

THE TENNESSEE RIVER GORGE TRUST, INC.

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2019

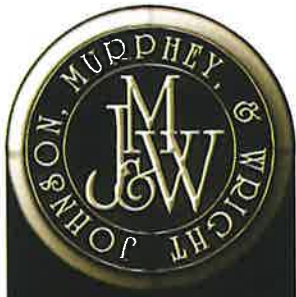
**JOHNSON, MURPHEY & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA, TENNESSEE**

I. INTRODUCTORY SECTION

THE TENNESSEE RIVER GORGE TRUST, INC.
Table of Contents
December 31, 2019

	Page
I. INTRODUCTORY SECTION	
Table of Contents	i
II. FINANCIAL SECTION	
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7-16
Supplemental Information	
Comparative Schedule of Financial Position	17
Comparative Schedule of Activities	18
Comparative Schedule of Functional Expenses	19

II. FINANCIAL SECTION



Certified Public
Accountants

301 N. Market
Chattanooga, TN
37405

Office: 423-756-1170
Fax: 423-756-1436
www.jmw-cpa.com

Members
American Institute
of Certified
Public Accountants

Paul Johnson, III, CPA

Brian T. Wright, CPA

Karen Hutcherson, CPA

Marianne Greene, CPA

Jennifer Waycaster, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tennessee River Gorge Trust, Inc.

We have audited the accompanying financial statements of Tennessee River Gorge Trust, Inc., which comprise the Statement of Financial Position as of December 31, 2019, and the related Statements of Activities, Cash Flows, and Functional Expenses for the year 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 audit. We conducted our audit 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 from 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 Tennessee River Gorge Trust, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Effect of Adopting New Accounting Standard

As discussed in Note 1C, the Entity adopted the Financial Accounting Standards Board's Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, which supersedes or replaces nearly all GAAP revenue recognition guidance. The Entity has implemented Topic 606 and has adjusted the presentation in these financial statements with no effect on net assets.

Johnson, Murphey & Wright, P.C.

Chattanooga, Tennessee
March 16, 2020

THE TENNESSEE RIVER GORGE TRUST, INC.
Statement of Financial Position
December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current assets			
Cash	\$ 148,187	\$ 8,517	\$ 156,704
Investments	4,554,074	1,247,824	5,801,898
Accounts receivable	168,931	-	168,931
Promises to give	11,400	-	11,400
Total current assets	4,882,592	1,256,341	6,138,933
Non-current assets			
Fixed assets - net	10,532,196	-	10,532,196
TOTAL ASSETS	\$ 15,414,788	\$ 1,256,341	\$ 16,671,129
 LIABILITIES AND NET ASSETS			
Liabilities			
Current liabilities			
Accounts payable	\$ 16,315	\$ -	\$ 16,315
Accrued liabilities	68,480	-	68,480
Unearned revenue	1,000	-	1,000
Line-of-credit	412,682	-	412,682
Total current liabilities	498,477	-	498,477
Net assets			
Without donor restrictions:			
Undesignated	14,639,784	-	14,639,784
Board designated	276,527	-	276,527
With donor restrictions	-	1,256,341	1,256,341
Total net assets	14,916,311	1,256,341	16,172,652
TOTAL LIABILITIES AND NET ASSETS	\$ 15,414,788	\$ 1,256,341	\$ 16,671,129

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

THE TENNESSEE RIVER GORGE TRUST, INC.
Statement of Activities
Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Contributions and grants	\$ 1,438,116	\$ 8,517	\$ 1,446,633
Rent and royalties	313,303	-	313,303
Carbon off-set	341,597	-	341,597
Special events	98,049	-	98,049
In-kind contributions	19,608	-	19,608
Other revenue	355	-	355
Investment return, net	727,713	218,328	946,041
Reclassifications	(63,858)	63,858	-
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>68,858</u>	<u>(68,858)</u>	<u>-</u>
 Total revenues, gains and other support	 <u>2,943,741</u>	 <u>221,845</u>	 <u>3,165,586</u>
EXPENSES			
Program services			
Land preservation	304,667	-	304,667
Land stewardship	363,194	-	363,194
Outreach and education	<u>43,473</u>	<u>-</u>	<u>43,473</u>
Total program services	<u>711,334</u>	<u>-</u>	<u>711,334</u>
Supporting services			
Administrative	140,738	-	140,738
Fund-raising	<u>89,544</u>	<u>-</u>	<u>89,544</u>
Total supporting services	<u>230,282</u>	<u>-</u>	<u>230,282</u>
 Total expenses	 <u>941,616</u>	 <u>-</u>	 <u>941,616</u>
 Change in net assets	 2,002,125	 221,845	 2,223,970
 Net assets - beginning	 <u>12,914,186</u>	 <u>1,034,496</u>	 <u>13,948,682</u>
 Net assets - end	 <u>\$ 14,916,311</u>	 <u>\$ 1,256,341</u>	 <u>\$ 16,172,652</u>

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

THE TENNESSEE RIVER GORGE TRUST, INC.
Statement of Cash Flows
Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	<u>\$ 2,223,970</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	72,794
Net realized and unrealized (gain) loss on investments	(920,418)
(Increase) decrease in accounts receivable	(63,656)
(Increase) decrease in deposit	5,000
(Increase) decrease in promises to give	1,100
Increase (decrease) in accounts payable	2,354
Increase (decrease) in accrued liabilities	4,583
Increase (decrease) in unearned revenue	<u>(1,500)</u>
Net cash provided (used) by operating activities	<u>1,324,227</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from line-of-credit	710,796
Payments against line-of-credit	<u>(729,813)</u>
Net cash provided (used) by capital and related financing activities	<u>(19,017)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(952,868)
Proceeds from sale of investments	1,053,656
Acquisition of land and equipment	<u>(1,329,286)</u>
Net cash provided (used) by investing activities	<u>(1,228,498)</u>

Net increase (decrease) in cash	76,712
Cash - beginning	<u>79,992</u>
Cash - end	<u>\$ 156,704</u>

Supplemental Disclosure

Interest paid	<u>\$ 22,667</u>
---------------	------------------

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

THE TENNESSEE RIVER GORGE TRUST, INC.
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services			Supporting Services			Total
	Land Preservation	Land Stewardship	Outreach and Education	Administrative	Fund-Raising		
EXPENSES							
Salaries	\$ 29,064	\$ 145,325	\$ 31,971	\$ 63,942	\$ 20,345	\$	\$ 290,647
Payroll taxes	2,472	12,361	2,719	5,438	1,730		24,720
Employee benefits	2,962	14,811	3,258	6,516	2,073		29,620
Bird research	-	22,915	-	-	-		22,915
Carbon offset	49,343	-	-	-	-		49,343
Consultants	-	-	-	40,599	-		40,599
Depreciation	72,794	-	-	-	-		72,794
Dues and fees	6,541	-	-	1,576	-		8,117
Education	-	-	5,525	-	-		5,525
Fund-raising and special events	-	-	-	-	48,070		48,070
In-kind expenses	19,608	-	-	-	-		19,608
Insurance	39,929	-	-	-	-		39,929
Interest	-	-	-	22,667	-		22,667
Land and land management	-	44,973	-	-	-		44,973
Marketing	-	-	-	-	17,326		17,326
Professional fees	40,600	39,308	-	-	-		79,908
Rent	27,081	-	-	-	-		27,081
Supplies and equipment	5,857	20,511	-	-	-		26,368
Taxes	-	56,821	-	-	-		56,821
Training	1,220	-	-	-	-		1,220
Travel	-	2,457	-	-	-		2,457
Utilities and telephone	7,196	3,712	-	-	-		10,908
Total expenses	\$ 304,667	\$ 363,194	\$ 43,473	\$ 140,738	\$ 89,544		\$ 941,616

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

THE TENNESSEE RIVER GORGE TRUST, INC.
Notes to Financial Statements
December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

A. Nature of Activities

The Tennessee River Gorge Trust, Inc. operates as a non-profit entity located in the greater Chattanooga, Tennessee area in order to enrich the community by conservation of Tennessee's Grand Canyon through land protection, education and the promotion of good land stewardship. The Entity's primary revenue sources are contributions, grants and rent.

B. Basis of Presentation - Net Asset Accounting

The Entity follows the recommendations of the Financial Accounting Standards Board (FASB) ASC 958-205-05-6. The Entity is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Net assets without donor restrictions are available for use in general operations and are not subject to donor or grantor restrictions. The Board of Directors can designate, from net assets without donor restrictions, net assets for a specific purpose. The Entity reports contributions restricted by donors, including property and equipment, as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

C. Basis of Accounting

The financial statements are prepared on the accrual basis of accounting and in accordance with the AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*, and Financial Accounting Standards Board (FASB) ASC 958-205-05-6. The Entity recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Entity follows FASB ASC Topic 606, *Revenue from Contracts with Customers*, which establishes a contract and control-based revenue recognition model, a basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue.

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Entity considers all unrestricted highly liquid investments purchased with a maturity date of three months or less to be cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Investments

Investments are carried at fair value, determined based on quoted market prices or estimated values provided by external investment managers or other sources. Realized and unrealized gains and losses are reflected within investment return, net, in the Statement of Activities. Donated investments are reflected as contributions at their market value at the date of receipt. In accordance with FASB 958-225-45-6, investment gains and income whose restrictions are met in the same reporting period are reported as support in net assets without donor restrictions.

F. Fair Value Measurement

The Entity adopted the provisions of ASC 820-10-50 applicable to financial assets and liabilities, as well as for other non-financial assets and liabilities that are carried at fair value on a recurring basis. Adoption of the provisions of ASC 820-10-50 did not have an impact on the measurement of the Entity's financial assets and liabilities, but did result in additional disclosures contained in the footnotes herein.

G. Prepayment of Expenses

Expenses extending over more than one accounting period are expensed in the accounting period in which it was paid.

H. Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

I. Inventory

Supplies are expensed when they are purchased, therefore, no inventory is maintained.

J. Property and Equipment

Property and equipment are valued at cost, if purchased, or fair value if contributed. The expenses for equipment in excess of \$5,000 are capitalized. Minor repairs and maintenance are expensed as incurred and additions and improvements that significantly extend the life of assets are depreciated over the remaining useful lives of the related fixed asset. At the time that assets are retired or disposed of, costs and accumulated depreciation are eliminated from the related accounts and gain or loss, if any, is credited or charged to income. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Equipment	5 - 7 years
Building	5 - 25 years
Vehicles	5 years

K. Compensated Absences

It is the Entity's policy to accrue vacation and sick leave for the future benefit of its employees. This accrual is recorded as a liability in the Statement of Financial Position.

L. Unearned Revenues

Unearned revenues consist of sponsorships received prior to year-end for the following year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Valuation of Donated Services

The Entity depends upon the services donated by its board members, supporters and volunteers to carry out many of its internal operations. The Entity follows the recommendations of FASB ASC 958-605-25-16 in reporting contributed services. Contributions of services are recognized as revenue and expenses if the services received create or enhance non-financial assets, require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other contributed services that do not meet the above criteria are not recognized. The Entity has recorded the value of donated services which meet the requirements of FASB ASC 958-605-25-16. The value of these services is shown as in-kind contributions and in-kind expense on the Statement of Activities.

N. Methods Used for Allocation of Expenses Among Functions

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort.

O. Description of Program and Supporting Services

Land preservation

Dedicated to conserving the land.

Land stewardship

Dedicated to ongoing research of the area.

Outreach and education

Dedicated to education and programs.

Administrative

Includes the functions necessary to ensure an adequate working environment; provide coordination and articulation of the Entity's programs; and manage the functioning of the Board of Directors and financial and budgetary responsibilities.

Fund-raising

Provides the structure necessary to encourage and secure financial support from individuals, foundations and corporations.

P. Advertising

Advertising costs are expensed as incurred.

Q. Estimates

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Uncertain Tax Position

The Entity accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefits are estimated based on the cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Entity include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax. Based on its evaluation, the Entity has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Entity's evaluation was performed for tax years ended December 31, 2016 through December 31, 2019, for Federal income tax, the years that remain subject to examination by major jurisdictions as of December 31, 2019.

S. Non-profit Entity

The Entity is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501 of the Code.

T. Events Occurring after Reporting Date

The Entity has evaluated events and transactions that occurred between December 31, 2019, and March 16, 2020 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Entity's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash	\$ 156,704
Investments	5,801,898
Account receivable	168,931
Promises to give	<u>11,400</u>
Total financial assets	6,138,933
Less: net assets with donor restrictions	(1,256,341)
Less: board-designated funds	<u>(276,527)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,606,065</u>

As part of the Entity's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Entity maintains resources to meet any donor-imposed restrictions, which makes those resources unavailable for general expenditures. In addition, the Entity invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Entity has a committed line-of-credit in the amount of \$1,800,000, which it could draw upon. At year-end, \$412,682 was drawn down, leaving \$1,387,318 for future needs. The contributions receivable are subject to implied time restrictions but are expected to be collected within one year.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Entity's endowment funds consists of a donor-restricted endowment. Income from the donor-restricted endowment is restricted for a specific purpose and therefore, is not available for general expenditure.

The Entity may receive contributions and promises to give that are restricted by donors, and considers contributions restricted for programs that are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. The Entity manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Entity has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days of operating expenses. The Entity has a policy to target a year-end balance of reserves without donor-imposed restrictions to meet 15 to 30 days of expected expenditures. To achieve these targets, the Entity forecasts its future cash flows, monitors its liquidity quarterly and monitors its reserves annually. During the year, the level of liquidity and reserves was managed within the policy requirements.

NOTE 3 - CASH

The Tennessee River Gorge Trust, Inc. has a cash carrying amount of \$156,704 and a bank balance of \$143,668 as of December 31, 2019. The entire bank balance is covered by FDIC insurance.

NOTE 4 - INVESTMENTS

Investments at December 31, 2019, are subject to market risks and are stated as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Net Unrealized Appreciation (Loss)</u>
Close end funds	\$ 637,041	\$ 778,302	\$ 141,261
Common stock	\$ 2,580,414	3,051,875	\$ 471,461
Cash and cash equivalents	\$ 131,913	131,913	\$ -
Mutual funds	\$ 739,309	745,108	\$ 5,799
Fixed income	\$ 1,080,710	<u>1,094,700</u>	\$ 13,990
Total investments		<u>\$ 5,801,898</u>	

NOTE 5 - FAIR VALUE MEASUREMENT

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Fund has the ability to access.
- 2) Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- 3) Level 3 are unobservable inputs for the assets or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the assets or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Entity's own data.)

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2019.

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

NOTE 6 - PROMISES TO GIVE

Promises to give as of December 31, 2019, consist of the following:

Due in less than one year	<u>\$ 11,400</u>
---------------------------	------------------

NOTE 7 - FIXED ASSETS - NET

Activity for the year ended December 31, 2019, was as follows:

	<u>Balance</u> <u>12-31-18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-19</u>
Land	\$ 9,091,386	\$ 660,147	\$ -	\$ 9,751,533
Buildings	591,498	653,552	(97,000)	1,148,050
Equipment	121,893	15,587	(10,688)	126,792
Vehicles	85,724	-	-	85,724
	9,890,501	1,329,286	(107,688)	11,112,099
Accumulated depreciation	<u>(614,797)</u>	<u>(72,794)</u>	<u>107,688</u>	<u>(579,903)</u>
Total	<u>\$ 9,275,704</u>	<u>\$1,256,492</u>	<u>\$ -</u>	<u>\$ 10,532,196</u>

Depreciation expense amounted to \$72,794 for the year ended December 31, 2019.

NOTE 8 - LINE-OF-CREDIT

The Entity has a line-of-credit through UBS Bank at 5.253% interest. At-year end, \$412,682 had been drawn down, leaving \$1,387,318 still available for future needs. These funds are due upon demand.

NOTE 9 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

Undesignated	\$ 14,639,784
Board-designated for:	
Carbon offset future compliance expenses	<u>276,527</u>
Total	<u>\$ 14,916,311</u>

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are subject to the following purpose restrictions:

Hampton Endowment	\$ 1,247,824
Lyndhurst grant	<u>8,517</u>
Total	<u>\$ 1,256,341</u>

NOTE 11 - DONATED SERVICES

Donated services are listed as in-kind contributions and in-kind expenses and are as follows:

Lawn services	\$ 100
Appraisal review	738
Fundraising facility and related services	<u>18,770</u>
Total	<u>\$ 19,608</u>

NOTE 12 - LEASE COMMITMENTS

The Tennessee River Gorge Trust, Inc. occupies office space under a year-to-year operating lease. Expense for rental of office space for the year ended December 31, 2019, was \$27,081.

NOTE 13 - RETIREMENT PLAN

The Entity provides retirement annuity contracts under Section 403(b) of the Internal Revenue Code. The Tax Sheltered Retirement Annuity Plan covers substantially all employees who have completed one year of service of at least 1,000 hours per year and has attained the age of 21. The amount of matching funds the Entity contributes will be evaluated each year. The retirement plan expense was \$16,483 for the year ended December 31, 2019.

NOTE 14 - COMMERCIAL INSURANCE

It is the policy of the Entity to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, and employee health and accident. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 15 - EASEMENTS

The Tennessee River Gorge Trust, Inc. has acquired easements on 1,042 acres since its inception at a cost of \$1,220,286. Some easements have been donated.

NOTE 16 - ENDOWMENT

The Entity's endowment consists of funds established for a variety of purposes. Its endowment includes donor restricted endowment fund. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Entity is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of the Entity has interpreted the UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Entity considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Entity has interpreted the UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with the UPMIFA, the Entity considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) the duration and preservation of the fund,
- (2) the purposes of the organization and the donor-restricted endowment fund,
- (3) general economic conditions,
- (4) the possible effect of inflation and deflation,
- (5) the expected total return from income and the appreciation of investments,
- (6) other resources of the organization and
- (7) the investment policies of the Entity.

NOTE 16 - ENDOWMENT (Continued)

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the UPMIFA requires the Entity to retain as a fund of perpetual duration. Deficiencies of this nature did not exist during the year.

Return Objectives and Risk Parameters

The Entity has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The investment manager is to pursue a conservative investment management philosophy in the handling of this portfolio. Both fixed income securities and common stocks are appropriate for inclusion in the portfolio. The asset mix will seek to achieve an approximate balance between fixed income investments and growth investments. Over a full market cycle this mix of assets should result in an investment return of 5% per year. Actual returns in any given year may vary from this amount

Strategies Employed for Achieving Objectives

The Board of Directors establishes all policies for the Entity's permanently restricted Hampton Endowment Fund (HEF). The HEF should be managed with a long-term investment horizon for growth and capital appreciation. The fund has a long-term targeted rate of inflation (measured by CPI) CPI +6%.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The HEF can have up to 5% annual cash distribution for general operating purchases.

Endowment Net Asset Composition by Type of Fund

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment funds	\$ -	\$ -	\$ -
Donor-restricted endowment funds	-	1,247,824	1,247,824
Total funds	<u>\$ -</u>	<u>\$ 1,247,824</u>	<u>\$ 1,247,824</u>

Reconciliation of the Beginning and Ending Balances of the Endowment in Total and by Net Asset Class

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,034,496	\$ 1,034,496
Investment return, net	-	218,328	218,328
Contributions	-	-	-
Appropriation of endowment assets	-	(68,858)	(68,858)
Other changes	-	63,858	63,858
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,247,824</u>	<u>\$ 1,247,824</u>

NOTE 16 - ENDOWMENT (Continued)

Description of Amounts Classified as Net Assets with Donor Restrictions (Endowment Only)

Original donor-restricted endowment gift amount and amounts required to be retained by donor	\$ 869,775
Term endowment funds	-
Accumulated investment gains on endowment funds	
Without purpose restrictions	378,049
With purpose restrictions	<u>-</u>
Total endowment funds classified as net assets with donor restrictions	<u>\$ 1,247,824</u>

NOTE 17 - TRGT CARBON OFF-SET PROJECT

The Tennessee River Gorge Trust sold 25,684 off-sets in 2019. These off-sets were derived from the additionality of sequestered carbon in the trees during 2017 and 2018. Another additionality verification will begin in 2020 for the additional carbon sequestration in the years 2019 and 2020.

NOTE 18 - RELATED PARTY TRANSACTION

During the year, the Entity rented property to a board member for \$1,500.

SUPPLEMENTAL INFORMATION

THE TENNESSEE RIVER GORGE TRUST, INC.
Comparative Schedule of Financial Position
December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash	\$ 156,704	\$ 79,992
Investments	5,801,898	4,982,268
Accounts receivable	168,931	105,275
Deposit	-	5,000
Promises to give	11,400	12,500
Total current assets	6,138,933	5,185,035
Non-current assets		
Fixed assets - net	10,532,196	9,275,704
TOTAL ASSETS	\$ 16,671,129	\$ 14,460,739
 LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 16,315	\$ 13,961
Accrued liabilities	68,480	63,897
Unearned revenue	1,000	2,500
Line-of-credit	412,682	431,699
Total current liabilities	498,477	512,057
Net assets		
Without donor restrictions:		
Undesignated	14,639,784	12,656,916
Board designated	276,527	257,270
With donor restrictions	1,256,341	1,034,496
Total net assets	16,172,652	13,948,682
TOTAL LIABILITIES AND NET ASSETS	\$ 16,671,129	\$ 14,460,739

THE TENNESSEE RIVER GORGE TRUST, INC.
Comparative Schedule of Activities
Years Ended December 31, 2019 and 2018

	2019	2018
REVENUES, GAINS AND OTHER SUPPORT		
Contributions and grants	\$ 1,446,633	\$ 518,612
Rent and royalties	313,303	235,941
Carbon off-set	341,597	-
Special events	98,049	89,524
In-kind contributions	19,608	15,106
Other revenue	355	4,590
Investment return, net	946,041	(364,800)
Total revenues, gains and other support	3,165,586	498,973
EXPENSES		
Program services		
Land preservation	304,667	245,877
Land stewardship	363,194	357,635
Outreach and education	43,473	92,398
Total program services	711,334	695,910
Supporting services		
Administrative	140,738	126,013
Fund-raising	89,544	83,806
Total supporting services	230,282	209,819
Total expenses	941,616	905,729
Change in net assets	2,223,970	(406,756)
Net assets - beginning	13,948,682	14,355,438
Net assets - end	\$ 16,172,652	\$ 13,948,682

THE TENNESSEE RIVER GORGE TRUST, INC.
Comparative Schedule of Functional Expenses
Years Ended December 31, 2019 and 2018

	Program Services			Supporting Services		2019 Total	2018 Total
	Land Preservation	Land Stewardship	Outreach and Education	Administrative	Fund- Raising		
EXPENSES							
Salaries	\$ 29,064	\$ 145,325	\$ 31,971	\$ 63,942	\$ 20,345	\$ 290,647	\$ 302,424
Payroll taxes	2,472	12,361	2,719	5,438	1,730	24,720	24,923
Employee benefits	2,962	14,811	3,258	6,516	2,073	29,620	42,150
Bird research	-	22,915	-	-	-	22,915	46,948
Carbon offset	49,343	-	-	-	-	49,343	13,623
Consultants	-	-	-	40,599	-	40,599	18,854
Depreciation	72,794	-	-	-	-	72,794	44,972
Dues and fees	6,541	-	-	1,576	-	8,117	10,516
Education	-	-	5,525	-	-	5,525	62,155
Fund-raising and special events	-	-	-	-	48,070	48,070	42,220
In-kind expenses	19,608	-	-	-	-	19,608	15,106
Insurance	39,929	-	-	-	-	39,929	32,867
Interest	-	-	-	22,667	-	22,667	2,166
Land and land management	-	44,973	-	-	-	44,973	51,179
Marketing	-	-	-	-	17,326	17,326	16,382
Professional fees	40,600	39,308	-	-	-	79,908	54,217
Rent	27,081	-	-	-	-	27,081	25,817
Supplies and equipment	5,857	20,511	-	-	-	26,368	32,554
Taxes	-	56,821	-	-	-	56,821	53,229
Training	1,220	-	-	-	-	1,220	1,994
Travel	-	2,457	-	-	-	2,457	1,908
Utilities and telephone	7,196	3,712	-	-	-	10,908	9,525
Total expenses	\$ 304,667	\$ 363,194	\$ 43,473	\$ 140,738	\$ 89,544	\$ 941,616	\$ 905,729