

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Leases

The Conservancy has an operating lease for its office space at 720 Magnolia Road. The obligations associated with this lease has been recognized as a liability in the statement of financial position based on future lease payments, discounted by the incremental borrowing rate for the Conservancy's operating lease. Lease terms may include options to extend or terminate the lease. The value of a lease is reflected in the valuation if it is reasonably certain management will exercise an option to extend or terminate a lease. The Conservancy has elected for its operating lease to use a risk-free rate as a discount rate for the lease.

Income Tax Status

The Conservancy is a nonprofit corporation status as described under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Conservancy may be subject to income taxes that are classified as unrelated business income.

Management has evaluated the tax positions of the Conservancy and does not believe that any uncertain tax positions or unrecognized tax benefits exist for the years ended December 31, 2022 and 2021, respectively. The Conservancy's policy is to report accrued interest related to unrecognized tax benefits, when applicable, as interest expense and to report penalties as other expense. The Conservancy is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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 certain reported amounts and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Recently Adopted Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which increased the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU No 2020-07 requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires additional disclosures, including a disclosure of a disaggregation of the amount of contributed nonfinancial assets by category. ASU 2020-07 is effective for the Conservancy for year 2022 and early adoption is permitted.

Analysis of various provisions of this standard resulted in no significant changes in the way the Conservancy measures and recognizes contributed non-financial assets, therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of contributed non-financial assets have been adjusted in accordance with the standard.

The Conservancy adopted the new standard effective January 1, 2022, the first day of the Conservancy's calendar year, using the full retrospective method.

The Conservancy adopted ASC 842, Leases; this standard requires lessees to recognize leases on the statement of financial position as right-of-use (ROU) assets and lease liabilities based on the value of the discounted future lease payments.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Recently Adopted Accounting Pronouncements - continued

In adopting ASC 842, the Conservancy elected to use practical expedients, including but not limited to, not reassessing past lease and easement accounting, and not recording assets or liabilities for leases with terms of one year or less. The adoption of ASC 842 is mandatory and is effective for years beginning after December 31, 2021. In addition, the Conservancy elected the practical expedient that allows as an accounting policy to use a risk-free rate as the discount rate for the leases.

Upon adoption, the Conservancy recognized operating right-of-use assets and lease liabilities of \$89,261. ASC 842 did not have a significant effect on our accounting for lessee contracts.

Reclassifications

Certain amounts from the prior year have been reclassified to conform to the 2022 presentation without affecting the previously reported net assets.

NOTE 2 - AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that are without donor or other restrictions limiting their use within one year of the Statement of Financial Position date of December 31, 2022 and 2021, comprise of the following at December 31:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents, without donor restrictions	\$ 621,199	\$ 1,203,088
Investments	7,373,934	9,316,003
Accounts receivable, net	8,500	-
Contributions receivable	19,000	24,000
Grants receivable	1,200	33,700
Total financial assets	<u>8,023,833</u>	<u>10,576,791</u>
Less financial assets held to meet donor-imposed restrictions:		
Purpose restricted net assets	(497,667)	(392,000)
Less financial assets not available within one year:		
Contributions receivable	<u>(11,000)</u>	<u>(17,000)</u>
Amount available for general expenditures within one year	<u>\$ 7,515,166</u>	<u>\$ 10,167,791</u>

As part of its liquidity plan, the Conservancy has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Board designates funds for future operations and therefore those restrictions are not reflected as outside future obligations.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of December 31:

	2022	2021
Beginning contributions		
receivable balance	\$ 24,500	\$ 13,000
Contribution commitments	-	20,000
Contribution payments	(3,500)	(8,500)
	21,000	24,500
Less bad debt write-offs	(2,000)	(500)
Ending contributions		
receivable balance	\$ 19,000	\$ 24,000

A summary of contributions receivable expected to be collected are as follows:

Less than one year	\$ 8,000
Two to five years	11,000
Total	\$ 19,000

The Conservancy believes the contributions receivable to be fully collectible and implements the direct write off method for any uncollectible accounts at the time they occur.

NOTE 4 - INVESTMENTS

Investments held by the Conservancy are in cash equivalents, bonds and equity securities. Investments are stated at fair market value and consist of the following at December 31:

	2022	
	Cost	Market Value
Cash equivalents	\$ 83,321	\$ 83,321
Corporate bonds	2,057,645	1,763,421
Equity securities	4,974,606	5,527,192
	\$ 7,115,572	\$ 7,373,934
	2021	
	Cost	Market Value
Cash equivalents	\$ 89,411	\$ 89,411
Corporate bonds	2,279,967	2,258,259
Equity securities	5,158,648	6,968,333
	\$ 7,528,026	\$ 9,316,003

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Conservancy has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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 and liabilities have been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value. The fair value of investments is based on quoted market rates.

Cash equivalents including US Treasury Obligations: Determined using contractual cash flows and the interest rate determined by the closing bid price on the last day of business of the fiscal year if the same or obligation with a similar maturity is actively traded.

Bonds: Valued at the closing price reported in the active market in which the bond is traded or based on yields currently available on comparable securities of issuers with similar credit ratings.

Equities: Valued at the closing price reported in the active market in which the individual securities are traded.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Description	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 83,321	\$ -	\$ -	\$ 83,321
Corporate bonds	1,763,421	-	-	1,763,421
Equity securities	5,527,192	-	-	5,527,192
Total	<u>\$ 7,373,934</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,373,934</u>

Description	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 89,411	\$ -	\$ -	\$ 89,411
Corporate bonds	2,258,259	-	-	2,258,259
Equity securities	6,968,333	-	-	6,968,333
Total	<u>\$ 9,316,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,316,003</u>

NOTE 6 - CONCENTRATIONS

The Conservancy maintains its cash and cash equivalents with various financial institutions covered by the Federal Deposit Insurance Corporation (FDIC). Cash guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Conservancy's uninsured cash balance were \$163,036 and \$639,032 as of December 31, 2022 and 2021, respectively.

Cash (money market fund) in an investment account is held in safekeeping at a national brokerage firm. The firm participates in the Securities Investor Protection Corporation (SIPC), which protects SPIC-eligible assets in each account up to a maximum of \$500,000, of which \$250,000 may be in cash. At December 31, 2022 and 2021, the total cash and money market funds held by the firms for the Conservancy was \$83,321 and \$89,411 respectively of which \$0 was uninsured.

The Conservancy serves one geographical area which is located in Charleston, South Carolina.

The Conservancy received 48% of revenue from two sources and 30% of revenue from two sources during the years ended December 31, 2022 and 2021, respectively.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following for the years ended December 31:

	2022	2021
Furniture and fixtures	\$ 52,031	\$ 46,736
Vehicles and equipment	123,955	93,791
Total cost	175,986	140,527
Less: accumulated depreciation	(114,811)	(89,353)
Net property and equipment	<u>\$ 61,175</u>	<u>\$ 51,174</u>

Depreciation expense charged to operations was \$25,457 and \$15,229 for the years ended December 31, 2022 and 2021, respectively.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 8 - CONTRIBUTED NONFINANCIAL ASSETS

For the years ended December 31, contributed nonfinancial assets recognized within the statements of activities included:

	2022	2021
Advertising	\$ 1,000	\$ 2,679
Catered food and drinks	79,345	-
Donated facilities	9,600	9,600
Donated supplies	-	4,091
Event auction items	5,000	-
Event logistics	36,950	11,280
Video production	1,500	-
	\$ 133,395	\$ 27,650

The Conservancy recognized contributed nonfinancial assets within revenue, including contributed advertising, food and beverage catering, event rentals, auction items, event logistics, video production services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed advertising was used to promote fundraising and awareness of the Conservancy's fundraising events. Advertising is valued and reported at the estimated fair value in the financial statements based on the current rates for similar advertising space.

The Conservancy is provided the use of office space by the City of Charleston Department of Parks as a contributed nonfinancial asset. The Conservancy records the contributed nonfinancial asset and related occupancy expense as the estimated fair value of the rent.

The Conservancy received other contributed nonfinancial assets for various services and products, including donated program supplies and other goods and services contributed as contributed nonfinancial sponsorships for various Conservancy programs and events. In valuing these goods and services, the Conservancy estimated the fair value based on estimates of wholesale value that would be paid for purchasing similar products.

NOTE 9 - ADVERTISING EXPENSES

Advertising costs are expensed as incurred. Advertising and marketing expenses were \$92,026 and \$67,071 for the years ended December 31, 2022 and 2021, respectively.

NOTE 10 - RETIREMENT PLAN

The Conservancy offers a section 401(k) retirement plan to employees. Full time employees are eligible to participate and contribute up to the maximum amount permitted by law. The Conservancy matches 100% for the first 3% of employee salary deferrals and 50% of the next 2% of employee salary deferrals. During the years ended December 31, 2022 and 2021, the Conservancy made matching contributions totaling \$17,296 and \$13,873, respectively.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 11 - RELATED PARTY TRANSACTIONS

A board member owns a restaurant from where the Conservancy purchased items from for fundraising events. The Conservancy paid \$0 and \$2,950 for these items during the years ended December 31, 2022 and 2021, respectively.

Board members made various contributions to the Conservancy during the years ended December 31, 2022 and 2021.

NOTE 12 - LEASE COMMITMENTS

The Conservancy leases office space under a five-year non-cancelable lease agreement dated March 1, 2017. Monthly payments start at \$4,000 with a yearly increase of \$500 beginning on March 1, 2018. This lease expired on February 28, 2022 with a two year renewal option that the Conservancy implemented with the operating lease. Rent is \$6,500 per month. The right of use asset and corresponding liability is \$89,262 at December 31, 2022. The operating lease payments are expected to be paid in the amount of \$76,281 for 2023 and \$12,981 for 2024.

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

The Conservancy has net assets with donor restrictions that are available for the following purposes as of December 31, 2022 and 2021:

<u>Purpose restrictions, available for spending:</u>	<u>2022</u>	<u>2021</u>
Capital Projects	\$ 20,000	\$ 20,000
Cannon Park	7,518	8,809
Charleston Trees	83,243	81,943
Colonial Lake	-	20,065
Corrine Jones Community Garden	1,623	1,680
Garden In The Parks	77,721	-
Moultrie Playground	-	596
Hazel Parker Playground	50	-
Horticulture Fellowship	207,418	175,000
Plymouth Park	7,960	-
Professional Development	3,663	3,664
Other Restrictions	33,707	
Riley Waterfront Park	10,793	10,793
St. Julian Devine	27,521	28,074
Susie Jackson Freedom Memorial Garden	-	21,727
Theodora Park	1,206	-
Tiedemann Park	1,000	-
West Ashley Greenway	14,244	-
West Ashley Greenway General Program	-	14,649
White Point Garden	-	5,000
Total purpose restrictions	\$ 497,667	\$ 392,000
<u>Time restrictions:</u>		
Contribution receivables not restricted by donors, but are unavailable for expenditure until due	11,000	17,000
Total time restrictions	11,000	17,000
Total net assets with donor restrictions	\$ 508,667	\$ 409,000

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 14 - SUBSEQUENT EVENTS

In accordance with ASC 855, the Conservancy evaluated subsequent events through the report date, the date the financials were available for issue, and has concluded no significant events meet the criteria of the professional accounting standards to be recognized or not recognized but disclosed in the financial statements.

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