

**THE LAND TRUST
OF NORTH ALABAMA
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Land Trust of North Alabama
Huntsville, Alabama

Opinion

We have audited the accompanying financial statements of The Land Trust of North Alabama (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Land Trust of North Alabama as of December 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 4 to the financial statements, in 2022, The Land Trust of North Alabama adopted FASB ASC 842, *Leases*. Our opinion is not modified with respect to this matter.

As described in Note 15 to the financial statements, the Organization adopted new accounting guidance ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design,

implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Land Trust of North Alabama'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 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 The Land Trust of North Alabama internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Land Trust of North Alabama'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.

Mercer & Associates, PC

Huntsville, Alabama
September 30, 2023

**THE LAND TRUST OF NORTH ALABAMA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022**

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,552,871
Investment account	4,274,295
Pledges receivable	40,000
Prepaid expenses	<u>14,876</u>
Total Current Assets	<u>6,882,042</u>

Land, Buildings, Land Improvements and Equipment

Land	34,930,390
Land improvements	633,727
Furniture and equipment	35,894
Vehicles	43,330
Right-of-use Asset - Operating Leases (net of Accumulated Amortization)	72,030
Less allowance for depreciation	<u>(359,092)</u>
Total Land, Buildings Site Improvements and Equipment	<u>35,356,279</u>

Other Assets

Conservation easement fund - restricted	256,635
Pledges receivable, net of discount of \$16,047	293,953
Deposits	<u>3,227</u>
Total Other Assets	<u>553,815</u>

TOTAL ASSETS \$ 42,792,136

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 9,941
Payroll liabilities	13,517
Accrued compensated absences	14,078
Current Portion of Lease Liability- Operating Leases	<u>34,214</u>
Total Current Liabilities	<u>71,750</u>

Other Liabilities

Security deposit	<u>300</u>
Total Other Liabilities	<u>300</u>

Noncurrent Liabilities

Noncurrent Portion of Lease Liability- Operating Leases	<u>38,763</u>
Total Other Liabilities	<u>38,763</u>
Total Liabilities	<u>110,813</u>

Net Assets

Without Donor Restrictions	35,855,031
Board Designated	1,166,115
With Donor Restrictions, Restated	<u>5,660,177</u>
Total Net Assets	<u>42,681,323</u>

**TOTAL LIABILITIES AND
NET ASSETS** \$ 42,792,136

The accompanying notes to financial statements are an integral part of these financial statements.

**THE LAND TRUST OF NORTH ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

Net Assets Without Donor Restrictions	
Support	
Contributions	\$ 683,304
Special events revenue	90,476
Less: costs relating to special events	<u>(39,995)</u>
Total Support Revenue	<u>733,785</u>
Program Revenue	
Leases and sale of land revenue	14,877
Miscellaneous revenue	<u>46,434</u>
Total Program Revenue	<u>61,311</u>
Total Support and Program Revenue	<u>795,096</u>
Functional Expenses	
Program services	682,771
Support services	
Management and general	124,310
Fundraising	<u>30,170</u>
Total Functional Expenses	<u>837,251</u>
Other Income (Expense)	
Investment income (net)	3,439
Unrealized gain (loss)	(34,469)
Realized gain (loss)	0
Gain on disposal of asset	5,000
Donated land and land improvements	<u>2,605,535</u>
Total Other Income (Expense)	<u>2,579,505</u>
Net assets released from restriction	<u>777,509</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>3,314,859</u>
Net Assets With Donor Restrictions	
Designated gifts	1,140,562
Donor Restricted Investment income (net)	114,627
Donor Restricted Unrealized gain (loss)	(627,074)
Net assets released from restrictions	<u>(777,509)</u>
Increase (Decrease) in Net Assets with Donor Restrictions	<u>(149,394)</u>
Change in Net Assets	3,165,465
Net Assets, Beginning of Period	39,515,858
Net Assets, End of Period	<u>\$ 42,681,323</u>

The accompanying notes to financial statements are an integral part of these financial statements

**THE LAND TRUST OF NORTH ALABAMA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 343,699	\$ 31,402	\$ 8,320	\$ 383,421
Property management and taxes	66,472	-	-	66,472
Rent	31,398	2,869	760	35,027
Grant expenses	101,156	-	-	101,156
Depreciation	33,116	3,026	802	36,944
Payroll taxes	30,011	2,742	727	33,480
Printing	-	19,245	-	19,245
Employee benefits	8,218	751	199	9,168
Office expense	11,521	1,053	279	12,853
Membership expense	-	6,117	6,115	12,232
Insurance	12,929	1,181	313	14,423
Advertising, marketing, and public relations	-	8,379	8,379	16,758
Postage	-	3,898	3,898	7,795
Bank charges	-	12,145	-	12,145
Computer expense	-	5,414	-	5,414
Dues and subscriptions	6,761	618	164	7,543
Professional expenses	7,764	709	188	8,661
Land expense	18,385	-	-	18,385
Board expenses	-	22,124	-	22,124
Travel and conferences	-	1,562	-	1,562
Education	10,266	-	-	10,266
Steward Allowance	-	977	-	977
Utilities	1,076	98	26	1,200
TOTAL FUNCTIONAL EXPENSES	\$ 682,771	\$ 124,310	\$ 30,170	\$ 837,251

The accompanying notes to financial statements are an integral part of these financial statements

**THE LAND TRUST OF NORTH ALABAMA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

**Reconciliation of Increase in Net Assets to Net Cash
Provided (Used) by Operating Activities**

Increase (Decrease) in Net Assets	\$ 3,165,465
Adjustment to reconcile net income to net cash provided (used) by operating activities:	
Depreciation	36,944
Amortization of Right-of-Use assets	31,160
Repayment of lease liability-operating leases	(30,213)
Unrealized gain on marketable securities	661,543
Realized gain on marketable securities	0
Dividends received on investment fund	(140,408)
Investment expenses	22,342
Receipt of donated land	(2,605,535)
Decrease (increase) in:	
Pledges receivable	44,164
Conservation easement	(40,641)
Prepaid expenses	(639)
Right-of-use Asset - Operating Leases	(103,190)
Increase (decrease) in:	
Payroll liabilities	(439)
Accounts payable	4,785
Lease Liability- Operating Leases	103,190
Accrued compensated absences	1,462
Net cash provided (used) by operating activities	1,149,990

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	0
Sale of investments	0
Purchase of land	(622,345)
Disposal of property	0
Purchase of fixed assets	(112,610)
Net cash provided (used) by investing activities	(734,955)

CASH FLOWS FROM FINANCING ACTIVITIES

Payment on loan	0
Net cash provided (used) by financing activities	0

Net increase in cash and restricted cash	415,035
Cash and restricted cash at beginning of year	2,137,836
Cash and restricted cash at end of year	\$ 2,552,871

Supplemental information:

Cash paid for: Interest	\$ 0
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Noncash Transactions:

Contributed Land	\$ 2,605,535
Contributed Conservation Easements	0
Total noncash transactions	2,605,535

The accompanying notes to financial statements are an integral part of these financial statements.

THE LAND TRUST OF NORTH ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Land Trust of North Alabama, (the "Organization") is a non-profit organization established in 1988 to preserve lands for public use to enhance recreation, education, conservation, and prosperity in the North Alabama Region. The Organization purchases and accepts donations of land in order to accomplish this mission. Other sources of revenue include contributions received and special events held throughout the year.

Basis of Accounting

Under the provisions of the "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"), net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

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. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

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 Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Accounting standards require that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. In addition, gains and losses on investments should be reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Donated Equipment and Services

Donated equipment and materials are reflected as contributions in the accompanying statements at the estimated value at the date of receipt. In addition, a substantial number of volunteers have donated significant amounts of their time in the organization's program services and in its fund-raising campaigns. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Estimates

Preparation of financial statements in conformity with generally accepted accounting principles of the United States of America requires use of management's estimates. Management has made estimates related to accruals of revenues and expenses.

Property and Equipment

Buildings, site improvements, and equipment are stated at cost. It is the Organization's policy to capitalize acquisitions of property and equipment in excess of \$2,500. Additions, improvements, and expenses for repairs and maintenance that extend the economic life of the assets are capitalized. Other expenses for repairs and maintenance are charged to operating accounts when incurred. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets. Construction in progress is not depreciated until the assets are completed and placed into service.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Tax Status

The Organization is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. The Organization is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after December 31, 2018 remain subject to examination by taxing authorities.

Advertising

Advertising costs are expensed as incurred. Total advertising and public relations expense for year ended December 31, 2022 was \$16,758.

Cash and cash equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). The Organization's revenue is largely grants and contributions. The adoption of ASU 2014-09 had no impact on revenue and support or net assets.

The Organization recognizes contributions as support and revenue when the pledged receivable is currently due. Deferred revenues are those revenues collected for specific events that have not occurred and prepaid expenses are expenditures for specific events that have not yet occurred. Contributions received are recorded as support with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. All contributions are considered available for unrestricted use unless specially restricted by the donor or subject to other legal restrictions.

The Organization has elected to report donor-restricted contributions (including contributions of long-lived assets) whose restrictions are met in the same reporting period as unrestricted support. The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At December 31, 2022, the allowance for uncollectible promises to give was zero.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Leases are included in right-of-use assets and lease liabilities in the statement of financial position. Right-of-use assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report right-of-use assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. A payroll time study was done to allocate payroll and other expenses based on the amount of time employees spend on program services and supporting services.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, Payroll Taxes, and Benefits	Payroll Time Study
Membership Expense	Time and Effort
Depreciation	Payroll Time Study
Rent, Utilities, and Insurance	Management and General
Printing, Office Expense, Postage, Bank fees	Management and General

NOTE 2 - LAND

The Organization both purchases land and accepts donations of land in order to carry out the mission. Land that is purchased is recorded at cost. Donated land is carried at estimated fair market value at the date that it was received. The Organization has received land donations where the donor has retained a life estate interest in the property. The agreements allow the donor use of the property for their remaining life. The property is restricted both in regards to the life estate and may only be transferred to a local government if the Organization ceases to operate.

The Organization has received certain donated land that is restricted by the donor for the limited use of the Land Trust. Restrictions have been placed on some donated land that does not allow the Organization to sell the land or transfer to any organization except the City of Huntsville or as designated in the deed of the donated property.

NOTE 3- FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and 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.

NOTE 4 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash accounts at several Huntsville, Alabama commercial banks and in uninsured money market accounts. The FDIC insures the total cash balances at each commercial bank up to \$250,000. Balances of all accounts are stated at cost, which approximates market value. The uninsured balance at December 31, 2022 is \$1,966,906.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 5 - BOARD DESIGNATED FUNDS

Certain commitments have been approved by the Board of Directors and are shown on the balance sheet included with net assets without donor restrictions. These designations can change as needed by approval of the Board, as no restrictions were placed on these funds by the donors. The board designated funds total \$1,145,115 at December 31, 2022.

Endowment Fund Board Designated	\$211,539
Building Fund	687,876
Stewardship- Defense Fund	70,350
Operating Reserve	<u>196,350</u>
Total	<u>\$1,166,115</u>

NOTE 6 - IN KIND SERVICES AND DONATIONS

During the year ended December 31, 2022 the value of donated materials and services meeting the requirements for recognition in the financial statements was \$2,605,535.

The donations recorded as expenses are as follows:

Donated land and land improvements	<u>\$2,605,535</u>
Total	<u>\$2,605,535</u>

NOTE 7 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that 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 dates. A fair value measurement assumes that the transaction to see the asset or transfer the liability occurs in the principal market for the asset 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 value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value in three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 7 - INVESTMENTS AND FAIR VALUE MEASUREMENTS-CONTINUED

Level 3 are unobservable inputs for the asset or liability and rely on management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Foundation’s own data.)

The following table presents the Land Trust of North Alabama’s fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2022.

	Level 1	Level 2	Level 3	Total
Investment	\$ 4,274,295	\$ 0	\$ 0	\$ 4,274,295
Totals	\$ 4,274,295	\$ 0	\$ 0	\$ 4,274,295

NOTE 8- FIXED ASSETS

At December 31, 2022, the costs and related accumulated depreciation of fixed assets consisted of the following:

	Balance December 31, 2021	Additions	Retirements and Reclassifications	Balance December 31, 2022
Land	\$ 31,702,510	\$ 3,227,880	\$ 0	\$ 34,930,390
Land improvements	529,283	108,235	(3,791)	633,727
Furniture and equipment	32,432	4,375	(913)	35,894
Vehicles	63,330	0	(20,000)	43,330
Right-of-use Asset - Operating Leases (net of Accumulated Amortization)	0	103,190	(31,160)	72,030
Accumulated depreciation	(346,851)	(36,944)	24,703	(359,092)
Total unrestricted land, property and equipment, net	\$ 31,980,704	\$ 3,406,736	\$ (31,161)	\$ 35,356,279

Depreciation expense for the year ended December 31, 2022 was \$36,944.

NOTE 9– SPECIAL EVENTS

Special events generate revenue for the Organization as well as raise awareness about the organization's mission. Some events are annual and some are incidental to the Organization's central activities and do not happen regularly. Incidental events are recorded net in the accompanying Statement of Activities.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 9– SPECIAL EVENTS-CONTINUED

Changes in net assets without donor restrictions:

Contributions:	
Concerts	\$ 20,560
Moon Dance	<u>69,916</u>
Total	<u>90,476</u>
Expenses:	
Concerts	\$10,911
Moon Dance	<u>29,084</u>
Total	<u>39,995</u>

Increases in net assets without donor restrictions \$50,481

NOTE 10 – LIQUIDITY

The Organization’s financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$2,552,871
Investments	4,274,295
Receivables	40,000
Prepaid expenses	<u>14,876</u>
Total	<u>\$6,882,042</u>

The Organization’s financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date.

As part of The Organization’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.

NOTE 11- NET ASSETS – WITH DONOR RESTRICTIONS

Donor restricted net assets consist for the following purposes as of December 31, 2022:

Subject to expenditure for specified purpose:	
City of Madison land purchase	\$54,868
Beaverdam Spring Endowment	4,062,755
Green Mountain Property	27,496
General land acquisition	482,825
River to Gap	2,741
Land stewardship	10,809
Emerald Necklace	4,768
Robinson Spring Stewardship	177,371
Cane Creek Stewardship	40,000
Cane Creek Donations	1,105
Boeing	12,164

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 11- NET ASSETS – WITH DONOR RESTRICTIONS (CONTINUED)

Laughlin Education	1,239
Bethel Springs Accessibility Project	134
Northrup Grumman- Rainbow Mountain	2,793
Northrup Education- Trail Work	1,500
Education- Deeners	525
Cornell Birding	2,550
Pollinator Garden	3,372
Venturi Brighter Day Education	3,351
Beaverdam Spring Stewardship	23,947
Paull CE Stewardship	18,640
K Phillips CE Stewardship	20,650
Bryant Bank Book Box	1,000
NEEF Harvest Square	36,756
Harvest Walkway	2,700
LTA Alliance Remote Monitoring	6,337
MC Legislative Conservation & Trail	2,500
Tollgate Greenway	1,400
Tomkies Trail Cards	131
City of Huntsville Land Purchase	6,350
Nature Discovery Center-donor restricted	626,400
Subject to the passage of time:	
Endowment fund	<u>21,000</u>
Total	<u>\$5,660,177</u>

Releases from Donor Restricted Net Assets for December 31, 2022 are as follows:

Subject to expenditure for specified purpose:	
Monte Sano	\$4,333
Lockheed Education	9,925
AL Mountain, Rivers and Valley Education	734
Green Mountain	2,504
Laughlin Education	2,261
General Land Acquisition	189,022
Bethel Springs Alpha Foundation	720
Education-Deeners	975
Chapman Land Acquisition	371,828
Cornell Birding	11,584
Pollinator Garden	102,829
REI Trail Work	10,000
Toyota Education	87
NEEF Harvest Square	40,244
LTA Alliance Remote Monitoring	5,663
Tomkies Trail Cards	570
City of Huntsville Land Purchase	23,650
NEEF High trail	<u>580</u>
Total	<u>\$777,509</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 11- NET ASSETS – WITH DONOR RESTRICTIONS (CONTINUED)

Donations were received in prior years to establish a conservation easement fund for parcels of land. Interest earned on this restricted account is also included in net assets with donor restrictions. The value of the easement fund cash account at December 31, 2022 is \$256,635.

NOTE 12 - PLEDGES RECEIVABLE

The pledges receivable are due from supporters of the Pollinator Garden. During 2021, \$400,000 of pledges were recorded. All pledges are considered collectible and no allowance for bad debt is required at this time. The pledge is discounted to the present value of the pledge over 10 years with the T bill rate at date of pledge of 1.50%. The pledges are receivable as follows:

Within 1 year of 12/31/2022	\$ 40,000
1-2 years	38,826
2-3 years	38,253
3-4 years	37,687
<u>4 or more years</u>	<u>179,187</u>
<u>Total</u>	<u>\$333,953</u>

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE

In 2022, the Organization adopted FASB ASC 842, Leases, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. As a result of implementing ASC 842, the Organization recognized a right-of-use asset of \$103,190 and a lease liability totaling \$103,190. There was no effect on Net Assets without donor restrictions.

Statement on Auditing Standards (SAS) No. 142 takes effect for audits of financial statements for periods ending on or after December 15, 2022. SAS No. 142 explains what constitutes audit evidence in an audit of financial statements and sets out attributes of information that are taken into account by the auditor when evaluating information to be used as audit evidence. The adoption of SAS No. 142 had no effect on Net Assets.

The Organization adopted Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from the contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity had received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosures.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 14 – LEASE OBLIGATIONS

FASB ASC 842, *Leases* issued in February 2016, is effective for fiscal years beginning after December 15, 2021. FASB ASC 842 requires lessees to determine if leases are classified as Operating Leases or Finance Leases. Regardless of classification, lessees must recognize an intangible right-of-use asset and lease liability. The right-of-use asset represents Land Trust’s right to use the underlying asset for the lease term, and the lease liability represents Land Trust’s obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. The right-of-use assets are amortized over the lease term. For leases classified as an Operating Lease, lease payments are recognized as rent expense on a straight-line basis over the lease term. For leases classified as a Finance Lease, lease payments are recognized as a reduction in the lease liability and interest expense. There was no change to net assets due to this implementation.

The Organization’s operating lease consists of the rental of office space for 3 years beginning February 1, 2022. For the year ended December 31, 2022, total lease expense was \$35,027, As of December 31, 2022, the weighted-average remaining lease term for the Organization’s operating lease was approximately 2 years.

The following table presents the Organization’s leased asset balances as of December 31, 2022:

	Gross Asset Balance	Accumulated Amortization	Net Asset Balance
Right-of-use assets- operating leases	\$ 103,190	\$ 31,160	\$ 72,030

Lease activity for the year ended December 31, 2022 was as follows:

	Balance at January 1, 2022	Lease Financing	Principal Payments	Balance at December 31, 2022
Leased Building	\$ 0	\$ 103,190	\$ (30,213)	\$ 72,977
Current Lease Liability				(34,214)
Long Term Lease Liability				\$ 38,763

Cash paid for operating leases for the year ended December 31, 2022 was \$34,080. There were no noncash investing and financing transactions related to leasing other than the transition entry.

Future payments for the next five years due to the Organization under non-cancelable agreements are as follows:

Year ending December 31	Total Payments
2023	\$ 35,018
2024	36,068
2025	3,013
	74,099
Less imputed Interest	(1,122)
	\$ 72,977

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 15 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

The Organization reports donated goods and services meeting recognition criteria under U.S. GAAP as public support and as expense, based on fair values. No support, revenue, or expense is recognized from services contributed by volunteers since no objective basis is available to measure the value of such services. All contributions of nonfinancial assets were used for the Organization. The Organization did not monetize any contributed nonfinancial assets and unless otherwise noted, contributed nonfinancial assets did not have donor restrictions.

As of December 31, 2022, In-kind contributions included in the statement of activities are comprised of the following:

Donated Land and Land Improvements	\$ <u>2,605,535</u>
Total	\$ <u>2,605,535</u>

NOTE 16-RESTATEMENT OF DONOR RESTRICTED NET ASSETS

A restatement was made to adjust beginning donor restricted net assets by \$263,237 due to a prior City of Huntsville donation and 3 other donations incorrectly being included in Board Designated net assets instead of Donor Restricted net assets.

NOTE 17– RISK AND UNCERTAINTY- COVID-19

The World Health Organization declared the COVID-19 outbreak a public health emergency on January 30, 2020. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. Anticipating the impact of the pandemic will make budget preparation difficult. At this time, an estimate of the financial statement effect of the event cannot be made.

NOTE 18- SUBSEQUENT EVENTS

The date through which subsequent events have been evaluated is September 30, 2023. The financial statements were available to be issued at that time.