

SOUTHERN CONSERVATION TRUST
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021
With Independent Auditor's Report Thereon

SOUTHERN CONSERVATION TRUST
MARCH 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southern Conservation Trust
Fayetteville, GA

Opinion

We have audited the accompanying financial statements of the Southern Conservation Trust ("Trust") which comprise the consolidated statements of financial position as of March 31, 2022 and 2021 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Conservation Trust as of March 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 Trust 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.

Responsibilities of Management for the Financial Statements

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

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 Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

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 Trust'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 Trust'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.

Morrow, Georgia
October 4, 2022

SOUTHERN CONSERVATION TRUST
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2022 AND 2021

	ASSETS	
	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,969,133	\$ 2,647,534
Investments	4,270,237	3,693,887
Accounts receivable	35,050	126,050
Prepays	<u>15,141</u>	<u>13,777</u>
TOTAL CURRENT ASSETS	7,289,561	6,481,248
FIXED ASSETS, NET	1,737,131	700,756
OWNED PROPERTIES	<u>19,445,594</u>	<u>23,431,023</u>
TOTAL ASSETS	<u>\$28,472,286</u>	<u>\$30,613,027</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 16,991	\$ 24,880
Payroll liabilities	<u>72,634</u>	<u>51,161</u>
TOTAL CURRENT LIABILITES	<u>89,625</u>	<u>76,041</u>
TOTAL LIABILITES	89,625	76,041
NET ASSETS		
Without donor restrictions	28,286,106	30,439,931
With donor restrictions	<u>96,555</u>	<u>97,055</u>
TOTAL NET ASSETS	<u>28,382,661</u>	<u>30,536,986</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$28,472,286</u>	<u>\$30,613,027</u>

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

SOUTHERN CONSERVATION TRUST
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2022

	Without Donor Restriction	With Donor Restriction	Total
REVENUES:			
Conservation contributions	\$ 952,313	\$ -	\$ 952,313
Earned income	81,838	-	81,838
Special event	57,856	-	57,856
less: Direct benefit to donor	(47,841)	-	(47,841)
Contributions	54,655	-	54,655
Other revenue	23,355	-	23,355
In-kind contributions	18,483	-	18,483
Grants	18,260	-	18,260
Interest income	<u>4,444</u>	<u>-</u>	<u>4,444</u>
Public support and revenues	1,163,363	-	1,163,363
Released from restrictions	<u>500</u>	<u>(500)</u>	<u>-</u>
TOTAL REVENUES	1,163,863	(500)	1,163,363
EXPENSES:			
Program activities	1,864,513	-	1,864,513
Supporting services			
Management and general	223,503	-	223,503
Fundraising	<u>114,842</u>	<u>-</u>	<u>114,842</u>
Total supporting services	338,345	-	338,345
TOTAL EXPENSES	<u>2,202,858</u>	<u>-</u>	<u>2,202,858</u>
OPERATING DEFICIT	(1,038,995)	(500)	(1,039,495)
NONOPERATING CHANGES			
Donated properties	242,250	-	242,250
Investment revenue, net of fees	213,214	-	213,214
Loss on disposal of owned properties	<u>(1,570,294)</u>	<u>-</u>	<u>(1,570,294)</u>
CHANGE IN NET ASSETS (DEFICIT)	(2,153,825)	(500)	(2,154,325)
NET ASSETS AT BEGINNING OF PERIOD	<u>30,439,931</u>	<u>97,055</u>	<u>30,536,986</u>
NET ASSETS AT END OF PERIOD	<u>\$ 28,286,106</u>	<u>\$ 96,555</u>	<u>\$ 28,382,661</u>

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

SOUTHERN CONSERVATION TRUST
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
REVENUES:			
Conservation contributions	\$ 2,670,549	\$ -	\$ 2,670,549
Earned income	147,339	-	147,339
Special event	49,384	-	49,384
less: Direct benefit to donor	(50,980)	-	(50,980)
Contributions	94,263	-	94,263
Other revenue	6,672	-	6,672
In-kind contributions	39,384	-	39,384
Grants	98,452	-	98,452
Interest income	<u>1,012</u>	<u>-</u>	<u>1,012</u>
Public support and revenues	3,056,075	-	3,056,075
Released from restrictions	<u>500</u>	<u>(500)</u>	<u>-</u>
TOTAL REVENUES	3,056,575	(500)	3,056,075
EXPENSES:			
Program activities	1,521,797	-	1,521,797
Supporting services			
Management and general	171,345	-	171,345
Fundraising	<u>103,696</u>	<u>-</u>	<u>103,696</u>
Total supporting services	275,041	-	275,041
TOTAL EXPENSES	<u>1,796,838</u>	<u>-</u>	<u>1,796,838</u>
OPERATING SURPLUS (DEFICIT)	1,259,737	(500)	1,259,237
NONOPERATING CHANGES			
Donated properties	2,873,358	-	2,873,358
Investment revenue, net of fees	990,995	-	990,995
Loss on disposal of owned properties	<u>(354,891)</u>	<u>-</u>	<u>(354,891)</u>
CHANGE IN NET ASSETS	4,769,199	(500)	4,768,699
NET ASSETS AT BEGINNING OF PERIOD	<u>25,670,732</u>	<u>97,555</u>	<u>25,768,287</u>
NET ASSETS AT END OF PERIOD	<u>\$ 30,439,931</u>	<u>\$ 97,055</u>	<u>\$ 30,536,986</u>

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

SOUTHERN CONSERVATION TRUST
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Conservation program expenses	\$ 900,534	\$ -	\$ -	\$ 900,534
Salaries and wages	662,298	82,788	82,787	827,873
Service fees	19,760	62,526	3,861	86,147
Depreciation	78,591	920	920	80,431
Employee benefits	53,347	6,668	6,668	66,683
Payroll taxes	51,220	6,402	6,402	64,024
Insurance	43,844	14,614	-	58,458
Office expenses	19,336	31,293	3,833	54,462
Printing and promotion	11,503	1,534	5,502	18,539
Supplies	7,640	6,730	448	14,818
Information technology	7,997	1,105	1,956	11,058
Meetings	2,138	5,515	-	7,653
Membership dues	1,853	1,854	1,796	5,503
Equipment	3,343	445	669	4,457
Travel	<u>1,109</u>	<u>1,109</u>	<u>-</u>	<u>2,218</u>
 TOTAL EXPENSES	 <u>\$ 1,864,513</u>	 <u>\$ 223,503</u>	 <u>\$ 114,842</u>	 <u>\$ 2,202,858</u>

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

SOUTHERN CONSERVATION TRUST
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Conservation program expenses	\$ 711,410	\$ -	\$ -	\$ 711,410
Salaries and wages	554,352	69,294	69,294	692,940
Service fees	16,185	43,611	2,536	62,332
Depreciation	59,615	384	383	60,382
Employee benefits	43,575	5,447	5,447	54,469
Payroll taxes	34,763	4,345	4,345	43,453
Insurance	41,512	13,837	-	55,349
Office expenses	9,318	19,881	802	30,001
Printing and promotion	12,260	1,635	12,462	26,357
Supplies	27,987	6,048	6,160	40,195
Information technology	2,859	381	572	3,812
Meetings	460	3,975	-	4,435
Membership dues	1,439	1,439	543	3,421
Equipment	5,762	768	1,152	7,682
Travel	<u>300</u>	<u>300</u>	<u>-</u>	<u>600</u>
TOTAL EXPENSES	<u>\$ 1,521,797</u>	<u>\$ 171,345</u>	<u>\$ 103,696</u>	<u>\$ 1,796,838</u>

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

SOUTHERN CONSERVATION TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets (deficit)	\$(2,154,325)	\$ 4,768,699
Adjustments to reconcile change in net assets to net cash and cash equivalents (used in) provided by operating activities		
Depreciation	80,431	60,382
Unrealized loss (gain) on investments	5,630	(966,986)
Land donations	(242,250)	(2,849,458)
Loss on disposal of owned properties	1,570,294	373,316
Decrease (Increase) in operating assets		
Accounts receivable	91,000	(96,370)
Prepays	(1,364)	(8,801)
(Decrease) Increase in operating liabilities		
Accounts payable	(7,889)	21,247
Payroll liabilities	<u>21,473</u>	<u>50,082</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(637,000)	1,352,111
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	688,805	1,644,496
Purchase from investments	(1,270,785)	(1,666,789)
Purchases of fixed assets	(1,116,806)	(37,200)
Proceeds from sale of owned properties	<u>2,657,385</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES	958,599	(59,493)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	321,599	1,292,618
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEARS	<u>2,647,534</u>	<u>1,354,916</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEARS	<u>\$ 2,969,133</u>	<u>\$ 2,647,534</u>

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

SOUTHERN CONSERVATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

1. ORGANIZATION

The Southern Conservation Trust is a community land trust founded in 1993 by Fayette County residents eager to preserve green space as the south metro Atlanta area develops. The Trust owns, manages and protects over 65,000 acres in thirteen different states, including six public nature areas in Georgia.

The Trust's programs include:

Land and Wildlife Conservation

The Trust conserves the most important and threatened land using all the tools of private, voluntary land conservation. The Trust works exclusively with willing landowners to find ways to conserve, forever, the scenic and natural values of the land and water. Landowners donate or sell a conservation interest in their land, such as development rights or full ownership, to the Trust. The Trust manages the land under a stewardship plan and, if necessary, legally defends its conservation values. The Trust also identifies priority conservation lands to purchase. Further, the Trust conserves working forest and agricultural land for the purpose of keeping the land in resource production. Protecting and enhancing the conservation values of lands acquired by the Trust is some of the most important work in which the Trust is involved. It is the responsibility of the Stewardship Program to protect conservation values and to be a good neighbor and community member for all Trust properties through science-based management. The Trust evaluates every property for its conservation value, the threats to these values, and for opportunities to enhance conservation values through responsible management. A stewardship plan is developed and implemented based on this analysis to include annual monitoring as part of an adaptive management framework. A number of Trust conservation properties currently include significant restoration work to replace lost functions and increase the conservation value of the property. Volunteers are a growing resource for the Stewardship Program with volunteers of all ages participating in planning and implementation. Individuals and groups are providing hundreds of hours of service stewarding conserved lands. A stewardship funding strategy, including gift donations during the acquisition process, is an integral part of every new conservation project. Stewardship funds are used to provide for future expenses of restoration, monitoring, enforcing compliance with easement restrictions, and underwriting legal defense of the conservation protections for all Trust properties. The Trust has also established a stewardship endowment to provide permanent support for program activities.

Environmental Education

The Southern Conservation Trust's environmental education efforts in Fayette County impact 20,000+ students each year through partnerships with 24 public schools, four private schools, and dozens of homeschool groups. SCT owns and operates Nesmith Environmental Study Area, the first in an expansion of educational projects within Fayette County. SCT offers four full weeks of Camp WILD, an educational summer camp for children at Line Creek and The

SOUTHERN CONSERVATION TRUST
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

1. ORGANIZATION – Continued

Ridge Nature Areas. Working with Clayton State University, we have identified over 740 box turtles and launched a protection project at The Ridge Nature Area. SCT holds dozens of educational events throughout the year. We are looking forward to opening our latest project, the Fayette Environmental Education Center (FEEC), later this year. FEEC will be a premier environmental education destination south of Atlanta for children and adults of all ages to learn about the wonders of nature in Georgia and how to have meaningful interactions with nature.

Public Nature Preserves

The Southern Conservation Trust operates over 1,200 acres of public land in Fayette County, Georgia through 8 public nature preserves and the Fayette Environmental Education Center. The park team is currently developing 3 new nature preserves in Henry and Fulton Counties that will open to the public in late 2021. Our public nature preserves serve 70,000+ visitors annually and provide a unique and free opportunity for the public to enjoy and engage in nature.

The New Manchester-Sweetwater Alliance, Inc., (“Alliance”), a wholly owned subsidiary of Southern Conservation Trust, was formed in 2018 to facilitate SCT’s mission in Douglas County. For each historical site that the City of Douglasville abolishes, the Alliance receives \$50,000. For the years ended March 31, 2022 and 2021, the City of Douglasville abolished no historical sites.

Bramblevine Property, LLC, a wholly-owned subsidiary of Southern Conservation Trust, was formed in January 2020. The Bramblevine property was sold during the year ended March 31, 2022. Bramblevine Property, LLC will be dissolved in the subsequent year. During the years ended March 31, 2022 and 2021, Bramblevine Property, LLC had changes in net assets of \$148,220 and \$0, respectively. They held assets of \$0 and \$676,780 as of March 31, 2022 and 2021, respectively. They held no liabilities as of March 31, 2022 and 2021.

Little Bear Creek Reserve, LLC, a wholly-owned subsidiary of Southern Conservation Trust, was formed in January 2021. During the years ended March 31, 2022 and 2021, Little Bear Creek Reserve, LLC had changes in net assets of \$(30,547) and \$0, respectively. They held assets of \$792,542 and \$792,542 as of March 31, 2022 and 2021, respectively. They held no liabilities as of March 31, 2022 and 2021.

Southern Conservation Holdings, LLC, a wholly-owned subsidiary of Southern Conservation Trust, was formed in April 2021. Southern Conservation Holdings, LLC will be dissolved in the subsequent year. Southern Conservation Holdings, LLC had no operations during the years ended March 31, 2022 and 2021, and held no assets nor had any liabilities as of March 31, 2022 and 2021.

SOUTHERN CONSERVATION TRUST
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

Principles of consolidation

The financial statements consolidate the accounts of the Southern Conservation Trust, The New Manchester-Sweetwater Alliance, Inc., Bramblevine Property, LLC, Little Bear Creek Reserve, LLC and Southern Conservation Holdings, LLC (hereafter, collectively referred to as the Trust). Any interorganizational accounts and transactions have been eliminated in the consolidation.

Basis of accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

The Trust classifies its net assets and revenues and expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Trust and changes therein are classified and reported 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 objective of the organization. These net assets may be used at the discretion of the Trust’s management and the board of directors. The Board can elect to remove these designations in the future.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Trust and/or passage of time. Some donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

SOUTHERN CONSERVATION TRUST
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and cash equivalents

For financial statement purposes, highly liquid investments with original maturities of three months or less when purchased are reported as cash and cash equivalents. Cash and cash equivalents for purposes of the consolidated statement of cash flows exclude cash and cash equivalents restricted in perpetuity. For the years ended March 31, 2022 and 2021, the Trust had cash equivalents of \$586,594 and \$299,648, respectively.

Financial instruments

The financial instruments shown as assets and liabilities in the consolidated statements of financial position are traditional in nature. The carrying value of cash and cash equivalents and all other financial instruments, including receivables and payables, approximate their fair value.

Investments

Investments in equity and debt securities are reported at fair value with realized and unrealized gains and losses included in the consolidated statements of activities. Realized and unrealized gains or losses on marketable securities are determined by using specific identification. Investment income is presented in the consolidated statements of activities net of investment expense.

Fixed assets and property improvements

Fixed assets are stated at cost with the exception of donated items, which are stated at fair market value at the date of donation. Expenditures for renewals and improvements are charged to the property accounts. Expenditures such as maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to operations. The cost and related accumulated depreciation are removed from the accounts for equipment sold or retired. Acquisitions that have an estimated useful life greater than one year are capitalized and are depreciated on the straight-line basis. Items that are considered fixed assets are land, land improvements, buildings, leasehold improvements, furniture and equipment, capital leases, computer software and collections. Land improvements over \$5,000 are capitalized as fixed assets. Leasehold improvements over \$10,000 are considered fixed assets. Furniture, fixture, equipment, and computer software are capitalized if they are greater than \$5,000. The cost and related accumulated depreciation are removed from the accounts for items sold or retired. Depreciation is provided on the straight-line basis over the estimated useful lives from 3 to 40 years.

Estimates

Management of the Trust makes estimates and assumptions related to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the consolidated financial statements in conformity with GAAP. Actual results could differ from these estimates.

SOUTHERN CONSERVATION TRUST
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

In-kind contributions

The Trust records as support and expenses the fair market value of donated materials and services in accordance with the provisions of ASC 958-605-25-16. This statement requires that contributions of services be recognized if the services create or enhance non-financial assets or require specialized skills that must be purchased if not donated. Such services, when incurred, are included in the accompanying consolidated statements of activities based on their estimated fair market value on the date of service.

Contributed property, improvements and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

The Trust received donated goods of \$18,483 and \$39,384 for the years ended March 31, 2022 and 2021, respectively.

Volunteers contribute significant amounts of time to our program services, administration, and fundraising activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Income taxes

The Trust qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Trust is only subject to federal or state income taxes on specific types of income from activities that are unrelated to its exempt purpose. The Trust had no income from unrelated activities and has no income taxes due as of March 31, 2022.

The Trust's application of ASC 740 regarding uncertain tax positions had no effect on its financial position as management believes the Trust has no material unrecognized income tax benefits, including any potential risk of loss of its not-for-profit tax status. The Trust would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax benefits as income tax expense. The Trust is no longer subject to examination by federal, state or local tax authorities for periods before 2019.

Revenue recognition

Donated securities and conservation land and easements are recorded as support at their estimated fair values at the date of the donation. Such donations are reported as net assets without donor restrictions, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as net assets with restrictions.

SOUTHERN CONSERVATION TRUST
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Contributions and grant support are recognized when the conditions of the contribution or grant are substantially met. Any grant funds received in advance are recorded as refundable advances. Revenue from contracts is recognized as the service is completed.

The Trust's revenues mainly consist of contracts with customers for the sale of conservation and other real property. The contracts typically contain one performance obligation which is satisfied at a point in time. The transfer of title for the property and nonrefundable payment happen simultaneously at the point of sale and revenue is recorded. The Trust also has timber operation income, which mainly consists of the sale of crops. These sales are recognized at a point in time as the product is transferred to the customer.

Special event revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Trust recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place and the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

The Trust did not maintain contract assets or contract liabilities for the years ended March 31, 2022 and 2021.

Owned property

Purchased property is recorded at acquisition cost. Property received by donation is recorded at its estimated fair value at the date of the donation. Such donations are reported as net assets without donor restrictions, unless the donor has restricted the donated land to a specific purpose. Property donated with explicit restrictions regarding its use is reported as net assets with restrictions. Costs incurred in carrying parcels of real estate, such as taxes and maintenance, are expensed as incurred. Property parcels determined to have no ecological value may be sold to support the organization's three mission pillars. To ensure the Organization's commitment to its mission, real estate with ecological value is held or transferred, including by sale, to appropriate conservation partners. When property is transferred, the related costs are removed from the respective accounts, and the gain or loss on the disposition is credited as a nonoperating change on the consolidated statement of activities. Property value is held at a constant value and is not adjusted for depreciation or re-assessment. Also see Note 6 regarding owned property.

SOUTHERN CONSERVATION TRUST
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated between program activities and management and general expenses. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Indirect expenses have been allocated based primarily on salary expenditures.

New accounting pronouncement

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs replace most existing revenue recognition guidance in U.S. GAAP. The ASU also requires expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Trust adopted the revenue recognition standard on April 1, 2021, in accordance with ASU 2020-05, *Revenue from Contracts with Customers (Topic 606), Effective Dates for Certain Entities*. This ASU had no material effect on the Organization's revenue recognition.

Recent accounting guidance

ASU No. 2020-07 Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets

The ASU requires that an NFP present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and disclose the following: (1) A disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets. (2) For each category of contributed nonfinancial assets recognized, qualitative information about whether nonfinancial assets were monetized or utilized; the NFP's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; donor-imposed restrictions associated with contributed nonfinancial assets; and valuation techniques, inputs, and the principal market used for determining fair value. This ASU is effective for Trust's fiscal year ended March 31, 2023. Retrospective basis is used for implementation.

The Trust is currently evaluating the impact of the adoption for both standards on the financial statements.

Subsequent events

The Trust has evaluated all subsequent events through October 4, 2022, the date the consolidated financial statements were available to be issued.

SOUTHERN CONSERVATION TRUST
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

3. OPERATING LEASE COMMITMENT

The Trust entered into a copier lease in November 2019. The lease has a monthly payment of \$352 that is required through November 2024.

Future minimum lease payments under operating leases are as follows:

Year ended March 31,	Amount
2023	\$ 4,236
2024	4,236
2025	<u>2,471</u>
Total	<u>\$ 10,943</u>

4. AVAILABILITY AND LIQUIDITY

The following represents the Trust’s financial assets at March 31, 2022, reduced by amounts not available for expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2022</u>
Financial assets:	
Cash and cash equivalents	\$ 2,969,133
Investments	4,270,237
Accounts receivable	<u>35,050</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,274,420</u>

The Trust’s goal is generally to maintain three month’s operating budget in the checking account. As part of its liquidity plan, excess cash is invested in short term investments.

5. INVESTMENTS

Investments at March 31, 2022 and 2021 are carried at fair value and consist of the following:

	<u>2022</u>	<u>2021</u>
Mutual funds	\$ 2,893,358	\$ 2,419,447
Equities	1,376,879	1,224,406
Fixed income	<u>-</u>	<u>50,034</u>
Total investments	<u>\$ 4,270,237</u>	<u>\$ 3,693,887</u>

SOUTHERN CONSERVATION TRUST
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

6. OWNED PROPERTIES

The Trust accepts fee title to donated properties that are held by the Trust in furtherance of its mission. All valued properties have been donated free of restriction on their use or disposition. The Trust may also purchase real property for the furtherance of its mission. Such purchased property is recorded at cost. At March 31, 2022 and 2021, the Trust held 33 and 35 properties on 8,877 and 11,443 acres of land of \$19,445,594 and \$23,431,023, respectively.

7. FIXED ASSETS, NET

Fixed assets at March 31, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,000,268	\$ 70,000
Building	443,088	368,088
Land/Leasehold improvements	346,793	369,060
Furniture, fixtures and equipment	140,565	67,851
Automobiles	<u>101,863</u>	<u>70,892</u>
Total fixed assets	2,032,577	945,891
Less: accumulated depreciation	<u>(295,446)</u>	<u>(245,135)</u>
Total fixed assets – net	<u>\$ 1,737,131</u>	<u>\$ 700,756</u>

Land/Leasehold improvements includes improvements made on the owned properties and leased properties of the Trust. The Trust leases 2 properties on 332 acres of land. The lease payments are \$1 annually for each lease.

8. CONSERVATION EASEMENTS

The Trust has acquired and holds a number of conservation easements, each representing a legal interest in land owned by another person or entity. The easements grant the Trust the right to use, control, and/or protect the land for conservation purposes. Because of the unique nature of these assets, the impracticality of obtaining consistent and reliable estimates of the values ascribed to these interests, and consistent with the practices followed by many environmental land trusts, the accompanying consolidated financial statements do not include any amounts for these property interests. At March 31, 2022 and 2021, the Trust held 216 and 193 conservation easements on 65,741 and 45,540 acres of land, respectively.

9. RELATED PARTY TRANSACTIONS

During the year, the Trust contracted a marketing company to which one of the board members' spouse is employed. The Trust paid a total of \$1,200 for marketing during the year ended March 31, 2022.

SOUTHERN CONSERVATION TRUST
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

10. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (“FASB”) Accounting Standards Codifications (“ASC”) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. Under ASC 820, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest priority to lowest priority, are described as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Unobservable prices that are based on inputs not quoted on active markets but corroborated by market data.

Level 3: Inputs are unobservable inputs for the asset that are supported by little or no market activity and that are significant to the fair value of the underlying asset.

The Trust’s financial instruments measured at fair value on a recurring basis in accordance with ASC 820 as of March 31, 2022 and 2021, are deemed as Level 1.

11. STEWARDSHIP COMMITMENT

Protecting and enhancing the conservation values of the lands acquired by the Trust, and doing so in perpetuity, is an important aspect of the Trust's work. The Trust evaluates each property it holds for its conservation value, as well as the threats to these values, and develops and implements a stewardship plan based on this analysis. The plan includes detailed monitoring on an annual basis. Current costs associated with the Trust's stewardship efforts are expensed as incurred. The costs of future obligations represent a commitment of the Trust and will be recorded as they are incurred.

12. CONCENTRATIONS OF CREDIT RISK

The Trust maintains cash deposits in two banks, which throughout the year exceeds federally insured deposit limits. The Trust has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

SOUTHERN CONSERVATION TRUST
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

13. NET ASSETS

Net assets without donor restrictions were as follows for the years ended March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Undesignated	\$21,154,148	\$26,589,662
Board designated:		
<i>Endowment</i>		
Stewardship	2,531,208	2,647,450
Legal Defense	1,000,000	500,000
Sam’s Lake Bird Sanctuary	393,162	400,397
Nick’s Creek	279,583	210,097
Little Bear Creek Nature Preserve	19,453	50,000
Parks, Education and Conservation	2,699,255	42,325
Swamp Creek Reserve	<u>25,000</u>	<u>-</u>
Total board designated	<u>7,131,958</u>	<u>3,850,269</u>
 Total net assets without donor restrictions	 <u>\$28,286,106</u>	 <u>\$30,439,931</u>

Net assets with donor restrictions were as follows for the years ended March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to restriction:		
Endowment for Walden Park	\$ <u>96,555</u>	\$ <u>97,055</u>
Total net assets with donor restrictions	<u>\$ 96,555</u>	<u>\$ 97,055</u>

Net assets with donor restrictions released from restrictions were as follows for the years ended March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to restriction:		
Endowment for Walden Park	\$ <u>500</u>	\$ <u>500</u>
Total released from restrictions	<u>\$ 500</u>	<u>\$ 500</u>