

**Tennessee River Gorge Trust, Inc.**  
Audited Financial Statements  
December 31, 2021 and 2020

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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

We have audited the accompanying financial statements of Tennessee River Gorge Trust, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021, and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tennessee River Gorge Trust, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tennessee River Gorge Trust, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Tennessee River Gorge Trust, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tennessee River Gorge Trust, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*The Walls Group, PC*

The Walls Group, P.C.

Chattanooga, Tennessee

May 19, 2022

**Tennessee River Gorge Trust, Inc.**  
**Statement of Financial Position**  
**As of December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 66,937	\$ 111,961
Investments	7,785,160	7,151,180
Prepaid Expenses	2,666	2,666
Accounts Receivable	444,257	165,156
Pledges Receivable, Current Portion Without Donor Restriction	-	11,000
Pledges Receivable, Current Portion With Donor Restriction	10,000	-
<b>Total Current Assets</b>	8,309,020	7,441,963
<b>Non-Current Assets</b>		
Pledges Receivable, Non-Current Portion With Donor Restriction	30,000	-
Fixed Assets, net of accumulated depreciation of \$646,289 and \$614,988 for 2021 and 2020, respectively	11,132,976	9,934,300
<b>Total Non-Current Assets</b>	11,162,976	9,934,300
<b>TOTAL ASSETS</b>	<b>\$ 19,471,996</b>	<b>\$ 17,376,263</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 14,316	\$ 22,423
Accrued Property Tax	-	54,736
Accrued Payroll Liabilities	42,199	35,522
Line of Credit	813,164	-
<b>Total Current Liabilities</b>	869,679	112,681
<b>TOTAL LIABILITIES</b>	869,679	112,681
<b>Net Assets</b>		
Without donor restrictions	16,568,471	15,449,682
Without donor restrictions - board designated	1,968,193	1,798,618
With donor restrictions	65,653	15,282
<b>TOTAL NET ASSETS</b>	18,602,317	17,263,582
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 19,471,996</b>	<b>\$ 17,376,263</b>

See accompanying notes and independent accountants' audit report.

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

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

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

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

**Tennessee River Gorge Trust, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2021**

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



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

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

**Tennessee River Gorge Trust, Inc.**  
**Statement of Cash Flows**  
**For the years ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 1,338,735	\$ 1,090,930
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	31,301	35,086
Net Gains on Investments	(730,737)	(786,557)
(Increase) decrease in current assets:		
Pledges Receivable	(29,000)	400
Accounts Receivable	(279,101)	3,775
Prepaid Expenses	-	(2,666)
Increase (decrease) in current liabilities:		
Accounts Payable	(8,107)	6,108
Accrued Property Tax	(54,736)	(577)
Accrued Payroll Liabilities	6,677	22,355
Unearned Revenue	-	(1,000)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>275,032</b>	<b>367,854</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(1,536,189)	(1,845,203)
Proceeds from Sale or Maturity of Investments	1,632,947	1,282,478
Acquisition of Land and Equipment	(1,229,978)	(90,742)
Proceeds from Sale of Land	-	653,552
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(1,133,220)</b>	<b>85</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Line of Credit	848,200	-
Principal Payments on Line of Credit	(35,036)	(412,682)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>813,164</b>	<b>(412,682)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(45,024)</b>	<b>(44,743)</b>
Cash, Beginning of Year	111,961	156,704
Cash, End of Year	<b>\$ 66,937</b>	<b>\$ 111,961</b>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES</b>		
Interest paid during the year	<b>\$ 6,387</b>	<b>\$ 947</b>

See accompanying notes and independent accountants' audit report.

**Tennessee River Gorge Trust, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2021 and 2020**

**NOTE A – ACCOUNTING POLICIES**

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

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

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

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

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

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

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

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

**Tennessee River Gorge Trust, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2021 and 2020**

**NOTE A – ACCOUNTING POLICIES (continued)**

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

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

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

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

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

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

**Tennessee River Gorge Trust, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2021 and 2020**

**NOTE A – ACCOUNTING POLICIES (continued)**

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

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

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

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

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

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

**Tennessee River Gorge Trust, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2021 and 2020**

**NOTE A – ACCOUNTING POLICIES (continued)**

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

**Advertising.** The Entity expenses advertising costs as they are incurred, and advertising communications costs the first time the advertising takes place. Advertising costs were \$0 for the years ended December 31, 2021 and 2020.

**NOTE B – PLEDGES RECEIVABLE**

The Entity received unconditional promises to give as follows:

As of December 31, 2021:

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

As of December 31, 2020:

To be received in:	Without Donor Restriction
2021	\$ 11,000
Total	\$ 11,000

**Tennessee River Gorge Trust, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2021 and 2020**

**NOTE C – FIXED ASSETS**

At December 31, 2021 and 2020, fixed assets consist of the following:

	<u>2021</u>	<u>2020</u>	<u>Useful Lives</u>
Land	\$ 11,067,945	\$ 9,837,968	Indeterminate
Buildings	498,804	498,804	5-25 years
Equipment	126,792	126,792	5-7 years
Vehicles	<u>85,724</u>	<u>85,724</u>	5 years
	\$ 11,779,265	\$ 10,549,288	
Less: Accumulated Depreciation	<u>(646,289)</u>	<u>(614,988)</u>	
Fixed Assets, Net	<u>\$ 11,132,976</u>	<u>\$ 9,934,300</u>	

Depreciation expense was \$31,301 and \$35,086 for years ended December 31, 2021 and 2020, respectively.

**NOTE D – LEASE COMMITMENTS**

Tennessee River Gorge Trust, Inc. occupies office space under a two-year operating lease that will expire in August of 2023. Future minimum lease payments due under the lease are as follows:

As of December 31, 2021:

	<u>Future Minimum Lease Payments</u>
2022	\$ 27,060
2023	<u>18,040</u>
Total	<u>\$ 45,100</u>

The Entity leases storage space under a month-to-month operating lease. Expense for rentals under these leases total \$28,873 and \$28,128 for the years ended December 31, 2021 and 2020, respectively.

**Tennessee River Gorge Trust, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2021 and 2020**

**NOTE E – NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Pot Point Campsite	\$ 3,091	\$ 8,788
Bird Research	11,062	4,994
Trail Planning	<u>51,500</u>	<u>1,500</u>
Total Net Assets with Donor Restrictions	<u>\$ 65,653</u>	<u>\$ 15,282</u>

**NOTE F – NET ASSETS WITH BOARD DESIGNATIONS**

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

	<u>2021</u>	<u>2020</u>
Quasi-endowment funds - land stewardship	\$ 1,681,987	\$ 1,510,819
Carbon offset future compliance	<u>286,206</u>	<u>287,799</u>
Total Net Assets with Board Designations	<u>\$ 1,968,193</u>	<u>\$ 1,798,618</u>

**NOTE G – REVENUE RECOGNITION- REVENUE FROM CONTRACTS**

Tennessee River Gorge Trust, Inc. recognizes revenue from contracts with customers based on the provisions of FASB ASC Topic 606, Revenue from Contracts with Customers as discussed in Note A. The Entity’s revenues from contracts with customers consist of rental income, carbon-offsets, corporate event sponsorships and event tickets. These revenues are recognized as related performance obligations are met. Performance obligations for sponsorships and event tickets are met at a point in time when the event occurs while performance obligations for carbon off-sets and rental income are met over time. No refunds are offered on revenue from contracts with customers and no funds are collected in advance. There are no contract assets or liabilities for the years ended December 31, 2021 and 2020.



**Tennessee River Gorge Trust, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2021 and 2020**

**NOTE G – REVENUE RECOGNITION- REVENUE FROM CONTRACTS (continued)**

Revenue from contracts with customers by type is as follows:

	<u>2021</u>	<u>2020</u>
Performance Obligations Fulfilled Over Time:		
Rental Income	\$ 381,806	\$ 326,808
Carbon Off-Sets	136,018	241,933
Performance Obligations Fulfilled at a Point in Time:		
Event Sponsorships, Tickets, and Auction	<u>62,609</u>	<u>64,527</u>
Total Revenue from Contracts with Customers	<u>\$ 580,433</u>	<u>\$ 633,268</u>

Accounts receivable related to contracts with customers totaled \$335,676 and \$165,332 for the years ended December 31, 2021 and 2020, respectively.

**NOTE H – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

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

	<u>2021</u>	<u>2020</u>
Cash	\$ 66,937	\$ 111,961
Investments	7,785,160	7,151,180
Accounts Receivable	444,257	165,156
Pledge Receivable, Current Portion	<u>10,000</u>	<u>11,000</u>
Total Financial Assets	8,306,354	7,439,297
Less Net Assets with Donor Restriction	(65,653)	(15,282)
Less Net Assets with Board Designations	<u>(1,968,193)</u>	<u>(1,798,618)</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 6,272,508</u>	<u>\$ 5,625,397</u>

**Tennessee River Gorge Trust, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2021 and 2020**

**NOTE H – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)**

In addition to the funds above, the Entity maintains a line of credit, as discussed in Note L, to help manage unanticipated liquidity needs. Available funds at December 31, 2021 were \$986,836.

**NOTE I – CONDITIONAL CONTRIBUTION – PAYCHECK PROTECTION PROGRAM FUNDS**

For the years ended December 31, 2021, and 2020, Entity received loan proceeds of \$71,892 and \$100,300, respectively, under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

In accordance with current guidance from the AICPA for non-profits, the Entity has accounted for loan proceeds as a conditional contribution, following the guidelines of ASC Subtopic 958-605 Not-for-Profit Entities—Revenue Recognition and TQA (section 3200). The loan proceeds were initially recorded as a refundable advance and that advance was reduced and the contribution revenue recognized once conditions of release were substantially met. The Entity spent PPP funds on eligible payroll and, as of December 31, 2021, and 2020, conditions had been met for the entire loan amounts of \$71,892 and \$100,300, which were recognized in the accompanying financial statements as revenue from federal assistance – PPP funds. Loan forgiveness for both loans was officially received during 2021.

**Tennessee River Gorge Trust, Inc.**  
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**NOTE J – GOVERNMENT GRANTS- EMPLOYER RETENTION CREDIT FUNDS**

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

In accordance with current guidance from the AICPA for non-profits, the Entity has accounted for the ERC funds as a government grant, following the guidelines of ASC Subtopic 958-605 Not-for-Profit Entities—Revenue Recognition. Funds received by the Entity were a cash refund from previously paid payroll taxes and are therefore unconditional. The funds are recognized in the accompany financial statements as revenue from federal assistance – Employer Retention Credit.

**NOTE K – ENDOWMENT**

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

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

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**NOTE K – ENDOWMENT (continued)**

In accordance with UPMIFA, the Entity considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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

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

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

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

**Endowment Net Asset Composition by Type of Fund:**

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

As of December 31, 2020:			
Quasi-Endowment Funds, Board Designated	\$ 1,510,819	\$ -	\$ 1,510,819
Total Funds	<u>\$ 1,510,819</u>	<u>\$ -</u>	<u>\$ 1,510,819</u>

**Reconciliation of Changes in Net Assets of the Endowment:**

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

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

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**NOTE L – LINE OF CREDIT**

The Entity maintains a line of credit with UBS Bank at a variable interest rate based on 30-day LIBOR and a spread of 2.25%. The rate at December 31, 2021 was 2.351%. As of December 31, 2021, outstanding draws on the line of credit were \$813,164 and available funds equaled \$986,836. For the year ended December 31, 2020, outstanding draws totaled \$0 and available funds equaled \$1,800,000. Beginning January 1, 2022, the benchmark for the variable interest rate will change from 30-day LIBOR to the Secured Overnight Financing Rate (SOFR).

**NOTE M – RETIREMENT PLAN**

Tennessee River Gorge Trust, Inc. provides a 403(b) tax-deferred retirement plan for full-time employees and part-time employees who have completed 1,000 hours and one year of service to the Entity. The Entity will contribute up to \$3,500 to the plan each year for eligible employees who choose to participate in the plan. Matching funds expense for the plan totaled \$17,500 and \$14,875 for the years ended December 31, 2021 and 2020, respectively.

**NOTE N – EASEMENTS**

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

**NOTE O – CARBON OFF-SET PROJECT**

Tennessee River Gorge Trust, Inc. utilizes a portion of its conserved land to sell carbon off-sets to an unrelated corporation. During 2021, 11,576 off-set credits, derived from the additionality of sequestered carbon in trees held by the Entity on conserved land, were sold for \$136,018. During 2020, 20,590 off-set credits, derived from the additionality of sequestered carbon in trees held by the Entity on conserved land, were sold for \$241,933. Off-sets will be re-evaluated again in 2022.

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**NOTE P – FAIR VALUE MEASUREMENT**

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

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

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

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

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

As of December 31, 2021:

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

As of December 31, 2020:

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

**Tennessee River Gorge Trust, Inc.**  
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**NOTE Q – INVESTMENTS**

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

As of December 31, 2021:

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

As of December 31, 2020:

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

**NOTE R – SUBSEQUENT EVENTS**

Subsequent events were evaluated through May 19, 2022, which is the date the financial statements were available to be issued.

On February 11, 2022, Tennessee River Gorge Trust sold a parcel of land for \$475,000. Proceeds from the sale of land were designated by the board of directors for future office space.



**Tennessee River Gorge Trust, Inc.**  
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**NOTE R – SUBSEQUENT EVENTS (continued)**

On February 23, 2022, Tennessee River Gorge Trust, Inc. entered into an operating agreement to form Appalachian Carbon Exchange, LLC (ACE), a Tennessee nonprofit limited liability company, of which Tennessee River Gorge Trust, Inc. is the sole member. The purpose of ACE is to promote land conservation through the creation and purchase of carbon sequestration agreements and the development of a market for the sale and/or exchange of carbon offset rights.