |                     |
| Purchase of furniture and equipment  | (48,469)            | (41,885)            |
| Payment for Glen Leven renovations   | (26,000)            | (73,468)            |
| Proceeds from sale of investments  | 361,862             | 1,961,680           |
| Purchases of investments   | (284,136)           | (1,891,904)         |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES  | 3,257               | (45,577)            |
| (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS   | (333,281)           | 252,333             |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR  | 3,672,691           | 3,420,358           |
| CASH AND CASH EQUIVALENTS - END OF YEAR  | <u>\$ 3,339,410</u> | <u>\$ 3,672,691</u> |

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



THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

|   | 2020                |                     |                   |                   |                     |
|---|---------------------|---------------------|-------------------|-------------------|---------------------|
|   | Program             | Supporting Services |                   |                   |                     |
|   | Services            | Administration      | Fundraising       | Total             | Total               |
| Salaries and related benefits   | \$ 1,050,406        | \$ 111,593          | \$ 214,249        | \$ 325,842        | \$ 1,376,248        |
| Computer expense  | 37,235              | 3,399               | 5,471             | 8,870             | 46,105              |
| Depreciation  | 91,827              | 1,423               | 2,135             | 3,558             | 95,385              |
| Development/fundraising   | 10,171              | 1,011               | 11,935            | 12,946            | 23,117              |
| Dues and subscriptions  | 6,955               | 673                 | 1,010             | 1,683             | 8,638               |
| Easement and land acquisition assistance  | 1,306,376           | -                   | -                 | -                 | 1,306,376           |
| Easement preparation  | 320                 | 13                  | 19                | 32                | 352                 |
| Education and outreach  | 8,891               | 409                 | 1,071             | 1,480             | 10,371              |
| Events:   |                     |                     |                   |                   |                     |
| Related costs   | -                   | -                   | 78,263            | 78,263            | 78,263              |
| Donated goods and services  | -                   | -                   | 130,959           | 130,959           | 130,959             |
| Office expenses   | 17,415              | 1,725               | 2,414             | 4,139             | 21,554              |
| Insurance   | 63,078              | 3,589               | 5,382             | 8,971             | 72,049              |
| Marketing and public relations  | 9,749               | 147                 | 108,796           | 108,943           | 118,692             |
| Occupancy   | 25,357              | 118                 | 177               | 295               | 25,652              |
| Professional services:  |                     |                     |                   |                   |                     |
| Donated   | 13,046              | -                   | -                 | -                 | 13,046              |
| Other   | 49,478              | 4,140               | 7,709             | 11,849            | 61,327              |
| Stewardship   | 427                 | -                   | -                 | -                 | 427                 |
| Taxes, licenses and fees  | 21,356              | 1,223               | 1,834             | 3,057             | 24,413              |
| Telephone and utilities   | 20,196              | 1,637               | 2,456             | 4,093             | 24,289              |
| Transaction assistance  | 96,114              | -                   | 5,188             | 5,188             | 101,302             |
| Travel and entertainment  | 39,694              | 1,563               | 4,201             | 5,764             | 45,458              |
| <b>TOTAL EXPENSES</b>   | <b>2,868,091</b>    | <b>132,663</b>      | <b>583,269</b>    | <b>715,932</b>    | <b>3,584,023</b>    |
| Less expenses included with revenues<br>on the statement of activities - direct<br>benefits to donors | -                   | -                   | (103,349)         | (103,349)         | (103,349)           |
| <b>TOTAL EXPENSES INCLUDED IN<br/>EXPENSES SECTION OF<br/>STATEMENT OF ACTIVITIES</b>                 | <b>\$ 2,868,091</b> | <b>\$ 132,663</b>   | <b>\$ 479,920</b> | <b>\$ 612,583</b> | <b>\$ 3,480,674</b> |

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

2019

| Program<br>Services | Supporting Services |                   |                   | Total               |
|---------------------|---------------------|-------------------|-------------------|---------------------|
|                     | Administration      | Fundraising       | Total             |                     |
| \$ 1,001,161        | \$ 106,548          | \$ 206,445        | \$ 312,993        | \$ 1,314,154        |
| 24,558              | 2,344               | 4,276             | 6,620             | 31,178              |
| 78,800              | 623                 | 1,107             | 1,730             | 80,530              |
| 10,969              | 875                 | 1,556             | 2,431             | 13,400              |
| 4,844               | 486                 | 863               | 1,349             | 6,193               |
| 10,000              | -                   | -                 | -                 | 10,000              |
| 586                 | 18                  | 31                | 49                | 635                 |
| 15,858              | 1,243               | 2,210             | 3,453             | 19,311              |
| -                   | -                   | 138,651           | 138,651           | 138,651             |
| -                   | -                   | 27,488            | 27,488            | 27,488              |
| 31,508              | 2,314               | 4,113             | 6,427             | 37,935              |
| 69,657              | 2,472               | 4,394             | 6,866             | 76,523              |
| 38,953              | 567                 | 1,007             | 1,574             | 40,527              |
| 107,715             | 8,130               | 14,453            | 22,583            | 130,298             |
| 14,346              | -                   | -                 | -                 | 14,346              |
| 53,802              | 4,561               | 9,570             | 14,131            | 67,933              |
| 1,808               | -                   | -                 | -                 | 1,808               |
| 7,069               | 91                  | 163               | 254               | 7,323               |
| 26,275              | 2,334               | 4,149             | 6,483             | 32,758              |
| 86,310              | 11                  | 19                | 30                | 86,340              |
| 41,163              | 1,410               | 3,444             | 4,854             | 46,017              |
| 1,625,382           | 134,027             | 423,939           | 557,966           | 2,183,348           |
| -                   | -                   | (75,634)          | (75,634)          | (75,634)            |
| <u>\$ 1,625,382</u> | <u>\$ 134,027</u>   | <u>\$ 348,305</u> | <u>\$ 482,332</u> | <u>\$ 2,107,714</u> |

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

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 Organization also protects land through land donations, bargain sale arrangements, transaction facilitation, and land purchases. As of March 31, 2020, the Organization has completed conservation transactions protecting 129,053 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 and enforcement.

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

MARCH 31, 2020 AND 2019

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).

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 received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restriction.

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

MARCH 31, 2020 AND 2019

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 2020 and 2019, 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, exchange traded funds, and equities. Money market accounts are carried at cash value plus accrued interest. Mutual funds, exchange traded funds, and equities 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 Statement 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

MARCH 31, 2020 AND 2019

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 Statement 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 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.

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

|   | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|
| Board-designated quasi-endowment - Ashby Fund                       | <u>\$ 2,437,136</u> | <u>\$ 2,639,597</u> |
| Operating Reserve Fund  | \$ 375,000          | \$ 384,940          |
| Working Capital Reserve Fund  | 300,000             | 300,000             |
| Revolving Fund  | 626,756             | 626,756             |
| Jeanie Nelson Conservation Legacy Fund                              | 707,640             | 755,500             |
| Proceeds from sale of donated land reserved for<br>special projects | <u>51,814</u>       | <u>56,006</u>       |
| Total board designations - other                                    | <u>\$ 2,061,210</u> | <u>\$ 2,123,202</u> |

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-kind Contributions

Donated materials 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 and floral habitats, historic landscapes, scenic viewsheds, pristine waterways and recreational opportunities. To support the Organization's strategic mission, restricted donations are received that allow the Organization to do education and outreach to landowners and communities, obtain and hold conservation easements, tracts in fee, own and manage land and perform due diligence.

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

MARCH 31, 2020 AND 2019

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              |
| 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

MARCH 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

New Accounting Pronouncements

On July 1, 2019, the Organization adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* and all subsequent amendments to the ASU (collectively, "ASC 606"), which supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. ASC 606 requires revenue to be recognized in an amount that reflects the considerations to which the entity expects to be entitled in an exchange of goods or services. The Organization adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of January 1, 2019. The Organization performed an analysis of revenue streams and transactions to determine in-scope applicability. The revenue streams considered in-scope for purposes of ASC 606 include certain grant revenues and most revenues associated with performance of special events (sponsorships, ticket sales and sales of items). The Organization recognizes revenues that fall within the scope of ASC 606 as it satisfies its obligation to the customer. The adoption of ASC 606 did not result in a material change to the accounting for any of the in-scope revenue streams; as such, the Organization did not record a cumulative effect adjustment.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

On July 1, 2019, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improve guidance to better distinguish between conditional and unconditional contributions. This standard did not result in a change to the financial statements or the timing of revenue recognition for the Organization's contributions and grants.

Recent Authoritative Accounting Guidance

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updated ("ASU") 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, which provides an optional transition method allowing the standard to be applied at the adoption date. In March 2019, the FASB issued ASU 2019-01, Leases (Topic 842) Codification Improvements, which exempts entities from having to provide the interim disclosures required by ASC 250-10-50-3 in the fiscal year in which a company adopts the new leases standard.

A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment.

The new standard provides a number of practical expedients. The Organization is currently evaluating the impact of the pending adoption of the new standard on its financial statements. The Organization currently expects that upon adoption of ASU 2016-02, right-of-use assets and lease liabilities will be recognized on the balance sheet in an amount that will be material. The new standard is effective for the Organization on April 1, 2021.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between March 31, 2020 and February 26, 2021, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

NOTE 3 - AVAILABILITY AND LIQUIDITY

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

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| Financial assets at year end:  |                     |                     |
| Cash and cash equivalents  | \$ 3,339,410        | \$ 3,672,691        |
| Contributions receivable   | 208,151             | 255,363             |
| Accounts receivable  | 3,674               | 17,855              |
| Investments  | <u>6,616,720</u>    | <u>7,168,416</u>    |
|  | 10,167,955          | 11,114,325          |
| Less: amounts not available to be used within one year:                                |                     |                     |
| Board-designated amounts   | (3,602,696)         | (4,541,291)         |
| Donor-restricted amounts for specified purposes  | <u>(4,998,662)</u>  | <u>(5,192,836)</u>  |
| Financial assets available to meet general expenditures<br>over the next twelve months | <u>\$ 1,566,597</u> | <u>\$ 1,380,198</u> |

See Note 11 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 \$310,000 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 short-term investments. 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 Senior Director of Finance & Operations, has the authority to access the fund as needed, as long as the disbursement is reported to the Budget & Finance Committee. The fund cannot be used for non-operating expenses and is expected to be replenished at the beginning of the next fiscal year.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

NOTE 3 - AVAILABILITY AND LIQUIDITY (CONTINUED)

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.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of March 31:

|                           | <u>2020</u>       | <u>2019</u>       |
|---------------------------|-------------------|-------------------|
| Due in less than one year | \$ 113,151        | \$ 113,500        |
| Due in one to five years  | <u>95,000</u>     | <u>141,863</u>    |
|                           | <u>\$ 208,151</u> | <u>\$ 255,363</u> |

NOTE 5 - INVESTMENTS

Investments consisted of the following at March 31:

|                       | <u>2020</u>         | <u>2019</u>         |
|-----------------------|---------------------|---------------------|
| Money market accounts | \$ 479,617          | \$ 329,874          |
| Mutual funds          | 4,581,744           | 5,846,169           |
| Exchange traded funds | <u>1,555,359</u>    | <u>992,373</u>      |
|                       | <u>\$ 6,616,720</u> | <u>\$ 7,168,416</u> |

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

NOTE 6 - 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, 2020 and 2019.

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

MARCH 31, 2020 AND 2019

NOTE 6 - 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:

|                             | 2020   |   |  |                     |
|-----------------------------|--|---|--|---------------------|
|                             | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Total               |
| Investments                 |  |   |  |                     |
| Money market accounts       | \$ 479,617   | \$ -  | \$ -   | \$ 479,617          |
| Mutual funds:               |  |   |  |                     |
| Foreign large blend         | 584,503  | -   | -  | 584,503             |
| Intermediate core-plus bond | 2,055,373  | -   | -  | 2,055,373           |
| Large blend                 | 438,380  | -   | -  | 438,380             |
| Large growth                | 1,163,553  | -   | -  | 1,163,553           |
| Mid-cap growth              | 203,096  | -   | -  | 203,096             |
| Small blend                 | 136,839  | -   | -  | 136,839             |
| Exchange traded funds:      |  |   |  |                     |
| Global real estate          | 27,038   | -   | -  | 27,038              |
| Intermediate government     | 416,287  | -   | -  | 416,287             |
| Large blend                 | 496,065  | -   | -  | 496,065             |
| Long government             | 408,537  | -   | -  | 408,537             |
| Mid-cap blend               | 207,432  | -   | -  | 207,432             |
| Total investments           | <u>\$ 6,616,720</u>  | <u>\$ -</u>   | <u>\$ -</u>  | <u>\$ 6,616,720</u> |

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

|                              | 2019   |   |  |                     |
|------------------------------|--|---|--|---------------------|
|                              | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Total               |
| Investments                  |  |   |  |                     |
| Money market accounts        | \$ 329,874   | \$ -  | \$ -   | \$ 329,874          |
| Mutual funds:                |  |   |  |                     |
| Diversified emerging markets | 43,436   | -   | -  | 43,436              |
| Foreign large blend          | 51,476   | -   | -  | 51,476              |
| Commodities                  | 130,068  | -   | -  | 130,068             |
| Bank loan                    | 138,281  | -   | -  | 138,281             |
| Large blend                  | 3,112,365  | -   | -  | 3,112,365           |
| Short-term bond              | 1,189,621  | -   | -  | 1,189,621           |
| Trading - miscellaneous      | 1,180,922  | -   | -  | 1,180,922           |
| Exchange traded funds:       |  |   |  |                     |
| Energy                       | 62,577   | -   | -  | 62,577              |
| Diversified emerging markets | 122,400  | -   | -  | 122,400             |
| Europe stock                 | 207,815  | -   | -  | 207,815             |
| Foreign large blend          | 153,263  | -   | -  | 153,263             |
| Large blend                  | 446,318  | -   | -  | 446,318             |
| Total investments            | <u>\$ 7,168,416</u>  | <u>\$ -</u>   | <u>\$ -</u>  | <u>\$ 7,168,416</u> |

NOTE 7 - FURNITURE AND EQUIPMENT

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

|                                   | 2020             | 2019             |
|-----------------------------------|------------------|------------------|
| Furniture, fixtures and equipment | \$ 37,464        | \$ 35,710        |
| Computers and software            | 119,856          | 72,727           |
| Leasehold improvements            | <u>4,925</u>     | <u>4,925</u>     |
|                                   | 162,245          | 113,362          |
| Less: accumulated depreciation    | <u>(73,762)</u>  | <u>(52,235)</u>  |
| Furniture and equipment, net      | <u>\$ 88,483</u> | <u>\$ 61,127</u> |

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

NOTE 8 - PROPERTY BEQUEATHED FROM GLEN LEVEN ESTATE

During 2007, the Organization received a testamentary bequest consisting of 59 acres of land and a historic house with 5 acres known as the Glen Leven estate. The appraised fair values were \$1,500,000 and \$2,200,000, respectively, at the date of the bequest. The decedents placed significant restrictions on the use of this property or the proceeds in the event of its sale.

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

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| Glen Leven estate bequest                | \$ 3,700,000        | \$ 3,700,000        |
| Property, restorations, and improvements | <u>1,288,733</u>    | <u>1,262,733</u>    |
|  | 4,988,733           | 4,962,733           |
| Less: accumulated depreciation           | <u>(354,963)</u>    | <u>(281,105)</u>    |
| Glen Leven estate property, net          | <u>\$ 4,633,770</u> | <u>\$ 4,681,628</u> |

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>2020</u>      | <u>2019</u>      |
|-------------------------|------------------|------------------|
| Insurance               | \$ 5,267         | \$ 17,309        |
| Taxes                   | 910              | 910              |
| Repairs and maintenance | 3,797            | 19,515           |
| Utilities and other     | 911              | 2,183            |
| Professional fees       | -                | 1,131            |
| Outreach                | 1,581            | 681              |
| Supplies                | 45               | 1,566            |
| Computer and technology | <u>14</u>        | <u>255</u>       |
|                         | <u>\$ 12,525</u> | <u>\$ 43,550</u> |

Glen Leven Farm hosted a myriad of events and activities during 2019 and 2020 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. As discussed in Note 13, the Nashville office moved to Glen Leven Farm in April 2018.



THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

NOTE 9 - 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. Four other tracts of land totaling \$800,300 comprise the remaining balance of protected land, of which two tracts totaling \$535,000 are included in net assets with donor restrictions.

NOTE 10 - PROGRAM ACCOMPLISHMENTS

The Organization utilizes its revolving fund and donations from individuals, foundations and government sources to facilitate land purchases for and by third parties and to provide transaction assistance for donated conservation easements. Listed below is a summary of the impact of those various program services.

Easements and Land Acquisition Expenses - Conservation Transactions

In fiscal year 2020, the Organization expended \$1,306,376 (\$10,000 in 2019) toward the completion of conservation easements and land acquisition projects. The Organization recorded \$101,301 costs in 2020 (\$86,340 in 2019) related to the purchase and/or facilitation of these land projects, including surveys, closing or other settlement costs, as transaction assistance expenses. These costs, reported as easement and land acquisition assistance, are either reimbursed to the Organization at closing or are prepaid by a partner organization or agency.

Facilitated Projects: During fiscal years 2019 and 2020, the Organization purchased, held temporarily, and then transferred to the State a 5-acre historic homestead that is now part of Dog Cove State Natural Area. Additional acreage protected through facilitation in fiscal year 2019 included the donation of 98 acres of forestland that is currently owned by a partner organization but will be transferred to the Hamilton County Parks Department for public use. In fiscal year 2020, The Land Trust assisted with the acquisition of 122 acres to be added to Sequatchie Cave State Natural Area in partnership with the State of Tennessee, Department of Environment and Conservation. Also, in fiscal year 2020, The Organization assisted the Mayor's Office of Metro Nashville in the purchase of 106 acres of farmland in the bend of the Cumberland River in western Davidson County.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

NOTE 10 - PROGRAM ACCOMPLISHMENTS (CONTINUED)

Easements and Land Acquisition Expenses - Conservation Transactions (Continued)

**Purchased Easements:** During fiscal year 2020, the Organization partnered with the Department of Defense at Ft. Campbell through their Army Compatible Use Buffer Program (“ACUB”) to purchase conservation easements to protect two properties, including 91 acres of farmland in Montgomery County and 195 acres on the Kentucky side of the base. These conservation easements will protect in perpetuity significant prime agricultural soils, water resources, habitat for rare and endangered species, and open space in one of the most rapidly developing areas in Tennessee. According to the Department of Defense, the ACUB program maximizes military readiness while efficiently conserving valuable ecosystems around military bases. Also, in fiscal year 2020, the Organization purchased a conservation easement on 203 acres of scenic, rolling farm and forestland using restricted funds for Marshall and Giles County conservation projects.

**Donated Easements:** The Organization’s primary tool for protecting land is the donated conservation easement, a voluntary legal agreement that limits development in order to protect the property’s conservation values. Using this tool, the Organization worked with willing landowners to permanently protect 22 properties totaling 4,306 acres throughout Tennessee in fiscal years 2019 and 2020. This included 3,131 acres in farmland, 773 acres of forestland, and 402 acres of open space and recreational land. In addition, the Organization added 136 acres to 3 existing conservation easements in fiscal year 2019.

**Bequests:** In fiscal year 2019, the Organization received 852 acres by will with no restrictions. Primarily forestland, the property borders the Duck River for almost 6 miles and provides unique and highly significant habitat for local wildlife. Approximately 240 acres of the property are currently under the Conservation Reserve Program (“CRP”) through the U.S. Department of Agriculture Natural Resources Conservation Service.

Transactions Assistance

In cases where important land is at risk and resources are not available to complete the conservation transaction, the Organization may provide assistance from its transaction assistance funds, which are supported by restricted grant donations. The Organization may also participate as a partner in raising funds for land purchases. During fiscal years 2019 and 2020, the Organization expended approximately \$23,000 and \$18,000, respectively, from this fund to assist with transaction costs incurred for conservation transactions (easements or other methods).

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

NOTE 10 - PROGRAM ACCOMPLISHMENTS (CONTINUED)

Stewardship and Enforcement of Easements

When accepting conservation easements, the Organization has agreed to undertake future monitoring and enforcement activities to ensure compliance with the terms and conditions of the 368 easements it currently holds, representing a total of 96,569 acres. The Organization annually monitors all conservation easements as well as property currently owned and managed by The Land Trust. Monitoring visits are completed annually by staff and a group of trained volunteers. Other stewardship activities include responding to landowner questions, easement interpretation, review and approval of reserved right activities, observing and addressing violations, condemnations of conserved land, and maintaining positive working relationships with landowners.

The Board of Directors has established a spending policy that allows up to 3% of the value of the restricted stewardship and enforcement fund (as of the end of the prior fiscal year) to be spent annually to meet ongoing stewardship needs and obligations. With the approval of the Board of Directors, additional funds may be transferred to unrestricted net assets and used to meet extraordinary expenses associated with upholding or defending an easement or other interest in land held by the Organization.

The Organization is a member of Terrafirma RRG, LLC that was formed by The Land Trust Alliance providing a liability insurance program to defend threatened conservation values of easements and conserved lands from legal challenges.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

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

|  | <u>2020</u>         | <u>2019</u>          |
|--|---------------------|----------------------|
| Contributions receivable for future years' operations    | \$ 32,000           | \$ 47,606            |
| Land protection activities:                              |                     |                      |
| South Cumberland Plateau and Sequatchie Valley regions   | -                   | 170,829              |
| North Davidson County, Robertson County, Sumner County   |                     |                      |
| and Northeast Tennessee                                  | 433                 | 66,782               |
| Humphreys County   | 126,574             | 148,955              |
| Rhea County Greenway                                     | 1,537               | -                    |
| Shelby Farms   | 28,156              | 30,078               |
| Wildlife   | 5,000               | 4,500                |
| Duck River   | 57,044              | 110,643              |
| Tennessee Department of Agriculture                      | 11,460              | -                    |
| Bonnaroo   | 142                 | 9,653                |
| Lynchburg  | 197,088             | 137,997              |
| Stewardship and protection:                              |                     |                      |
| Stewardship funds for monitoring and enforcement         |                     |                      |
| of protected properties                                  | 3,115,244           | 3,036,589            |
| Transaction assistance funds for landowners              | 12,345              | 35,120               |
| Easement and land acquisition funds                      | 1,445,511           | 1,993,087            |
| Real estate:   |                     |                      |
| Conner Toll House funds                                  | 2,334               | 11,637               |
| Glen Leven estate property                               | 3,700,000           | 3,700,000            |
| Glen Leven estate stabilization, operations, maintenance |                     |                      |
| and capital campaign funds                               | 136,957             | 104,323              |
| Westrick property  | 325,000             | 325,000              |
| Wilson County unimproved land                            | 210,000             | 210,000              |
|  | <u>\$ 9,406,825</u> | <u>\$ 10,142,799</u> |

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

NOTE 12 - 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 Budget & Finance 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 31<sup>st</sup> 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 Budget & Finance Committee and approved by the Board of Directors.

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

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| Balance, beginning of year                 | \$ 2,639,597        | \$ 2,659,525        |
| Investment income                          | 47,565              | 8,020               |
| Investment fees                            | (12,571)            | (6,620)             |
| Net depreciation (realized and unrealized) | (127,455)           | (21,328)            |
| Amounts appropriated for expenditure       | <u>(110,000)</u>    | <u>-</u>            |
| Balance, end of year                       | <u>\$ 2,437,136</u> | <u>\$ 2,639,597</u> |

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

NOTE 13 - LEASES

In August 2014, the Organization signed a lease for its Nashville office facilities under an operating lease through August 2019 with monthly payments ranging from \$4,238 to \$7,428. The lease was noncancelable through August 2017 and could be cancelled with a 180-day notice thereafter. Rent expense on this lease was recognized on a straight-line basis. The excess rent expense recognized over the amount paid was included in accrued expenses.

In February 2018, the Organization signed a lease for its Chattanooga office facilities under an operating lease through February 2021 with monthly payments in the amount of \$1,366.

The Nashville office relocated to Glen Leven Farm in April 2018. The Organization received grants to fund the extensive renovations needed. The last lease payment for the Nashville office was April 2018 for \$7,212.

Rent expense totaled \$22,381 in 2020 (\$30,579 in 2019).

Future minimum lease payments under the lease obligation as of March 31, 2020 is as follows:

Year ending March 31,

2021

\$ 15,027

NOTE 14 - 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 \$27,112 in 2020 (\$20,604 in 2019).

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

NOTE 15 - DONATED GOODS AND SERVICES

The accompanying Statements of Activities include contributed services for legal, occupancy and various other services. Donated goods include food and beverages used at fundraising events and certain equipment.

Total estimated fair value of goods and services donated to the Organization for the years ended March 31 is as follows:

|                        | <u>2020</u>       | <u>2019</u>      |
|------------------------|-------------------|------------------|
| Education and outreach | \$ -              | \$ 1,839         |
| Events:                |                   |                  |
| Goods                  | 12,890            | 20,757           |
| Printing and publicity | 118,069           | 6,731            |
| Professional services: |                   |                  |
| Legal                  | 13,046            | 14,346           |
| Other                  | 333               | 28,681           |
| Other                  | <u>4,105</u>      | <u>1,187</u>     |
|                        | <u>\$ 148,443</u> | <u>\$ 73,541</u> |

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.

NOTE 16 - 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 fund 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 2020 or 2019. Total assets held in these funds approximated \$140,000 at March 31, 2020 (\$155,000 at March 31, 2019).

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

NOTE 17 - 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.

At March 31, 2020, a contribution receivable from one source comprised 36% of total contributions receivable. A contribution receivable from one source comprised 39% of total receivables at March 31, 2019.

A contribution from one source was 38% of total revenues for the year ended March 31, 2020 (contributions from one source totaled 55% in 2019).

NOTE 18 - RELATED PARTY TRANSACTIONS

Pledges totaling \$2,000 are due from one member of the Organization's Board of Directors as of March 31, 2020 (\$8,000 was due from two members as of March 31, 2019).

NOTE 19 - COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, to date, the Organization's leadership team is evaluating the evolving situation and will implement appropriate countermeasures as needed.



THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

NOTE 19 - COVID-19 (CONTINUED)

The Organization entered into a Paycheck Protection Program loan of \$249,300 in April 2020, which is fully forgivable if at least 60% of the funds are used for payroll costs, and if certain other terms are met. As of the date these financial statements were available to be issued, the Organization has not yet applied for forgiveness of the loan, and the amount of loan forgiveness has not been determined. If the loan is fully forgiven, the Organization will not be responsible for any payments, and the balance of the loan will be reclassified to other income on the statements of activities at the time forgiveness is granted. If only a portion of the loan is forgiven, or if the forgiveness application is denied, any remaining balance due on the loan must be repaid on or before the maturity date of the loan, including accrued interest. The loan bears interest at a fixed rate of 1% and matures in April 2022.