



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

Consolidated Financial Statements

—◆—
For the Years Ended December 31, 2022 and 2021

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and
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Piedmont Environmental Council and The Piedmont Foundation
Warrenton, Virginia

Opinion

We have audited the consolidated financial statements of The Piedmont Environmental Council and The Piedmont Foundation (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, the change 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 (GAAS). 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 Organization 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 GAAS, 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 Organization'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 the Organization'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.

Yount, Hyde & Barbours, P.C.

Winchester, Virginia
May 18, 2023

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

Consolidated Statements of Financial Position

December 31, 2022 and 2021

Assets	2022	2021
Current Assets		
Cash and cash equivalents	\$ 771,849	\$ 1,061,539
Grants, contributions and other receivables	406,743	429,153
Prepaid expenses and other assets	<u>113,935</u>	<u>76,021</u>
Total current assets	<u>1,292,527</u>	<u>1,566,713</u>
Long-Term Assets		
Investments, at fair market value	19,907,539	26,861,442
Land held for conservancy	6,929,798	6,929,798
Property and equipment, net	2,579,755	2,697,398
Land	76,206	76,206
Beneficial interests held in remainder trusts	657,435	919,026
Right-of-use assets	<u>125,707</u>	<u>--</u>
Total long-term assets	<u>30,276,440</u>	<u>37,483,870</u>
 Total assets	 <u>\$ 31,568,967</u>	 <u>\$ 39,050,583</u>
 Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 396,334	\$ 429,293
Current maturities of lease liabilities	<u>25,191</u>	<u>--</u>
Total current liabilities	<u>421,525</u>	<u>429,293</u>
Non-Current Liabilities,		
lease liabilities, less current maturities	<u>100,660</u>	<u>--</u>
Net Assets		
Without donor restrictions	11,456,063	15,947,817
With donor restrictions	<u>19,590,719</u>	<u>22,673,473</u>
Total net assets	<u>31,046,782</u>	<u>38,621,290</u>
 Total liabilities and net assets	 <u>\$ 31,568,967</u>	 <u>\$ 39,050,583</u>

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

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

Consolidated Statements of Activities
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Contributions and grants	\$ 2,691,879	\$ 1,601,979	\$ 4,293,858	\$ 3,284,526	\$ 2,117,981	\$ 5,402,507
Contributed nonfinancial assets	120,378	--	120,378	83,069	--	83,069
Special events	866,654	--	866,654	487,025	--	487,025
Less: costs benefiting contributors	<u>(482,967)</u>	<u>--</u>	<u>(482,967)</u>	<u>(224,092)</u>	<u>--</u>	<u>(224,092)</u>
Special events, net of costs	383,687	--	383,687	262,933	--	262,933
Investment (loss) return, net	(2,862,692)	(2,325,529)	(5,188,221)	2,386,057	1,909,150	4,295,207
Gain on disposal of property	--	--	--	62,500	--	62,500
Change in value of remainder trusts	--	(261,591)	(261,591)	--	140,146	140,146
Other	26,586	--	26,586	15,723	--	15,723
Net assets released from restrictions:						
Satisfaction of program restrictions	<u>2,097,613</u>	<u>(2,097,613)</u>	<u>--</u>	<u>1,777,968</u>	<u>(1,777,968)</u>	<u>--</u>
Total revenue and support	<u>2,457,451</u>	<u>(3,082,754)</u>	<u>(625,303)</u>	<u>7,872,776</u>	<u>2,389,309</u>	<u>10,262,085</u>
Expenses						
Program Services:						
Conservation, stewardship and habitat	1,741,782	--	1,741,782	1,498,406	--	1,498,406
County issues and planning	912,032	--	912,032	869,007	--	869,007
Policy	749,581	--	749,581	546,676	--	546,676
Farms and food	378,214	--	378,214	441,874	--	441,874
Transportation and growth management	161,543	--	161,543	118,181	--	118,181
Outreach and education	<u>723,597</u>	<u>--</u>	<u>723,597</u>	<u>645,225</u>	<u>--</u>	<u>645,225</u>
Total program services	<u>4,666,749</u>	<u>--</u>	<u>4,666,749</u>	<u>4,119,369</u>	<u>--</u>	<u>4,119,369</u>
Supporting Services:						
Fundraising	701,681	--	701,681	635,272	--	635,272
Management and general	<u>1,580,775</u>	<u>--</u>	<u>1,580,775</u>	<u>1,103,303</u>	<u>--</u>	<u>1,103,303</u>
Total supporting services	<u>2,282,456</u>	<u>--</u>	<u>2,282,456</u>	<u>1,738,575</u>	<u>--</u>	<u>1,738,575</u>
Total expenses	<u>6,949,205</u>	<u>--</u>	<u>6,949,205</u>	<u>5,857,944</u>	<u>--</u>	<u>5,857,944</u>
Change in net assets	(4,491,754)	(3,082,754)	(7,574,508)	2,014,832	2,389,309	4,404,141
Net assets, beginning of year	<u>15,947,817</u>	<u>22,673,473</u>	<u>38,621,290</u>	<u>13,932,985</u>	<u>20,284,164</u>	<u>34,217,149</u>
Net assets, end of year	<u>\$ 11,456,063</u>	<u>\$ 19,590,719</u>	<u>\$ 31,046,782</u>	<u>\$ 15,947,817</u>	<u>\$ 22,673,473</u>	<u>\$ 38,621,290</u>

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

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

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (7,574,508)	\$ 4,404,141
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	174,704	167,017
Amortization of right-of-use asset	881	--
(Gain) on disposal of property	--	(62,500)
Net realized and unrealized loss (gain) on investments	5,682,632	(3,790,193)
Change in value of remainder trusts	261,591	(140,146)
Changes in assets and liabilities:		
Decrease (increase) in grants, contributions and other receivables	22,410	(382,141)
(Increase) in prepaid expenses and other assets	(37,914)	(29,653)
(Decrease) increase in accounts payable and accrued expenses	(32,959)	83,566
Net cash (used in) provided by operating activities	(1,503,163)	250,091
Cash Flows from Investing Activities		
Proceeds from sale of investments	2,062,322	7,505,063
Purchases of investments	(791,051)	(7,501,860)
Proceeds from the sale of land	--	227,500
Purchases of property and equipment and land held for conservancy	(57,061)	(84,533)
Net cash provided by investing activities	1,214,210	146,170
Cash Flows from Financing Activities		
Principal payment on line of credit	--	(300,000)
Principal payments on lease liabilities	(737)	--
Net cash (used in) financing activities	(737)	(300,000)
Change in cash and cash equivalents	(289,690)	96,261
Cash and Cash Equivalents		
Beginning of year	1,061,539	965,278
End of year	\$ 771,849	\$ 1,061,539
Supplemental Cash Flow Information		
Interest paid	\$ 1,486	\$ 3,753
Contributed nonfinancial assets	\$ 120,378	\$ 83,069
Lease liabilities arising from obtaining right-of-use assets	\$ 130,682	\$ --

The accompanying notes are an integral part of these Consolidated 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 "Organization" throughout the financial statements.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash balances in various financial institutions which, at times, may exceed federally insured limits. The Organization 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 Organization. The Organization 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 Organization accepts an easement, either as a sole holder or as a co-holder, no revenue or expense is recorded. The Organization holds or co-holds 76 and 71 conservation easements totaling 11,156 and 10,562 acres as of December 31, 2022 and 2021, respectively.

Investments

Investments are reported at fair value in the statements of financial position. Investment (loss) 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 Organization 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 Organization 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 Organization 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 Organization 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 Organization, 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 Organization. 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 Organization would charge if a benefit (i.e. tickets and auction items) were sold separately. The value of the benefits received amounted to \$190,648 and \$110,151 as of December 31, 2022 and 2021, 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, 2022 and 2021, contributions and grants totaling \$3,199,307 and \$3,466,550, 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, 2022 and 2021, 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:

Money market, 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 Organization 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.

The carrying amounts of the Organization’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 Organization 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 Organization follows the policy of charging the cost of advertising to expense as incurred. Advertising expense was \$16,403 and \$9,000 for 2022 and 2021, respectively.

Notes to Consolidated Financial Statements

2. Investments, including Fair Value Measurements

The Organization held the following investments as of December 31, 2022 and 2021, respectively:

<u>2022</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money market funds	\$ 1,126,466	\$ 1,126,466	\$ --
Equity securities	10,572,844	13,181,473	2,608,629
Debt securities	3,590,576	3,191,211	(399,365)
Alternative fund	<u>1,843,783</u>	<u>2,408,389</u>	<u>564,606</u>
Total investments	<u>\$ 17,133,669</u>	<u>\$ 19,907,539</u>	<u>\$ 2,773,870</u>

<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>

The following table presents the balance of financial assets measured at fair value on a recurring basis as of December 31, 2022 and 2021:

<u>2022</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	\$ 1,126,466	\$ --	\$ --	\$ 1,126,466
Equity securities	13,181,473	--	--	13,181,473
Debt securities	3,191,211	--	--	3,191,211
Alternative fund*	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,408,389</u>
Total investments	<u>\$ 17,499,150</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 19,907,539</u>

Notes to Consolidated Financial Statements

<u>2021</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Levels (Level 2)	Significant Other Unobservable Levels (Level 3)	Total
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*	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,304,189</u>
Total investments	<u>\$ 23,557,253</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 26,861,442</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.

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 Organization at year-end.

The Alternative Fund is valued using the practical expedient at the Organization'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 summary of investment return, net for the years ended December 31, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Dividends and interest	\$ 589,348	\$ 606,840
Unrealized and realized (loss) gain	(5,682,632)	3,793,154
Investment fees	<u>(94,937)</u>	<u>(104,787)</u>
	<u>\$ (5,188,221)</u>	<u>\$ 4,295,207</u>

Notes to Consolidated Financial Statements

3. Property and Equipment, Net

The Organization's property and equipment, net consisted of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 3,706,256	\$ 3,706,255
Land improvements	91,126	80,740
Furniture and equipment	193,359	146,684
Software	<u>79,825</u>	<u>79,825</u>
Total property and equipment	4,070,566	4,013,504
Less accumulated depreciation and amortization	<u>(1,490,811)</u>	<u>(1,316,106)</u>
Net property and equipment	<u>\$ 2,579,755</u>	<u>\$ 2,697,398</u>

Depreciation expense was \$174,704 and \$167,017 for 2022 and 2021, respectively.

4. Line of Credit

The Organization has a \$300,000 line of credit with Truist Bank (FKA BB&T), which was renewed until August 4, 2024. Funds drawn against this line accrued interest at the lender's prime rate of 7.50% and 3.25% during 2022 and 2021, respectively. As of December 31, 2022 and 2021, the Organization had a \$0 balance on the line of credit. Interest expense on the line of credit for 2022 and 2021 was \$1,486 and \$3,753, respectively.

5. Post-Retirement Benefits

The Organization 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 Organization may also contribute. The employer contribution for the 2022 and 2021 calendar years was \$157,856 and \$150,184 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.

Notes to Consolidated Financial Statements

6. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2022 and 2021 were available for future expenditures in the following areas:

	2022	2021
Conservation	\$ 3,168,401	\$ 3,278,003
County issues	250	23,494
Transportation and growth management	58,693	66,136
Farms and food	137,111	191,482
Outreach and environmental education	49,201	7,768
Policy	129,380	174,834
Senior fellow	223,517	238,783
Communications	--	350
Gordonsville Town to Trail Initiative	1,240	--
Time restriction	20,000	--
Albemarle County General Endowment	508,655	1,260,954
Land Conservation Officers Endowment	153,947	500,143
Albemarle County Land Conservation Program Endowment	246,230	723,776
Evergreen (Easement Stewardship Fund)	1,221,683	1,490,134
Easement Defense Fund (Legal Defense Fund)	182,672	228,335
Rappahannock County Land Conservation Fund	771,836	1,009,158
Clarke County Land Conservation Fund	933,337	1,166,255
Goose Creek Land Conservation Fund	279,297	356,729
Bull Run Land Conservation Fund	93,015	110,357
Cedar Run Land Conservation Fund	141,072	187,260
Culpeper Land Conservation Fund	49,050	67,696
Madison Land Conservation Fund	78,635	98,246
Greene Land Conservation Fund	9,979	24,966
Ovoka Memorial	220,415	287,776
Other grants and funds	24,524	30,668
Charitable remainder unitrusts	657,435	919,026
Albemarle County General Endowment, principal portion	2,000,000	2,000,000
Albemarle County Land Conservation Program Endowment, principal portion	1,400,000	1,400,000
Land Conservation Officers Endowment, principal portion	1,000,000	1,000,000
General Endowment Fund, principal portion	5,831,144	5,831,144
Total	\$ 19,590,719	\$ 22,673,473

Notes to Consolidated Financial Statements

7. 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, 2022 and 2021, no provision for taxes was made, as the Council and Foundation had no unrelated business income.

8. Related Parties

The Organization invests in funds that are managed by the investment firms of three board members. The board members do not participate in the review of the funds and will continue to be absent in future decisions related to the invested funds.

9. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions during the years ended December 31, 2022 and 2021, by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. Net assets released in 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Conservation	\$ 478,602	\$ 269,835
County issues	23,244	1,756
Transportation and growth management	307,252	172,664
Farms and food	99,851	140,418
Outreach and environmental education	3,567	--
Policy	257,953	411,248
Senior fellow	545,266	416,943
Plant and equipment	--	18,585
Gordonsville Town to Trail Initiative	760	5,000
Historic preservation	--	23,897
Communications	350	--
Land conservation funds	83,534	35,709
Appropriation of endowment assets for expenditure	235,931	214,136
Legal defense fund	873	1,004
Grants and other	60,430	66,773
Total	<u>\$ 2,097,613</u>	<u>\$ 1,777,968</u>

Notes to Consolidated Financial Statements

10. 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 \$(261,591) and \$140,146 as of December 31, 2022 and 2021, 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, 2022 and 2021 was \$657,435 and \$919,026, respectively.

11. 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.

	Without Donor Restrictions	With Donor Restrictions
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	(245,161)	(214,136)
Endowment net assets, December 31, 2021	5,691,997	12,716,017
Investment return, net	(1,140,399)	(1,340,110)
Contributions	14,120	--
Appropriation of endowment assets for expenditure	(1,242,534)	(235,931)
Endowment net assets, December 31, 2022	\$ 3,323,184	\$ 11,139,976

12. Commitments and Contingencies

Operating Leases and Future Commitments

The Organization has an operating lease for office space in Charlottesville, Virginia. The lease began October 1, 2022 and has a 60 month term. There is no implicit rate in the lease; as such, the Organization elected to use the risk-free rate of 4.02%. As of December 31, 2022, the remaining lease term is 57 months. The lease does not have an optional renewal period; the Organization intends to enter into a new lease agreement at the expiration of its current lease agreement.

The Organization has another operating lease for office equipment. The lease has a 51 month term and matures December 31, 2024. There is no implicit rate in the lease; as such, the Organization elected to use the risk-free rate of 1.27%. As of December 31, 2022, the remaining lease term is 24 months. The lease does not have an optional renewal period; the Organization intends to enter into a new lease agreement at the expiration of its current lease agreement.

Notes to Consolidated Financial Statements

The following table presents the maturity of the Organization's operating lease liabilities on an undiscounted cash flow basis and a reconciliation to the operating lease liabilities recognized in the Organization's Statement of Financial Position as of December 31, 2022:

Year Ended December 31,			
2023	\$	28,329	
2024		29,127	
2025		28,194	
2026		29,040	
2027		22,266	
		136,956	
	Imputed interest	(12,466)	
Present value of operating lease payments	\$	124,490	

Rental expense for the years ended December 31, 2022 and 2021 was \$28,868 and \$32,241, respectively.

Finance Lease and Future Commitments and Subsequent Event

The Organization has a finance lease for a copier. The lease began in 2017 and has a 60-month term. There is no implicit rate in the lease; as such, the Organization elected to use the risk-free rate of .37%. As of December 31, 2022, the remaining lease term is 3 months. In January 2023, there was a buyout of the lease. As of December 31, 2022, the present value of finance lease payments was \$1,361.

13. Liquidity and Availability of Resources

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

	2022	2021
Financial assets, at year-end:		
Cash and cash equivalents	\$ 771,849	\$ 1,061,539
Grants, pledges and other receivables	406,743	429,153
Investments	19,907,539	26,861,442
Total financial assets	21,086,131	28,352,134
Less those unavailable for general expenditure within one year:		
Due to donor imposed restrictions	17,331,119	20,413,873
Due to board designations	3,323,184	5,691,997
Financial assets not available to be used within one year	20,654,303	26,105,870
Financial assets available to meet cash needs for general expenditures within one year	\$ 431,828	\$ 2,246,264

Notes to Consolidated Financial Statements

14. New 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 was effective for the Organization in calendar year 2022. The Organization adopted the standard on January 1, 2022 under the modified retrospective approach. There were no adjustments to net assets as a result of the implementation of the standard.

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 was effective for the Organization in calendar year 2022. The Organization adopted the standard on a retrospective basis. Contributed nonfinancial assets are presented on the Statements of Activities as a separate line item. Disclosures have been enhanced in accordance with the standard.

15. Contributed Nonfinancial Assets

Contributed nonfinancial assets are reflected as contributions in the accompanying financial statements at their fair market values at the date of the gift. The Organization does not have a policy to monetize any contributed nonfinancial assets received; the Organization intends to use any in-kind contributions received for its programs and supporting services.

Contributed nonfinancial assets recognized by the Organization during the years ended December 31, 2022 and 2021, were \$120,378 and \$83,069, respectively.

For the years ended December 31, 2022 and 2021, the Organization received the following contributed nonfinancial assets:

<u>Type of Contributed Nonfinancial Asset</u>	<u>Valuation Methodology</u>	<u>2022</u>	<u>2021</u>
Conferences and meetings	Purchase Price	\$ 660	\$ - -
Office expenses and supplies	Purchase Price	1,538	4,000
Auction items	Sales Price Received at Day of Event	118,180	79,069
		<u>\$ 120,378</u>	<u>\$ 83,069</u>

Notes to Consolidated Financial Statements

There were no donor-imposed restrictions associated with any of the contributed nonfinancial assets received. The Organization utilized the contributed nonfinancial assets for the following programs and supporting services during the years ended December 31, 2022 and 2021, respectively.

<u>Type of Contributed Nonfinancial Asset</u>	2022			
	Program Services	General and Administrative	Fundraising	Total
Conferences and meetings	\$ --	\$ 660	\$ --	\$ 660
Office expenses and supplies	<u>1,050</u>	<u>488</u>	<u>--</u>	<u>1,538</u>
	<u>\$ 1,050</u>	<u>\$ 1,148</u>	<u>\$ --</u>	<u>\$ 2,198</u>

<u>Type of Contributed Nonfinancial Asset</u>	2021			
	Program Services	General and Administrative	Fundraising	Total
Office expenses and supplies	<u>\$ 4,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,000</u>

The Organization recognizes donated services as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills, are performed by people with those specialized skills, and would otherwise be purchased by the Organization. The Organization did not receive donated services during the years ended December 31, 2022 and 2021 that met the recognition criteria for donated services and therefore, no amounts have been recognized in the accompanying financial statements.

16. Subsequent Events

The Organization has evaluated all subsequent events through May 18, 2023, the date the financial statements are available. The Organization has determined there are no additional 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, 2022 and 2021:

	2022									
	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	\$ 1,081,294	\$ 749,150	\$ 474,830	\$ 191,908	\$ 102,924	\$ 566,049	\$ 3,166,155	\$ 556,250	\$ 1,164,275	\$ 4,886,680
Professional fees	217,536	41,765	131,366	1,575	46,525	41,350	480,117	8,386	237,080	725,583
Subcontracts	49,820	--	--	--	--	--	49,820	--	--	49,820
Scholarships and donations	121,911	6,000	25,900	19,000	150	17,255	190,216	2,850	--	193,066
Printing, copying, and publications	11,731	4,289	4,425	395	22	8,914	29,776	19,279	78	49,133
Occupancy	55,465	22,887	17,187	22,617	1,723	9,433	129,312	9,236	19,081	157,629
Postage expense	1,789	--	177	57	--	3,293	5,316	1,404	4,854	11,574
Travel	32,374	4,278	4,448	506	663	13,478	55,747	7,809	3,154	66,710
Conferences and meetings	31,549	4,901	3,997	2,363	30	3,112	45,952	37,967	26,115	110,034
Telephone and internet	12,205	8,463	5,359	2,151	1,179	6,418	35,775	6,285	12,984	55,044
Web-based services	14,938	10,358	32,804	2,633	1,448	8,306	70,487	11,193	15,891	97,571
Office expenses and supplies	18,398	10,249	9,414	35,800	948	10,885	85,694	7,005	10,504	103,203
Dues and subscriptions	11,774	4,579	1,987	--	--	790	19,130	510	4,859	24,499
Depreciation and amortization	38,937	26,998	17,095	6,862	3,740	20,477	114,109	20,050	41,426	175,585
Insurance	16,589	8,745	5,537	2,233	1,211	6,632	40,947	6,494	13,418	60,859
Interest	--	--	--	--	--	--	-	--	1,486	1,486
Advertising	210	105	301	--	--	1,840	2,456	630	13,317	16,403
Other expenses	25,262	9,265	14,754	90,114	980	5,365	145,740	6,333	12,253	164,326
Total expenses	\$ 1,741,782	\$ 912,032	\$ 749,581	\$ 378,214	\$ 161,543	\$ 723,597	\$ 4,666,749	\$ 701,681	\$ 1,580,775	\$ 6,949,205

Notes to Consolidated Financial Statements

2021

	Program Services						Supporting Services			Total
	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	
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	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	<u>\$ 1,498,406</u>	<u>\$ 869,007</u>	<u>\$ 546,676</u>	<u>\$ 441,874</u>	<u>\$ 118,181</u>	<u>\$ 645,225</u>	<u>\$ 4,119,369</u>	<u>\$ 635,272</u>	<u>\$ 1,103,303</u>	<u>\$ 5,857,944</u>