



THE PIEDMONT ENVIRONMENTAL COUNCIL AND THE PIEDMONT FOUNDATION

Consolidated Financial Statements



For the Years Ended December 31, 2021 and 2020



and Report Thereon



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**THE PIEDMONT ENVIRONMENTAL COUNCIL
AND THE PIEDMONT FOUNDATION**

**Consolidated Statements of Financial Position
December 31, 2021 and 2020**

Assets	2021	2020
Current Assets		
Cash and cash equivalents	\$ 1,061,539	\$ 965,278
Grants, contributions and other receivables	429,153	47,012
Prepaid expenses and other assets	76,021	46,368
Investments, at fair market value	26,861,442	23,074,452
Land held for sale	--	165,000
Total current assets	<u>28,428,155</u>	<u>24,298,110</u>
Long-Term Assets		
Land held for conservancy	6,929,798	6,929,798
Property and equipment, net	2,697,398	2,779,882
Land	76,206	76,206
Beneficial interest held in remainder trusts	919,026	778,880
Total long-term assets	<u>10,622,428</u>	<u>10,564,766</u>
Total assets	<u>\$ 39,050,583</u>	<u>\$ 34,862,876</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 429,293	\$ 345,727
Line of credit	--	300,000
Total current liabilities	<u>429,293</u>	<u>645,727</u>
Net Assets		
Without donor restrictions	15,947,817	13,932,985
With donor restrictions	22,673,473	20,284,164
Total net assets	<u>38,621,290</u>	<u>34,217,149</u>
Total liabilities and net assets	<u>\$ 39,050,583</u>	<u>\$ 34,862,876</u>

The accompanying notes are an integral part of these Financial Statements.

**THE PIEDMONT ENVIRONMENTAL COUNCIL
AND THE PIEDMONT FOUNDATION**

**Consolidated Statements of Activities
For the Years Ended December 31, 2021 and 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Contributions and grants	\$ 3,367,595	\$ 2,117,981	\$ 5,485,576	\$ 3,353,489	\$ 1,461,069	\$ 4,814,558
Special events	487,025	--	487,025	409,726	--	409,726
Less: costs benefiting contributors	(224,092)	--	(224,092)	(56,952)	--	(56,952)
Special events, net of costs	262,933	--	262,933	352,774	--	352,774
Investment return, net	2,386,057	1,909,150	4,295,207	1,611,416	1,125,616	2,737,032
Gain (loss) on disposal of property	62,500	--	62,500	(183,814)	--	(183,814)
Change in value of remainder trusts	--	140,146	140,146	--	119,924	119,924
Other	15,723	--	15,723	79,104	--	79,104
Net assets released from restrictions:						
Satisfaction of program restrictions	1,777,968	(1,777,968)	--	1,482,710	(1,482,710)	--
Total revenue and support	7,872,776	2,389,309	10,262,085	6,695,679	1,223,899	7,919,578
Expenses						
Program Services:						
Conservation, stewardship and habitat	1,498,406	--	1,498,406	1,352,949	--	1,352,949
County issues and planning	869,007	--	869,007	729,832	--	729,832
Policy	546,676	--	546,676	502,956	--	502,956
Farms and food	441,874	--	441,874	403,448	--	403,448
Transportation and growth management	118,181	--	118,181	127,154	--	127,154
Outreach and education	645,225	--	645,225	541,197	--	541,197
Total program services	4,119,369	--	4,119,369	3,657,536	--	3,657,536
Supporting Services:						
Fundraising	635,272	--	635,272	556,392	--	556,392
Management and general	1,103,303	--	1,103,303	1,187,401	--	1,187,401
Total supporting services	1,738,575	--	1,738,575	1,743,793	--	1,743,793
Total expenses	5,857,944	--	5,857,944	5,401,329	--	5,401,329
Change in net assets	2,014,832	2,389,309	4,404,141	1,294,350	1,223,899	2,518,249
Net assets, beginning of year	13,932,985	20,284,164	34,217,149	12,638,635	19,060,265	31,698,900
Net assets, end of year	\$ 15,947,817	\$ 22,673,473	\$ 38,621,290	\$ 13,932,985	\$ 20,284,164	\$ 34,217,149

The accompanying notes are an integral part of these Financial Statements.

**THE PIEDMONT ENVIRONMENTAL COUNCIL
AND THE PIEDMONT FOUNDATION**

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 4,404,141	\$ 2,518,249
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	167,017	151,848
Donation of land held for sale	- -	(165,000)
(Gain) loss on disposal of property	(62,500)	183,814
Net realized and unrealized (gain) in investments	(3,790,193)	(2,534,913)
Change in value of beneficial interest held in remainder trusts	(140,146)	(119,924)
Changes in assets and liabilities:		
(Increase) decrease in grants, contributions and other receivables	(382,141)	108,765
(Increase) decrease in prepaid expenses and other assets	(29,653)	10,274
Increase in accounts payable and accrued expenses	<u>83,566</u>	<u>88,846</u>
Net cash provided by operating activities	<u>250,091</u>	<u>241,959</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	7,505,063	1,882,317
Purchases of investments	(7,501,860)	(1,650,199)
Proceeds from the sale of land	227,500	- -
Purchases of property and equipment and land held for conservancy	<u>(84,533)</u>	<u>(324,550)</u>
Net cash provided by (used in) investing activities	<u>146,170</u>	<u>(92,432)</u>
Cash Flows from Financing Activities		
Proceeds from line of credit	- -	300,000
Principal payment on line of credit	<u>(300,000)</u>	<u>- -</u>
Net cash (used in) provided by financing activities	<u>(300,000)</u>	<u>300,000</u>
Change in cash and cash equivalents	96,261	449,527
Cash and Cash Equivalents		
Beginning of year	<u>965,278</u>	<u>515,751</u>
End of year	<u>\$ 1,061,539</u>	<u>\$ 965,278</u>
Supplemental Cash Flow Information		
Interest paid	<u>\$ 3,753</u>	<u>\$ 7,345</u>
Noncash other contributions	<u>\$ 83,069</u>	<u>\$ 54,226</u>
Noncash land contribution	<u>\$ - -</u>	<u>\$ 165,000</u>

The accompanying notes are an integral part of these Financial Statements.

THE PIEDMONT ENVIRONMENTAL COUNCIL AND THE PIEDMONT FOUNDATION

Notes to Consolidated Financial Statements

1. Organization and Summary of Significant Accounting Policies

Organization

The Piedmont Environmental Council (the Council) was founded in 1972. The Council was organized to provide positive programs and professional planning assistance designed to preserve the traditional character and visual order of the countryside, towns and villages of the northern Piedmont region of Virginia, while providing for orderly economic progress sensitive to conservation of the land, water, air and other natural resources, as a legacy to generations to come.

The Piedmont Foundation was founded in 1999 and began operations in 2000 upon acknowledgement by the IRS of the Foundation's status as a tax-exempt 501(c)(3) organization and supporting organization as described in IRC Section 509(a)(3). The Piedmont Foundation (the Foundation) was organized to support the activities of The Piedmont Environmental Council, Inc.

Under accounting principles generally accepted in the United States of America, the Foundation and the Council are required to issue consolidated financial statements because the Directors of the Piedmont Environmental Council elect the Directors of the Foundation. These consolidated financial statements include the accounts of both Piedmont Environmental Council and Piedmont Foundation. All material intercompany accounts and transactions were eliminated in consolidation. Unless otherwise noted, the entities will be collectively referred to as the "Council" throughout the financial statements.

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens taken significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Council considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Council maintains its cash balances in various financial institutions which, at times, may exceed federally insured limits. The Council has not experienced any losses on such accounts.

Land Held for Conservancy

Land held for conservancy is recorded at cost or, if donated, at the estimated fair market value of the land, as if restricted by an easement, on the date of the donation.

Notes to Consolidated Financial Statements

Conservation Easements

Conservation easements are intangible assets representing restrictions on the development of real property, conveyed by a property owner to the Council. The Council occasionally accepts and holds or co-holds these easements in order to protect the owned property in perpetuity. Conservation easements, by their nature, have no market value, as they cannot be sold or exchanged for remuneration. Thus, when the Council accepts an easement, either as a sole holder or as a co-holder, no revenue or expense is recorded. The Council holds or co-holds 71 and 69 conservation easements totaling 10,562 and 10,034 acres as of December 31, 2021 and 2020, respectively.

Investments

Investments are reported at fair value in the statements of financial position. Investment return is reflected in the statements of activities, net of fees.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the fair market value on the date of donation, and are being depreciated using the straight-line method over the estimated economic useful life of three to thirty-one and one-half years with no salvage value. Maintenance and repairs are charged to expense when incurred, whereas major improvements are capitalized. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is charged to revenue and expenses.

Classification of Net Assets

Net assets without donor restrictions are assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions consist of individual gifts from donors who have stipulated time or purpose restrictions or as a condition of the gift, the principal is to be maintained intact in perpetuity and that only the income from the investment can be expended either for unrestricted purposes or for purposes stipulated by donor. Net assets are released from restriction and reclassified to net assets without donor restrictions as the Council fulfills the donor stipulation or upon passage of time.

Revenue Recognition

Contributions and grants are recognized as revenue when they are received or unconditionally promised.

The Council reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 restrictions.

Notes to Consolidated Financial Statements

The Council reports gifts of land, buildings, and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how these long-lived assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized, or treated as a refundable advance, until the conditions on which they depend have been met.

The Foundation, as part of a capital fundraising campaign that began in 2005, has been named a beneficiary in planned giving vehicles. These gifts are not reflected in the accompanying statements because the purpose of the contribution has not been specified or is subject to change and the time period over which the gifts will be realized is uncertain.

Grants and contributions receivable represent amounts committed by grantors and donors that have not been received by the Council. All grants and contributions receivable are expected to be collected within one year.

Contributions of services shall be recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special events income includes receipts from ticket sales, contributions, auction items and sponsorships and is recognized at the time of the event. Special events income includes both exchange transactions as well as contributions. The transaction price associated with the performance obligations included in special events income is valued at the standalone selling price or the price the Council would charge if a benefit (i.e. tickets and auction items) were sold separately. The value of the benefits received amounted to \$110,151 and \$105,928 as of December 31, 2021 and 2020, respectively.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. Contributions that are restricted by the donor and for which the restrictions do not fully expire in the reporting period are reported as net assets with donor restrictions in the Statements of Activities.

As of December 31, 2021 and 2020, contributions and grants totaling \$3,466,550 and \$3,297,828, respectively, had not been recognized in the accompanying statements of activities because the conditions on which they depend had not yet been met.

Notes to Consolidated Financial Statements

Allocation Methodology for the Schedules of Functional Expenses

The costs of providing program and supporting services have been summarized on a functional and natural basis in the Schedules of Functional Expenses. Certain costs have been allocated among program services, management and general and fundraising. Such allocations have been made by management on an equitable basis. The expenses that were allocated included the following:

<u>Expense</u>	<u>Allocation Methodology</u>
Salaries, wages, taxes and benefits	Direct Allocation and Time and Effort
Professional fees	Direct Allocation and Time and Effort
Subcontracts	Direct Allocation
Scholarships and donations	Direct Allocation
Printing, copying, and publications	Direct Allocation
Occupancy	Direct Allocation and Time and Effort
Postage expense	Direct Allocation
Travel	Direct Allocation
Conferences and meetings	Direct Allocation
Telephone and internet	Direct Allocation and Time and Effort
Web-based services	Direct Allocation and Time and Effort
Office expenses and supplies	Direct Allocation and Time and Effort
Dues and subscriptions	Direct Allocation
Depreciation and amortization	Direct Allocation and Time and Effort
Insurance	Direct Allocation and Time and Effort
Interest	Direct Allocation
Advertising	Direct Allocation
Other expenses	Direct Allocation and Time and Effort

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the standards are described as follows:

Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Notes to Consolidated Financial Statements

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities or other inputs observable for the asset or liability, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For the years ended December 31, 2021 and 2020, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Equity and debt securities

The fair value of equity securities and debt securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Alternative fund

The Foundation adopted ASU 2015-07, Fair Value Measurement (Topic 820) – Disclosures for Investments in Certain Entities That Calculate Net Asset Value (“NAV”) per Share (or its Equivalent). The standard removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured at NAV. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. NAV is used as a practical expedient to estimating fair value.

Land Held for Sale

Land held for sale is valued at estimated fair market value. The estimate fair market value is derived from an appraisal.

The carrying amounts of the Council's financial instruments not described above arise in the ordinary course of business and approximate fair value. The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Advertising

The Council follows the policy of charging the cost of advertising to expense as incurred. Advertising expense was \$9,000 and \$45,178 for 2021 and 2020, respectively.

Notes to Consolidated Financial Statements

2. Investments, including Fair Value Measurements

The Council held the following investments as of December 31, 2021 and 2020, respectively:

<u>2021</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation</u>
Money market funds	\$ 4,449,599	\$ 4,429,850	\$ --
Equity securities	7,700,162	14,965,944	7,265,782
Debt securities	4,112,293	4,161,459	49,166
Alternative fund	<u>2,000,000</u>	<u>3,304,189</u>	<u>1,304,189</u>
Total investments	<u>\$ 18,262,054</u>	<u>\$ 26,861,442</u>	<u>\$ 8,619,137</u>

<u>2020</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation</u>
Money market funds	\$ 445,863	\$ 445,863	\$ --
Equity securities	11,568,840	17,748,353	6,179,513
Debt securities	2,041,426	2,115,100	73,674
Alternative fund	<u>2,000,000</u>	<u>2,765,136</u>	<u>765,136</u>
Total investments	<u>\$ 16,056,129</u>	<u>\$ 23,074,452</u>	<u>\$ 7,018,323</u>

The following table presents the balance of financial assets measured at fair value on a recurring basis as of December 31, 2021 and 2020:

<u>2021</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Levels (Level 2)</u>	<u>Significant Other Unobservable Levels (Level 3)</u>	<u>Total</u>
Money market funds	\$ 4,429,850	\$ --	\$ --	\$ 4,429,850
Equity securities	14,965,944	--	--	14,965,944
Debt securities	4,161,459	--	--	4,161,459
Alternative fund*	--	--	--	3,304,189
Total investments	<u>\$ 23,557,253</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 26,861,442</u>

<u>2020</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Levels (Level 2)</u>	<u>Significant Other Unobservable Levels (Level 3)</u>	<u>Total</u>
Money market funds	\$ 445,863	\$ --	\$ --	\$ 445,863
Equity securities	17,748,353	--	--	17,748,353
Debt securities	2,115,100	--	--	2,115,100
Alternative fund*	--	--	--	2,765,136
Land held for sale	--	--	165,000	165,000
Total investments	<u>\$ 20,309,316</u>	<u>\$ --</u>	<u>\$ 165,000</u>	<u>\$ 23,239,452</u>

*In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share have not been classified in the fair value hierarchy. The fair value amounts in the table are intended to permit reconciliation of the fair value hierarchy to the line item presented in the statement of financial position.

Notes to Consolidated Financial Statements

Investments Measured Using the Net Asset Value (NAV) per Share as a Practical Expedient

The Alternative Fund held by the Foundation is valued at the NAV of shares held by the Foundation at year-end.

The Alternative Fund is valued using the practical expedient at the Foundation's pro-rata interest in the net assets of the entities. Investments held by these entities are valued at prices which approximate fair value. The fair value of certain investments in the underlying entities, which may include private placements and other securities for which values are not readily available, are determined in good faith by the investment advisors of the respective entities and may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. The estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments, and these differences could be material. Net asset valuations are provided daily, monthly, or quarterly by these entities. Appreciation of investments in these entities is net of all allocations to the investment advisors.

The table below sets forth a summary of changes in the fair value of the Council's Level 3 investment asset:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 165,000	\$ --
Donation of land	--	165,000
Sale of land	(165,000)	--
Balance, end of year	<u>\$ --</u>	<u>\$ 165,000</u>

The summary of investment return, net for the years ended December 31, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 606,841	\$ 252,825
Unrealized and realized gain	3,793,153	2,568,065
Investment fees	(104,787)	(83,858)
	<u>\$ 4,295,207</u>	<u>\$ 2,737,032</u>

Notes to Consolidated Financial Statements

3. Property and Equipment, Net

The Council's property and equipment, net consisted of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 3,706,255	\$ 3,641,803
Land improvements	80,740	80,740
Furniture and equipment	146,684	126,603
Software	<u>79,825</u>	<u>79,825</u>
Total property and equipment	4,013,504	3,928,971
Less accumulated depreciation and amortization	<u>(1,316,106)</u>	<u>(1,149,089)</u>
Net property and equipment	<u>\$ 2,697,398</u>	<u>\$ 2,779,882</u>

Depreciation and amortization expense was \$167,017 and \$151,848 for 2021 and 2020, respectively.

4. Line of Credit

The Council has a \$300,000 line of credit with Truist Bank (FKA BB&T), which was renewed until August 4, 2022. Funds drawn against this line accrued interest at the lender's prime rate of 3.25% during 2021 and 2020. As of December 31, 2021 and 2020, the Council had a \$0 and \$300,000 balance, respectively, on the line of credit. Interest expense on the line of credit for 2021 and 2020 was \$3,753 and \$7,345, respectively.

5. Paycheck Protection Program

On March 27, 2020, and as a result of COVID-19, the Coronavirus Aid, Relief and Economic Security Act (or CARES Act) became part of U.S. Law. One of the provisions of the CARES Act is the Paycheck Protection Program, which is intended to provide economic relief to small businesses for them to maintain payroll and cover other qualifying overhead costs. During 2020, the Council received an uncollateralized loan in the amount of \$635,485 through the Paycheck Protection Program. Interest rate on the loan was 1%. The loan was set to mature in May of 2022. Upon meeting certain requirements of the Program, the Council could qualify for partial or full loan forgiveness. As of December 31, 2020, the Council had met the conditions to qualify for full forgiveness on the loan. As such, the grant is reflected in the statement of activities, under the Contributions and Grants line item, for the year ended December 31, 2020. During 2021, the Council applied and received full forgiveness of the loan.

Notes to Consolidated Financial Statements

6. Post-Retirement Benefits

The Council has an employee retirement plan pursuant to Section 403(b) of the Internal Revenue Code. All permanent full-time employees are eligible to make contributions upon employment. Employee contributions to the employee retirement plan are voluntary and are made with pre-tax payroll deductions of up to approximately 20% of participating employees' compensation. Employees who have successfully completed 12 months of service and 1,000 hours of work are eligible for employer contributions. Under the retirement plan, the Council may also contribute. The employer contribution for the 2021 and 2020 calendar years was \$150,184 and \$130,593 respectively, which was included in salaries, wages, taxes and benefits in the accompanying schedules of functional expenses. Individual contracts under the plan provide for full and immediate vesting of both the employer's and employee's contributions.

7. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2021 and 2020 were available for future expenditures in the following areas:

	2021	2020
Conservation	\$ 3,278,003	\$ 2,949,252
County issues	23,494	250
Transportation and growth management	66,136	131,389
Farms and food	191,482	250,564
Outreach and environmental education	7,768	7,768
Policy	174,834	242,572
Senior fellow	238,783	185,170
Communications	350	350
Plant and equipment	-	18,585
Albemarle County General Endowment	1,260,954	843,600
Land Conservation Officers Endowment	500,143	309,066
Albemarle County Land Conservation Program Endowment	723,776	430,632
Evergreen (Easement Stewardship Fund)	1,490,134	1,268,398
Easement Defense Fund (Legal Defense Fund)	228,335	191,465
Rappahannock County Land Conservation Fund	1,009,158	852,724
Clarke County Land Conservation Fund	1,166,255	984,783
Goose Creek Land Conservation Fund	356,729	299,673
Bull Run Land Conservation Fund	110,357	117,699
Cedar Run Land Conservation Fund	187,260	150,531
Culpeper Land Conservation Fund	67,696	57,215
Madison Land Conservation Fund	98,246	83,085
Greene Land Conservation Fund	24,966	21,091
Ovoka Memorial	287,776	252,458
Other grants and funds	30,668	25,820
Charitable remainder unitrusts	919,026	778,880
Albemarle County General Endowment, principal portion	2,000,000	2,000,000
Albemarle County Land Conservation Program Endowment, principal portion	1,400,000	1,000,000
Land Conservation Officers Endowment, principal portion	1,000,000	1,000,000
General Endowment Fund, principal portion	5,831,144	5,831,144
Total	<u>\$ 22,673,473</u>	<u>\$ 20,284,164</u>

Notes to Consolidated Financial Statements

8. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Council and Foundation are exempt from federal taxes on income other than net unrelated business income. As of December 31, 2021 and 2020, no provision for taxes was made, as the Council and Foundation had no unrelated business income.

9. Related Party Transaction

In 2019, the Board of Directors of the Foundation unanimously agreed to purchase a publicly traded mutual fund that is managed by a Board member's investment firm. The decision was reached after reviewing the performance of the fund in comparison to other investments. The Board member recused himself during the review and will continue to do so in future decisions regarding the invested funds.

10. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions during the years ended December 31, 2021 and 2020, by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. Net assets released in 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Conservation	\$ 269,835	\$ 427,479
County issues	1,756	2,592
Transportation and growth management	172,664	151,030
Farms and food	140,418	11,128
Outreach and environmental education	--	1,043
Policy	411,248	208,515
Senior fellow	416,943	401,439
Plant and equipment	18,585	--
Gordonsville Town to Trail Initiative	5,000	--
Historic preservation	23,897	--
Development	--	1,500
Land conservation funds	35,709	13,503
Appropriation of endowment assets for expenditure	214,136	209,563
Legal defense fund	1,004	1,271
Grants and other	66,773	53,647
Total	<u>\$ 1,777,968</u>	<u>\$ 1,482,710</u>

Notes to Consolidated Financial Statements

11. Remainder Trusts

The Foundation is the named beneficiary of various charitable remainder trusts. The Foundation's policy is to record the present value of the remainder interests when they learn of the agreement, the terms of the agreement are irrevocable, and the value can be readily determined.

The change in the value of the remainder trusts are recorded in the statements of activities. The remainder trusts were initially recorded in 2016 when the Foundation became aware of the agreements. The change in the value of the remainder trusts was \$140,146 and \$119,924 as of December 31, 2021 and 2020, respectively.

The present value of the remainder interests is recorded in the statement of financial position as "beneficial interest held in remainder trusts". The remainder value of these agreements as of December 31, 2021 and 2020 was \$919,026 and \$778,880, respectively.

12. Endowment

The Foundation's endowment consists of four funds established to support the general operations of the Foundation and Council, or specific operations or staff positions of the Council. The endowment includes funds with donor restrictions. Board designated funds which function as endowments are included as net assets without donor restrictions. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted state law as requiring the preservation of the value of the original gift (corpus) of the permanent endowment fund, unless the donor stipulates how net appreciation must be used. As a result of the Board's interpretation, the net appreciation (unrealized gains and losses) is retained as net assets with donor restriction.

The Foundation has adopted an investment policy to preserve principal, both in absolute and real terms (adjusted for inflation), while seeking to maximize returns within acceptable levels of risk and to provide income to meet operating expenses. A diversified portfolio with an equity/debt ratio varying from 80/20 to 45/55 is reviewed quarterly by the Investment Committee of the Board of Directors. Under agreements with the Council, the Foundation distributes up to 5% of each endowment per annum (in lieu of an income distribution).

Notes to Consolidated Financial Statements

The Albemarle Land Conservation Program Endowment and the Land Conservation Officers Endowment, under agreements between the donor, the Foundation and the Council, distributes an amount specified by the Foundation Board of Directors, provided the corpus exceeds the original balance of \$1,400,000 and \$1,000,000, respectively.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Endowment net assets, December 31, 2019	\$ 4,432,447	\$ 10,984,361
Investment return, net	703,481	639,644
Contributions	10,560	--
Appropriation of endowment assets for expenditure	<u>(193,745)</u>	<u>(209,563)</u>
Endowment net assets, December 31, 2020	4,952,743	11,414,442
Investment return, net	961,365	1,115,711
Contributions	23,050	400,000
Appropriation of endowment assets for expenditure	<u>(245,161)</u>	<u>(214,136)</u>
Endowment net assets, December 31, 2021	<u>\$ 5,691,997</u>	<u>\$ 12,716,017</u>

13. Commitments and Contingencies

Future minimum lease payments as of December 31, 2021 required under noncancellable operating leases expiring through 2023 are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 29,700
2023	<u>2,075</u>
Total	<u>\$ 31,775</u>

Rental expense, including month-to-month leases, for the years ended December 31, 2021 and 2020 was \$53,028 and \$81,774, respectively.

Notes to Consolidated Financial Statements

14. Liquidity and Availability of Resources

The Council has the following financial assets available within one year of statement of financial position date to meet cash needs for general expenditure. The Council has a line of credit in the amount of \$300,000 which it could draw upon in the event of an unexpected liquidity need.

	<u>2021</u>	<u>2020</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 1,061,539	\$ 965,278
Grants, pledges and other receivables	429,153	47,012
Investments	<u>26,861,442</u>	<u>23,074,452</u>
Total financial assets	<u>28,352,134</u>	<u>24,086,742</u>
Less those unavailable for general expenditure within one year:		
due to donor imposed restrictions	20,413,873	18,024,564
due to board designations	<u>5,691,997</u>	<u>4,952,743</u>
Financial assets not available to be used within one year	<u>26,105,870</u>	<u>22,977,307</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,246,264</u>	<u>\$ 1,109,435</u>

15. Upcoming Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Council in calendar year 2022. Early adoption is permitted. The Council is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

In September 2020, FASB issued ASU No. 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets or gifts-in-kind. ASU No. 2020-07 is effective for the Council in calendar year 2022. Early adoption is permitted. The Council is currently evaluating the impact that the adoption of ASU No. 2020-07 will have on its financial statements.

16. Subsequent Events

The Council has evaluated all subsequent events through April 22, 2022, the date the financial statements are available. The Council has determined there are no subsequent events that require recognition or disclosure.

Notes to Consolidated Financial Statements

17. Schedules of Functional Expenses

The schedules of functional expenses were as follows as of December 31, 2021 and 2020:

	2021									
	Program Services					Supporting Services				
	Conservation, Stewardship and Habitat	County Issues and Planning	Policy	Farms and Food	Transportation and Growth Management	Outreach and Education	Total Program Services	Fundraising	Management and General	Total
Salaries, wages, taxes and benefits	\$ 929,443	\$ 729,151	\$ 325,404	\$ 191,559	\$ 101,727	\$ 514,186	\$ 2,791,470	\$ 532,764	\$ 719,428	\$ 4,043,662
Professional fees	319,799	20,394	119,614	40,053	4,625	33,939	538,424	9,148	212,104	759,676
Subcontracts	9,250	--	--	--	--	--	9,250	--	--	9,250
Scholarships and donations	45,373	12,500	--	--	--	5,351	63,224	1,250	--	64,474
Printing, copying, and publications	7,560	126	2,242	21,665	--	8,705	40,298	9,661	2,002	51,961
Occupancy	62,310	24,640	14,247	13,492	1,702	8,534	124,925	8,875	15,244	149,044
Postage expense	89	114	605	26,576	--	2,503	29,887	1,811	7,615	39,313
Travel	6,468	4,172	1,254	1,160	38	2,784	15,876	1,003	787	17,666
Conferences and meetings	7,584	785	8,239	130	150	5,083	21,971	9,941	24,276	56,188
Telephone and internet	13,020	10,392	8,266	2,673	1,422	7,128	42,901	7,413	12,732	63,046
Web-based services	12,968	10,261	26,575	2,662	1,480	7,569	61,515	7,384	12,682	81,581
Office expenses and supplies	12,688	5,451	8,707	45,776	707	10,410	83,739	7,531	6,336	97,606
Dues and subscriptions	411	3,335	3,955	75	--	3,793	11,569	198	18,570	30,337
Depreciation and amortization	36,732	29,064	12,723	7,540	4,012	20,110	110,181	20,914	35,922	167,017
Insurance	17,346	10,557	4,621	2,739	1,457	7,304	44,024	7,596	13,047	64,667
Interest	--	--	--	--	--	--	--	--	3,753	3,753
Advertising	222	1,048	210	105	--	2,430	4,015	700	4,285	9,000
Other expenses	17,143	7,017	10,014	85,669	861	5,396	126,100	9,083	14,520	149,703
Total expenses	\$ 1,498,406	\$ 869,007	\$ 546,676	\$ 441,874	\$ 118,181	\$ 645,225	\$ 4,119,369	\$ 635,272	\$ 1,103,303	\$ 5,857,944

Notes to Consolidated Financial Statements

2020

	Program Services					Supporting Services			
	Conservation, Stewardship and Habitat	County Issues and Planning	Policy	Farms and Food	Transportation and Growth Management	Outreach and Education	Total Program Services	Fundraising	General and Management
Salaries, wages, taxes and benefits	\$ 929,269	\$ 626,648	\$ 271,847	\$ 182,209	\$ 113,264	\$ 425,820	\$ 2,549,037	\$ 478,127	\$ 939,945
Professional fees	202,852	2,850	77,351	--	1,300	26,770	311,123	21	101,224
Subcontracts	5,696	--	--	--	--	--	5,696	--	--
Scholarships and donations	14,145	--	--	1,000	--	3,375	18,520	1,600	250
Printing, copying, and publications	5,145	--	1,682	--	50	3,719	10,596	14,894	643
Occupancy	66,070	23,292	70,245	21,840	1,832	8,323	191,602	7,827	12,915
Postage expense	1,285	29	160	--	--	2,506	4,380	1,613	4,264
Travel	5,042	3,398	2,740	1,897	210	2,507	15,794	682	4,567
Conferences and meetings	4,557	556	8,286	29	285	(274)	13,439	5,998	26,558
Telephone and internet	9,562	8,044	9,672	3,005	1,318	5,987	37,588	5,630	21,458
Web-based services	10,689	9,206	24,319	3,565	1,553	8,322	57,654	6,444	12,102
Office expenses and supplies	12,069	6,813	7,916	35,476	1,065	10,264	73,603	4,918	7,527
Dues and subscriptions	296	10,533	1,892	500	100	3,218	16,539	968	3,967
Depreciation and amortization	30,229	26,538	12,054	9,700	4,349	19,752	102,622	18,575	30,651
Insurance	10,839	6,202	2,817	2,267	1,016	4,616	27,757	4,341	7,163
Interest	--	--	--	--	--	--	--	--	7,345
Advertising	32,870	344	305	--	--	11,564	45,083	--	95
Other expenses	12,334	5,379	11,670	141,960	812	4,328	176,483	4,754	6,727
Total expenses	\$ 1,352,949	\$ 729,832	\$ 502,956	\$ 403,448	\$ 127,154	\$ 541,197	\$ 3,657,536	\$ 556,392	\$ 1,187,401
									\$ 5,401,329