

**CAPITAL REGION LAND
CONSERVANCY, INC.**

CONSOLIDATED FINANCIAL STATEMENTS

**YEARS ENDED DECEMBER 31, 2022 (AUDITED)
AND DECEMBER 31, 2021 (REVIEWED)**

CONTENTS

INDEPENDENT AUDITOR’S REPORT..... Page 1 - 2

CONSOLIDATED FINANCIAL STATEMENTS

 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION..... 3

 CONSOLIDATED STATEMENT OF ACTIVITIES -
 YEAR ENDED DECEMBER 31, 2022 4

 CONSOLIDATED STATEMENT OF ACTIVITIES -
 YEAR ENDED DECEMBER 31, 2021 5

 CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES -
 YEAR ENDED DECEMBER 31, 2022 6

 CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES -
 YEAR ENDED DECEMBER 31, 2021 7

 CONSOLIDATED STATEMENTS OF CASH FLOWS 8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS..... 9 - 20



HARRIS, HARDY & JOHNSTONE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Capital Region Land Conservancy, Inc.
Richmond, Virginia

Opinion

We have audited the accompanying consolidated financial statements of Capital Region Land Conservancy, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

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

Prior Period Consolidated Financial Statements

The 2021 consolidated financial statements of Capital Region Land Conservancy, Inc. were reviewed by other accountants and their report thereon, dated September 23, 2022, stated they were not aware of any material modifications that should be made to those financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Capital Region Land Conservancy, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Capital Region Land Conservancy, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Harris, Hardy & Johnstone, P.C.

Richmond, Virginia
September 14, 2023

CAPITAL REGION LAND CONSERVANCY, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 798,890	\$ 1,533,044
Certificate of deposit	10,000	-
Unconditional promises to give	221,209	58,000
Prepaid expenses	15,036	21,509
Investments, operations	942,375	364,848
Beneficial interest in assets held by others	248,621	31,027
Other assets	31,000	1,000
Conservation land	6,743,888	1,487,213
	<u>\$ 9,011,019</u>	<u>\$ 3,496,641</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 8,631	\$ 19,059
Refundable advances	27,000	50,000
Line of credit	516,250	-
	<u>551,881</u>	<u>69,059</u>
 NET ASSETS		
Without donor restrictions		
Undesignated	188,680	1,138,791
Board-designated	150,000	150,000
Board-designated endowment	248,621	31,027
Conservation land	6,743,888	1,487,213
With donor restrictions	1,127,949	620,551
	<u>8,459,138</u>	<u>3,427,582</u>
	<u>\$ 9,011,019</u>	<u>\$ 3,496,641</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements

CAPITAL REGION LAND CONSERVANCY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022 (AUDITED)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Contributions			
Individuals	\$ 166,151	\$ -	\$ 166,151
Corporate	40,791	458,390	499,181
Private foundations	64,000	384,485	448,485
Contributed land for conservation	2,975,000	-	2,975,000
Grants			
State and local agencies	-	1,869,500	1,869,500
Total Support	<u>3,245,942</u>	<u>2,712,375</u>	<u>5,958,317</u>
Sales of Conservation Land			
Sales of conservation land	-	-	-
Book value of conservation land	-	-	-
Net Sales of Conservation Land	<u>-</u>	<u>-</u>	<u>-</u>
Sales of Inventory			
Sales	1,118	-	1,118
Cost of goods sold	(3,334)	-	(3,334)
Net Sales of Inventory	<u>(2,216)</u>	<u>-</u>	<u>(2,216)</u>
Other Revenues, Gains and (Losses)			
Investment return, net	(97,951)	(25,966)	(123,917)
Other income	14,500	-	14,500
Total Other Revenues, Gains and (Losses)	<u>(83,451)</u>	<u>(25,966)</u>	<u>(109,417)</u>
Net Assets Released from Restrictions			
Satisfaction of use restrictions	2,179,011	(2,179,011)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>5,339,286</u>	<u>507,398</u>	<u>5,846,684</u>
EXPENSES AND LOSSES			
Program Services			
Conservation activities and actions	701,205	-	701,205
Management and General	79,863	-	79,863
Fundraising	34,060	-	34,060
TOTAL EXPENSES AND LOSSES	<u>815,128</u>	<u>-</u>	<u>815,128</u>
CHANGE IN NET ASSETS	4,524,158	507,398	5,031,556
NET ASSETS, beginning of year	<u>2,807,031</u>	<u>620,551</u>	<u>3,427,582</u>
NET ASSETS, end of year	<u>\$ 7,331,189</u>	<u>\$ 1,127,949</u>	<u>\$ 8,459,138</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements

CAPITAL REGION LAND CONSERVANCY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021 (REVIEWED)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Contributions			
Individuals	\$ 165,282	\$ -	\$ 165,282
Corporate	50,136	77,281	127,417
Private foundations	-	439,861	439,861
Contributed land for conservation	1,025,000	-	1,025,000
Grants			
State and local agencies	-	70	70
Total Support	<u>1,240,418</u>	<u>517,212</u>	<u>1,757,630</u>
Sales of Conservation Land			
Sales of conservation land	2,070,670	-	2,070,670
Book value of conservation land	<u>(3,368,042)</u>	<u>-</u>	<u>(3,368,042)</u>
Net Sales of Conservation Land	<u>(1,297,372)</u>	<u>-</u>	<u>(1,297,372)</u>
Sales of Inventory			
Sales	-	-	-
Cost of goods sold	<u>-</u>	<u>-</u>	<u>-</u>
Net Sales of Inventory	<u>-</u>	<u>-</u>	<u>-</u>
Other Revenues, Gains and (Losses)			
Investment return, net	2,369	38,111	40,480
Other income	<u>27,519</u>	<u>-</u>	<u>27,519</u>
Total Other Revenues, Gains and (Losses)	<u>29,888</u>	<u>38,111</u>	<u>67,999</u>
Net Assets Released from Restrictions			
Satisfaction of use restrictions	<u>473,466</u>	<u>(473,466)</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>446,400</u>	<u>81,857</u>	<u>528,257</u>
EXPENSES AND LOSSES			
Program Services			
Conservation activities and actions	595,990	-	595,990
Management and General	48,558	-	48,558
Fundraising	<u>16,014</u>	<u>-</u>	<u>16,014</u>
TOTAL EXPENSES AND LOSSES	<u>660,562</u>	<u>-</u>	<u>660,562</u>
CHANGE IN NET ASSETS	(214,162)	81,857	(132,305)
NET ASSETS, beginning of year	<u>3,021,193</u>	<u>538,694</u>	<u>3,559,887</u>
NET ASSETS, end of year	<u>\$ 2,807,031</u>	<u>\$ 620,551</u>	<u>\$ 3,427,582</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements

CAPITAL REGION LAND CONSERVANCY, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022 (AUDITED)

	Conservation Activities and Actions	Management and General	Fundraising	Total
Salaries and wages	\$ 229,390	\$ 15,465	\$ 12,887	\$ 257,742
Payroll taxes	16,839	1,135	946	18,920
Employee benefits	2,127	3,583	119	5,829
	<u>248,356</u>	<u>20,183</u>	<u>13,952</u>	<u>282,491</u>
Land acquisition assistance	347,819	-	-	347,819
Professional fees	83,094	5,966	822	89,882
Supplies	10,870	7,763	-	18,633
Interest	-	18,432	-	18,432
Printing	3,500	-	6,932	10,432
Insurance	(2,125)	10,038	-	7,913
Fundraising	-	-	7,731	7,731
Miscellaneous	2,047	4,757	-	6,804
Fees and subscriptions	5,399	-	-	5,399
Postage	-	-	4,623	4,623
Occupancy	-	4,221	-	4,221
Real estate taxes	-	3,876	-	3,876
Telephone	-	2,088	-	2,088
Contributions	-	1,882	-	1,882
Travel	1,759	-	-	1,759
Advertising	-	657	-	657
Conferences and meetings	486	-	-	486
	<u>486</u>	<u>-</u>	<u>-</u>	<u>486</u>
TOTAL EXPENSES	<u>\$ 701,205</u>	<u>\$ 79,863</u>	<u>\$ 34,060</u>	<u>\$ 815,128</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements

CAPITAL REGION LAND CONSERVANCY, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021 (REVIEWED)

	Conservation Activities and Actions	Management and General	Fundraising	Total
Salaries and wages	\$ 164,595	\$ 11,032	\$ 6,065	\$ 181,692
Payroll taxes	13,392	891	491	14,774
Employee benefits	3,685	359	170	4,214
	<u>181,672</u>	<u>12,282</u>	<u>6,726</u>	<u>200,680</u>
Land acquisition assistance	284,400	-	-	284,400
Professional fees	70,405	18,541	624	89,570
Interest	30,933	-	-	30,933
Miscellaneous	7,587	3,392	-	10,979
Real estate taxes	8,944	-	-	8,944
Insurance	4,061	2,161	-	6,222
Supplies	-	6,150	-	6,150
Fees and subscriptions	4,610	-	-	4,610
Printing	-	-	4,486	4,486
Advertising	-	1,000	2,596	3,596
Travel	2,680	-	-	2,680
Occupancy	-	2,400	-	2,400
Postage	-	-	1,582	1,582
Repairs	-	1,350	-	1,350
Telephone	-	1,282	-	1,282
Conferences and meetings	698	-	-	698
	<u>698</u>	<u>-</u>	<u>-</u>	<u>698</u>
TOTAL EXPENSES	<u>\$ 595,990</u>	<u>\$ 48,558</u>	<u>\$ 16,014</u>	<u>\$ 660,562</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements

CAPITAL REGION LAND CONSERVANCY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,031,556	\$ (132,305)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Realized (gain) loss on investments	37,759	(975)
Unrealized (gain) loss on investments	91,662	(30,685)
Dividends and interest reinvested	(33,023)	-
Change in value of beneficial interest in assets held by others	32,406	(2,369)
Contributed conservation land	(2,945,000)	(1,025,000)
Losses on disposition of conservation land	-	1,297,372
Donated assets	(30,000)	-
(Increase) decrease in		
Unconditional promises to give	(163,209)	64,535
Government grants and contracts receivable	-	84,970
Prepaid expenses	6,473	(10,005)
Other assets	-	-
Purchase of conservation land	(2,311,675)	(122,274)
Proceeds from sale of conservation land	-	2,070,670
Increase (decrease) in		
Accounts payable	(10,428)	1,418
Accrued interest	-	(18,041)
Refundable advances	(23,000)	(109,897)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(316,479)</u>	<u>2,067,414</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(1,335,146)	(138,779)
Proceeds from sale of investment securities	661,221	89,330
(Purchase) redemption of certificate of deposit	(10,000)	48,202
Purchase of beneficial interest in assets held by others	(250,000)	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(933,925)</u>	<u>(1,247)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from line of credit	516,250	-
Curtailed of notes payable	-	(870,556)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>516,250</u>	<u>(870,556)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(734,154)	1,195,611
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,533,044</u>	<u>337,433</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 798,890</u>	<u>\$ 1,533,044</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 18,432	\$ 48,974

See Independent Auditor's Report and Notes to Consolidated Financial Statements

CAPITAL REGION LAND CONSERVANCY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Capital Region Land Conservancy, Inc. (the “Organization”) was formed as a nonprofit corporation under the laws of the Commonwealth of Virginia. The Organization is dedicated to serving the City of Richmond and the Counties of Chesterfield, Henrico, Hanover, Goochland, Powhatan, New Kent, and Charles City with a mission to conserve and protect the natural and historic land and water resources of Virginia’s Capital Region for the benefit of current and future generations. CRLC Land Holdings, LLC, a wholly-owned subsidiary of the Organization, was formed in 2020 for the primary purpose of holding conservation land.

Summary of Significant Accounting Policies

The Organization prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America for not-for-profit entities. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the consolidated financial statements.

Principles of Consolidation

The consolidated financial statements (collectively, the financial statements) include the accounts of Capital Region Land Conservancy, Inc. and its wholly-owned subsidiary, CRLC Land Holdings, LLC. All intercompany transactions have been eliminated in consolidation.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13 (“ASU 2016-13”), *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU replaces the current incurred loss model used to measure impairment losses with an expected loss model for trade and other receivables. The standard is effective for non-public entities for annual reporting periods beginning after December 15, 2022, with early adoption permitted and will be applied using a modified-retrospective approach through a cumulative-effect adjustment, if necessary, to net assets as of the beginning of the first reporting period in which the guidance is effective. The Organization is currently evaluating the reporting and economic implications of the new standard.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, “Leases (Topic 842)” superseding Topic 840 which provides a new approach to lease accounting with an objective to increase transparency and comparability among organizations by requiring the capitalization of substantially all leases on the consolidated statement of financial position and disclosure of key information about leasing arrangements. The FASB concluded that all leases give rise to assets and liabilities that should be recognized on the consolidated statement of financial position, but further concluded that the economics of leases differ from one another and those different economics should be reflected in the consolidated financial statements. Therefore, lessees classify leases as either a finance or operating lease. Both types of leases are recognized on the consolidated statement of financial position, but the amount, timing, and classification of expenses related to the leases differs depending on lease type.

CAPITAL REGION LAND CONSERVANCY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The core principle of the new guidance is that an entity should recognize, at the lease commencement date, a right-of-use asset and lease liability when the lessee obtains control over the use of the leased asset. The right-of-use asset and lease liability are initially measured at the present value of the future lease payments.

The transition guidance allows for the application of various practical expedients in the adoption of FASB ASC 842, Leases.

Effective January 1, 2022, the Organization adopted FASB ASC 842, Leases on a modified retrospective basis, therefore comparative financial information has not been restated and continues to be reported under FASB ASC 840.

The Organization elected to adopt the package of three practical expedients available under the transition guidance. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract.

Fair Value Measurements

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by accounting principles generally accepted in the United States of America, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1*: Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- *Level 2*: Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3*: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

CAPITAL REGION LAND CONSERVANCY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements - Continued

When available, the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the Organization's consolidated financial statements are:

- *Initial* measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- *Recurring* measurement of investments (Note C).

The Organization uses the following ways to determine the fair value of its investments:

- *Money market funds*: Determined by the published NAV per unit at the end of the last trading day of the year, which is the basis for transactions at that date.
- *Equity securities traded on national securities exchanges*: Determined by the closing price on the last business day of the fiscal year.
- *Open-end mutual funds*: Determined by the published NAV per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.
- *Exchange-traded funds*: Determined by the published closing price on the last business day of the fiscal year.

Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities as of the date of the consolidated financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income taxes as defined under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose could be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

CRLC Land Holdings, LLC is a single-member LLC entity and, therefore, is considered a disregarded entity for tax purposes.

CAPITAL REGION LAND CONSERVANCY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBTI). The Organization has recognized no uncertain tax positions for the years ended December 31, 2022 and 2021.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period.

Cash Equivalents

Cash equivalents include all deposits in banks and highly liquid investments with original maturity dates of less than three months. The carrying value of cash equivalents approximated fair value because of the short maturities of those financial instruments.

Certificate of Deposit

A certificate of deposit totaling \$10,000 and \$0 as of December 31, 2022 and 2021, respectively, is not included in cash in the accompanying consolidated financial statements.

Unconditional Promises to Give/Allowance

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value as of the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Management believes that all outstanding contribution receivables are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Government Grants/Refundable Advances

The Organization receives grants and from federal, state, and local agencies to be used for specific programs or land purchases. The excess of reimbursable expenditures over cash receipts is included in government grants receivable and any excess of cash receipts over reimbursable expenditures is included in refundable advances.

Investments, operations

The Organization invests cash in excess of its immediate needs in money market funds, mutual funds, exchange-traded funds, and equities. Short-term investments are reported at fair value.

The investment policy specific to these investments is monitored by the Investment Committee of the organization's Board of Directors. The policy requires that investments be readily marketable and nonvolatile.

CAPITAL REGION LAND CONSERVANCY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Beneficial Interest in Trust

The Organization is the irrevocable beneficiary of a perpetual charitable trust held by a bank trustee. The beneficial interest in the trust is reported at its fair value, which is estimated as the fair value of the underlying trust assets. Distributions of income from the trust assets are restricted to uses designated by the Board of Directors and are reported as investment return increasing net assets without donor restrictions. The value of the beneficial interest in the trust is adjusted annually for the change in its estimated fair value.

Conservation Land

The Organization records land at cost if purchased, or at fair value at the date of acquisition, if all or part of the land was received as a donation. Fair value is generally determined by appraisal at the time of acquisition and is not subsequently adjusted. Upon sale or gift, the book value of the land is reported as a program expense and the related proceeds, if any, are reported as revenue in the consolidated statement of activities.

Net Assets

The consolidated financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

The Organization's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

CAPITAL REGION LAND CONSERVANCY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met. Remainder revenue is received from the remainder trust funds designated to the Organization by grantors upon their death.

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget's audit requirements for federal awards and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Conservation Easements

Donated conservation easements are not recorded as an asset due to the fact that the typical conservation easement provides the Organization with no affirmative rights, except the right to monitor and enforce the easement. In instances whereby conservation easements are acquired by a specific grant or restricted donations, the costs incurred by the Organization to acquire the conservation easement are expensed in the period incurred. The Organization recorded three and one conservation easements held by the Organization and one and one with another organization during the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the Organization held twelve and nine conservation easements covering 543.041 and 477.920 acres on properties owned by others, respectively, and co-held sixteen and fifteen conservation easements covering 1,853.24 and 2,096.95 acres on properties owned by others.

Donated Services

The Organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Organization's program operations and in its fund-raising campaigns. Accounting principles generally accepted in the United States of America allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. The Organization received pro bono legal services that would meet the criteria for recognition, however the value of those services is undetermined.

CAPITAL REGION LAND CONSERVANCY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by management personnel.
- Occupancy, insurance, supplies and certain professional fees are allocated based on management's best estimate of each program and supporting activity.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Leases

The Organization determines if a contract contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The lease classification is determined at the commencement date.

The Organization has elected to apply the practical expedient allowing for leases with terms of 12 months or fewer to remain off the consolidated statement of financial position.

The Organization applies the discount rate implicit in the lease contract. If there is no implicit rate, the Organization applies the risk-free interest rate.

The Organization applies the practical expedient to use hindsight in determining the lease term when a lease contains renewal or termination options.

Advertising

Advertising costs are expensed as incurred.

CAPITAL REGION LAND CONSERVANCY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)

NOTE B - LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2022 are:

Financial assets		
Cash and cash equivalents	\$	798,890
Certificate of deposit		10,000
Unconditional promises to give		221,209
Investments, operations		942,375
Beneficial interest in assets held by others		248,621
Total financial assets		<u>2,221,095</u>
Less financial assets held to meet donor-imposed restrictions		
Board designated endowment		248,621
Purpose restricted net assets		<u>1,127,949</u>
Total financial assets available for general expenditures within one year	\$	<u>844,525</u>

Of the financial assets for the years ended December 31, 2022 and 2021, \$150,000 is subject to board designations that make them unavailable for general expenditures within one year of the consolidated statement of financial position date without board approval. These designations are in place to ensure the Organization's ongoing and future viability to achieve its mission. As part of its liquidity management, the Organization holds a diversified portfolio of liquid assets including cash, exchange traded funds, and money market funds. Management and the Board of Directors regularly monitor liquidity needs of the Organization.

NOTE C - INVESTMENTS

Fair value of investments consists of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Equities	\$ 230,449	\$ 360,702
Mutual funds	526,920	-
Exchange traded funds	170,056	-
Money market funds	14,950	4,146
Beneficial interest in CF	248,621	31,027
	<u>\$ 1,190,996</u>	<u>\$ 395,875</u>

CAPITAL REGION LAND CONSERVANCY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)

NOTE C - INVESTMENTS - Continued

The following table summarizes investments measured at fair value by classification within the fair value hierarchy as of December 31, 2022 and 2021:

	2022		
	Level 1	Level 3	Fair Value
Exchange-traded funds			
Large-Cap Core	\$ 31,115	\$ -	\$ 31,115
Mid-Cap Core	33,908	-	33,908
S&P 500 Index	31,826	-	31,826
Small-Cap Core	33,499	-	33,499
Other	39,708	-	39,708
Mutual funds			
Growth	125,040	-	125,040
International	45,285	-	45,285
Bond	131,899	-	131,899
Real estate	108,466	-	108,466
Other	116,230	-	116,230
Equities	230,449	-	230,449
Money market funds	14,950	-	14,950
Beneficial interest in CF	-	248,621	248,621
	<u>\$ 942,375</u>	<u>\$ 248,621</u>	<u>\$ 1,190,996</u>
	2021		
	Level 1	Level 3	Fair Value
Exchange-traded funds			
Developed World	\$ 31,235	\$ -	\$ 31,235
Emerging Markets	40,706	-	40,706
Large-Cap Core	37,264	-	37,264
Mid-Cap Core	32,599	-	32,599
Multi-Sector, Inc.	58,930	-	58,930
Real estate	29,737	-	29,737
S&P 500 Index	36,566	-	36,566
Senior Loan	56,406	-	56,406
Small-Cap Core	37,259	-	37,259
Money market funds	4,146	-	4,146
Beneficial interest in CF	-	31,027	31,027
	<u>\$ 364,848</u>	<u>\$ 31,027</u>	<u>\$ 395,875</u>

CAPITAL REGION LAND CONSERVANCY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)

NOTE D - BENEFICIAL INTEREST IN TRUST

The Organization's Board of Directors entered into an agreement with The Community Foundation *Serving Richmond and Central Virginia* (TCF) to create a beneficial interest in trust (Fund) as described under FASB ASC 958-605, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. The beneficial interest was formed for the benefit of the Organization.

Under the terms of the agreement, variance power was granted to TCF, including the power for TCF's Board of Governors to modify any restrictions or conditions on the distribution of the funds for any specified charitable purpose or to specified organizations, if in their sole judgment, such restriction or condition becomes incapable of fulfillment.

Income of the Fund shall be available at least annually to the Board of Governors of The Community Foundation for the benefit of the Organization. Upon a vote of 75% of all members of the Organization's Board of Directors, and not more than once in any four-year period, up to 10% of the prior calendar year-ending fund balance may be requested for allowable purposes. Any spendable income not requested by the Board of Directors within a given calendar year will be added to the Fund's principal balance.

The net income of the Fund, after deducting the expenses of investment and administering the Fund, shall be distributed quarterly to the Organization. The Organization may elect, by written notice to the Community Foundation, to add all or any part of such net income to the Fund. All such additions shall be treated as principal, unless otherwise directed by the Organization at or before the time of addition.

Gifts may be added to the Fund at any time by the Organization or other donors to assure the growth of the Fund as a permanent beneficial interest for the programs of the Organization. In the event of the dissolution of the Organization, the Community Foundation shall thereafter continue to hold the Fund and shall apply the principal and income therefrom as the Board of Directors of TCF shall direct. For its services, the Community Foundation shall be entitled to take and receive an amount equal to one percent (1%) of the Fund balance per annum, charged quarterly.

The beneficial interest in the trust is reported at its fair value, which is estimated as the fair value of the underlying trust assets. Because there are no observable market transactions for assets similar to the beneficial interest in the trust and because the trust cannot be redeemed, the valuation technique used by the Organization is a level 3 fair value measure.

The following table represents the activity in the beneficial interests for the years ended December 31, 2022 and 2021:

	2022	2021
Beneficial interest in assets held by The Community Foundation, beginning of year	\$ 31,027	\$ 28,658
Donations received by The Community Foundation	250,000	-
Fees paid to The Community Foundation	(1,882)	-
Net investment return	(30,524)	2,369
Beneficial interest in assets held by The Community Foundation, end of year	<u>\$ 248,621</u>	<u>\$ 31,027</u>

CAPITAL REGION LAND CONSERVANCY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)

NOTE E - LINE OF CREDIT

The Organization has available a revolving line of credit with Primis Bank with a maximum principal amount not to exceed \$666,250. Interest is computed at Prime plus 1% (8.5% as of December 31, 2022). As of December 31, 2022 and 2021, \$516,250 and \$0, respectively, was outstanding on this line of credit. The note is collateralized by the Organization's conservation land.

NOTE F - NET ASSETS

As of December 31, 2022 and 2021, net assets with donor restrictions are available for the following purposes or period:

	<u>2022</u>	<u>2021</u>
Conservation Easement Stewardship	\$ 348,231	\$ 342,285
Echo Harbor	75,091	24,394
Legal Defense Fund	181,606	155,831
Long Bridge Road	8,957	32,559
Our Land and Water Campaign	514,064	65,482
	<u>\$ 1,127,949</u>	<u>\$ 620,551</u>

As of December 31, 2022 and 2021, net assets released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by grantors were as follows:

	<u>2022</u>	<u>2021</u>
Appomattox River	\$ -	\$ 5,119
Conservation Easement Stewardship	21,991	18,874
Echo Harbor	8,047	340,003
Goochland County Efforts	-	449
Legal Defense Fund	3,128	1,714
Long Bridge Road	25,037	49,112
Malvern Hill	-	17,214
Our Land and Water Campaign	2,120,808	40,981
	<u>\$ 2,179,011</u>	<u>\$ 473,466</u>

Prior year excess funds have been designated by the Board of Directors. The board-designated funds are for the purpose of providing a financial reserve and to enhance the overall long-term security for the Organization for future funding of its programs and initiatives.

NOTE G - CONDITIONAL PROMISES TO GIVE

As of December 31, 2022 and 2021, the Organization was the recipient of \$8,163,250 and \$3,485,000, respectively, of conditional promises to give for various future conservation land acquisition projects.

CAPITAL REGION LAND CONSERVANCY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2022 (AUDITED) AND 2021 (REVIEWED)

NOTE H - CONCENTRATION OF CREDIT RISK

All depository accounts of the Organization are in institutions insured by the Federal Depository Insurance Corporation; however, the deposits exceeded the insurance limits from time to time during the year ended December 31, 2022. As of December 31, 2022, the Organization's balance in excess of insurance was \$548,890.

For the years ended December 31, 2022 and 2021, approximately 30% and 26% of total revenues and other support came from one funding sources, respectively. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

NOTE I - COMMITMENTS

The Organization leases office space on a month-to-month basis for monthly rent of \$350. Total rent expense was \$4,200 and \$2,400 for the years ended December 31, 2022 and 2021, respectively. This lease did not qualify to be recorded on the statement of financial position under FASB ASC 842, Leases based on the short-term lease practical expedient.

NOTE J - SUBSEQUENT EVENTS

In the preparation of its consolidated financial statements, Capital Region Land Conservancy, Inc. considered subsequent events through September 14, 2023, which was the date the consolidated financial statements were available to be issued.