

Bayou Land Conservancy

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2022 and 2021

Bayou Land Conservancy

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Independent Auditors' Report

To the Board of Directors of
Bayou Land Conservancy:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bayou Land Conservancy, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bayou Land Conservancy as of December 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Bayou Land Conservancy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 Bayou Land Conservancy'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 Bayou Land Conservancy'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.

Blazek & Vetterling

June 29, 2023

Bayou Land Conservancy

Statements of Financial Position as of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 1,052,510	\$ 1,599,842
Prepays and other assets	15,915	11,655
Contributions receivable	120,000	135,033
Investments (Note 4)	691,514	251,576
Operating lease right-of-use assets (Note 8)	9,624	
Nature sanctuaries (Note 3)	2,066,000	2,066,000
Conservation easements (Note 7)	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 3,955,563</u>	<u>\$ 4,064,106</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 29,520	\$ 15,620
Operating lease liabilities (Note 8)	<u>9,624</u>	<u> </u>
Total liabilities	<u>39,144</u>	<u>15,620</u>
Commitments (Note 7)		
Net assets:		
Without donor restrictions (Note 5)	3,405,419	3,541,071
With donor restrictions (Note 6)	<u>511,000</u>	<u>507,415</u>
Total net assets	<u>3,916,419</u>	<u>4,048,486</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,955,563</u>	<u>\$ 4,064,106</u>

See accompanying notes to financial statements.

Bayou Land Conservancy

Statement of Activities for the year ended December 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Public support:			
Contributions	\$ 239,382	\$ 173,030	\$ 412,412
Nonfinancial contributions	29,041		29,041
Special events	93,791		93,791
Direct donor benefit costs – special events	(30,600)		(30,600)
Net investment return	(57,463)		(57,463)
Other income	17,615		17,615
Total revenue	291,766	173,030	464,796
Net assets released from restrictions:			
Expenditures for program expenses	84,445	(84,445)	
Expiration of time	85,000	(85,000)	
Total	461,211	3,585	464,796
EXPENSES:			
Program services:			
Land conservation and stewardship	284,895		284,895
Outreach, education and advocacy	180,161		180,161
Member programs	3,813		3,813
Total program services	468,869		468,869
Management and general	64,785		64,785
Fundraising	63,209		63,209
Total expenses	596,863		596,863
CHANGES IN NET ASSETS	(135,652)	3,585	(132,067)
Net assets, beginning of year	3,541,071	507,415	4,048,486
Net assets, end of year	\$ 3,405,419	\$ 511,000	\$ 3,916,419

See accompanying notes to financial statements.

Bayou Land Conservancy

Statement of Activities for the year ended December 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Public support:			
Contributions	\$ 197,414	\$ 325,950	\$ 523,364
Contributed conservation easements	121,700		121,700
Easement support contributions	25,033		25,033
Special events	98,730		98,730
Direct donor benefit costs – special events	(19,510)		(19,510)
Other income	<u>42,428</u>		<u>42,428</u>
Total revenue	465,795	325,950	791,745
Net assets released from restrictions:			
Expenditures for program expenses	154,885	(154,885)	
Expiration of time	<u>70,000</u>	<u>(70,000)</u>	
Total	<u>690,680</u>	<u>101,065</u>	<u>791,745</u>
EXPENSES:			
Program services:			
Land conservation and stewardship	364,821		364,821
Outreach, education and advocacy	178,020		178,020
Member programs	<u>4,540</u>		<u>4,540</u>
Total program services	547,381		547,381
Management and general	76,076		76,076
Fundraising	<u>65,420</u>		<u>65,420</u>
Total expenses	<u>688,877</u>		<u>688,877</u>
CHANGES IN NET ASSETS	1,803	101,065	102,868
Net assets, beginning of year	<u>3,539,268</u>	<u>406,350</u>	<u>3,945,618</u>
Net assets, end of year	<u>\$ 3,541,071</u>	<u>\$ 507,415</u>	<u>\$ 4,048,486</u>

See accompanying notes to financial statements.

Bayou Land Conservancy

Statement of Functional Expenses for the year ended December 31, 2022

EXPENSES	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL EXPENSES
	LAND CONSERVATION AND STEWARDSHIP	OUTREACH, EDUCATION AND ADVOCACY	MEMBER PROGRAMS	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries and related costs	\$ 160,356	\$ 139,440	\$ 3,488	\$ 303,284	\$ 6,969	\$ 38,346	\$ 348,599
Professional services	41,912	5,000		46,912	36,660	12,560	96,132
Contracted restoration services and maintenance	36,336			36,336	1,556		37,892
Occupancy	12,294	10,690	268	23,252	2,352	2,940	28,544
Printing, publications and postage	2,072	13,792		15,864	95	4,948	20,907
Dues and memberships	13,200	1,702		14,902			14,902
Insurance	3,209	1,080		4,289	6,995	3,188	14,472
Meetings, conferences, and professional development	7,179	1,614		8,793	343	85	9,221
Supplies	701	1,925		2,626	2,495	426	5,547
Travel, parking and mileage	3,397	1,411		4,808	113	56	4,977
Technology and communications	1,847	1,947	40	3,834	295	442	4,571
Depreciation	791	688	17	1,496	34	189	1,719
Other	1,601	872		2,473	6,878	29	9,380
Total expenses	<u>\$ 284,895</u>	<u>\$ 180,161</u>	<u>\$ 3,813</u>	<u>\$ 468,869</u>	<u>\$ 64,785</u>	<u>\$ 63,209</u>	596,863
Direct donor benefit costs – meal costs and venue rental							<u>30,600</u>
Total							<u>\$ 627,463</u>

See accompanying notes to financial statements.

Bayou Land Conservancy

Statement of Functional Expenses for the year ended December 31, 2021

EXPENSES	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL EXPENSES
	LAND CONSERVATION AND STEWARDSHIP	OUTREACH, EDUCATION AND ADVOCACY	MEMBER PROGRAMS	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries and related costs	\$ 150,525	\$ 154,287	\$ 3,763	\$ 308,575	\$ 18,815	\$ 48,920	\$ 376,310
Conservation easements	121,700			121,700			121,700
Professional services	33,697			33,697	32,307	3,909	69,913
Contracted restoration services and maintenance	16,715	175		16,890	1,488	3	18,381
Occupancy	10,121	10,372	313	20,806	2,981	3,331	27,118
Printing, publications and postage	10,715	5,277	394	16,386	250	7,406	24,042
Dues and memberships	4,700	2,458		7,158			7,158
Insurance	3,162	1,080		4,242	6,502		10,744
Meetings, conferences, and professional development	2,552	400		2,952	873	398	4,223
Supplies	74	592		666	2,825	484	3,975
Travel, parking and mileage	4,482	415		4,897	36	59	4,992
Technology and communications	2,130	1,968	48	4,146	3,293	624	8,063
Depreciation	881	903	22	1,806	110	286	2,202
Other	3,367	93		3,460	6,596		10,056
Total expenses	<u>\$ 364,821</u>	<u>\$ 178,020</u>	<u>\$ 4,540</u>	<u>\$ 547,381</u>	<u>\$ 76,076</u>	<u>\$ 65,420</u>	688,877
Direct donor benefit costs – meal costs and venue rental							<u>19,510</u>
Total							<u>\$ 708,387</u>

See accompanying notes to financial statements.

Bayou Land Conservancy

Statements of Cash Flows for the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (132,067)	\$ 102,868
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	29,114	2,202
Net realized and unrealized loss on investments	69,474	441
Changes in operating assets and liabilities:		
Prepays and other assets	(5,979)	1,784
Contributions receivable	15,033	(115,033)
Accounts payable and accrued liabilities	13,900	(65,804)
Operating lease liabilities	<u>(27,395)</u>	<u> </u>
Net cash used by operating activities	<u>(37,920)</u>	<u>(73,542)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,079,550)	(126,678)
Proceeds from sales of investments	430,686	19,994
Net change in money market mutual funds held as investments	139,452	(145,333)
Purchases of depreciable property	<u> </u>	<u>(4,361)</u>
Net cash used by investing activities	<u>(509,412)</u>	<u>(256,378)</u>
NET CHANGE IN CASH	(547,332)	(329,920)
Cash, beginning of year	<u>1,599,842</u>	<u>1,929,762</u>
Cash, end of year	<u>\$ 1,052,510</u>	<u>\$ 1,599,842</u>

See accompanying notes to financial statements.

Bayou Land Conservancy

Notes to Financial Statements for the years ended December 31, 2022 and 2021

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Bayou Land Conservancy (BLC) is a Texas nonprofit corporation established in 1997 as a land preservation organization, or land trust, to preserve land along streams for flood control, clean water, and wildlife in the geographical area that drains into Lake Houston. BLC works with private landowners, businesses, and local municipalities to establish conservation easements, legal agreements between a landowner and a land trust that allow the landowner to retain ownership of their land, while permanently protecting the property's conservation value. At the end of 2022, BLC holds over 14,000 acres in conservation easements and owns two conservation properties totaling over 129 acres. BLC is the non-profit partner for the Spring Creek Greenway, the longest, contiguous, urban, forested greenway in the country.

BLC hosts environmental education programs for youth and adults, and conducts additional public outreach throughout the region. BLC also advocates for policies that support ethical land conservation on the local, state, and federal level. Additionally, BLC hosts annual membership programs to deepen member engagement with the organization and with the land that the organization protects and preserves.

BLC is accredited by the Land Trust Accreditation Commission, an independent program of the national Land Trust Alliance. BLC was the first land trust in the greater Houston area to achieve this status and joins a network of over 400 land trusts nationwide that have earned accreditation.

Federal income tax status – BLC is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(2).

Cash is held as demand deposits. Bank deposits exceed the federally insured limit per depositor per institution.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted, if material, to estimate the present value of future cash flows. At December 31, 2022, contributions receivable are due to be collected within one year and are from two donors.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Lease adoption elections – Certain accounting policy elections were required for the implementation of the new lease standard Accounting Standard Update (ASU) No. 2016-02, *Leases*. BLC has made the following elections:

- *Relief package* – For leases that commenced before the effective date, BLC did not reassess 1) whether any expired or existing contracts contain leases, 2) the lease classification for any expired or existing leases, and 3) initial indirect costs for any existing leases.
- *Hindsight* – BLC did not make the practical expedient election to use hindsight in determining the lease term and in assessment impairments of BLC's right-of-use assets.
- *Lease and non-lease components* – BLC elected a practical expedient by class of underlying assets to choose whether to separate non-lease components from the lease components or account for them as a single lease component. BLC elected to separate the lease components and the non-lease components for real estate leases and equipment rentals.

- *Short-term leases* – BLC elected to not apply the recognition requirements in Accounting Standards Codification 842 to short-term leases. Instead, these leases are recognized as expense on a straight-line basis over the lease term.
- *Discount rates* – BLC elected to use the risk-free discount rate when the rate implicit in a lease is not readily determinable.

Operating lease right-of-use assets are recognized at the present value of the lease payments at inception of the lease. Lease expense is recognized on a straight-line basis as rent expense in the statement of activities.

Nature sanctuaries are reported at cost, or in the case of donated land, at estimated fair value at the date of gift. Costs related to conservation maintenance are expensed as incurred.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service unless the donor also has placed a time restriction on the use of the long-lived asset, in which case the release occurs over the term of the time restriction.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the organization is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Funding received before conditions are met is reported as advanced contributions.

Gifts from two donors represent approximately 36% of contributions in 2022. Gifts from five donors represent approximately 50% of contributions in 2021.

Conservation easements represent rights to restrict the use, access, and development of certain properties. In conformity with the practice followed by public land trusts, BLC's conservation easements purchased or donated are not recorded as assets in the statement of financial position. BLC believes the conservation easements do not have a future economic benefit as the property interest held by BLC provides no affirmative rights beyond the obligation to monitor and enforce the terms of the easements. Contributed conservation easements are recognized as revenue and as conservation expense at fair value in the statement of activities when an unconditional commitment is received from the donor. Easement fair values are determined by independent third-party appraisals at the time the easement is secured. BLC monitors these easements in the normal course of its operations and associated costs are expensed as incurred.

Nonfinancial contributions – Donated property, materials, and use of facilities are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create

or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

BLC recognized \$29,041 from donated volunteer hours by environmental conservation and survey professionals during the year ended December 31, 2022. Contributed services are valued at the estimated price to purchase those services.

Special events revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special events revenue is recognized when the event occurs. Amounts received for future events represent conditional contributions and are reported in the statement of financial position as deferred revenue until earned. Direct donor benefit costs represent the cost of goods and services provided to attendees of special events.

Pipeline easement fees are derived by providing a pipeline company consent to construct and operate pipelines across land whereby BLC holds the conservation easement. Fees are billed upon signing the consent and agreement, and performance obligations are met and revenue recognized at the point in time when land access is granted to the pipeline company. There are no contract assets or liabilities resulting from pipeline easement fees at December 31, 2022, 2021, or 2020.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated between program, management and general, and fundraising on the basis of estimated time and effort expended. Occupancy, insurance, and depreciation expenses are allocated based on payroll allocations.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Adoption of accounting standard – BLC adopted ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the current leasing guidance. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. The ASU also required expanded disclosures related to the amount, timing and uncertainty of cash flows arising from leases. BLC elected to adopt the ASU using the modified retrospective method and recorded the impact of adoption as of January 1, 2022 without restating any prior year amounts or disclosures. Adoption had no impact on beginning net assets reported as of January 1, 2022.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 1,052,510	\$ 1,599,842
Contributions receivable	120,000	135,033
Receivables	3,470	
Investments	<u>691,514</u>	<u>251,576</u>
Total financial assets	1,867,494	1,986,451
Less financial assets not available for general expenditure:		
Board-designated funds	<u>(1,436,808)</u>	<u>(1,438,023)</u>
Total financial assets available for general expenditure	<u>\$ 430,686</u>	<u>\$ 548,428</u>

BLC is substantially supported by contributions and special event revenues. For purposes of analyzing resources available to meet general expenditures over a 12-month period, BLC considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. BLC regularly monitors liquidity required to meet its operating needs and other contractual commitments.

BLC's Board of Directors has designated a portion of its resources without donor restrictions to be used for specific purposes. These funds remain available to be spent at the discretion of the Board of Directors. In addition, when BLC accepts a conservation easement it requests a contribution for the board-designated stewardship and legal defense fund for easements to support necessary costs to monitor, enforce and defend BLC's easements.

NOTE 3 – NATURE SANCTUARIES

Nature sanctuaries as of December 31, 2022 are comprised of two parcels of contributed land. The first parcel, Ashton Gardens Preserve, is approximately 12 acres and located in Harris County, Texas. The donor specified a restriction that the property is to be used for nature preserve purposes in perpetuity. The land is recognized as an operating asset and *net assets with donor restrictions*. The second parcel, Arrowwood Preserve, was donated in 2020 and is approximately 118 acres and located in Montgomery County, Texas. There is no donor restriction on the property. The land is recognized as an operating asset and *net assets without donor restrictions*.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is 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. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.

- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2022 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
U. S. Treasury notes	\$ 393,748			\$ 393,748
Exchange-traded funds:				
Large cap	231,551			231,551
Small/mid cap	17,036			17,036
Mutual funds:				
Large cap	22,783			22,783
Short-term bond	20,515			20,515
Money market	<u>5,881</u>			<u>5,881</u>
Total assets measured at fair value	<u>\$ 691,514</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 691,514</u>

Assets measured at fair value at December 31, 2021 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Exchange-traded funds:				
Large cap	\$ 51,220			\$ 51,220
Small/mid cap	10,133			10,133
Mutual funds:				
Large cap	24,890			24,890
Short-term bond	20,000			20,000
Money market	<u>145,333</u>			<u>145,333</u>
Total assets measured at fair value	<u>\$ 251,576</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 251,576</u>

Valuation methods used for assets measured at fair value are as follows:

- *U. S. Treasury notes* are valued using prices obtained from active market maker and inter-dealer brokers on a daily basis.
- *Exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds* are valued at the reported net asset value.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while BLC believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 5 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2022</u>	<u>2021</u>
Board-designated:		
Stewardship and legal defense for easements	\$ 1,312,610	\$ 1,322,275
Supplemental Environmental Project funds	<u>124,198</u>	<u>115,748</u>
Total board-designated	1,436,808	1,438,023
Land held as nature sanctuary	1,766,000	1,766,000
Undesignated	<u>202,611</u>	<u>337,048</u>
Total net assets without donor restrictions	<u>\$ 3,405,419</u>	<u>\$ 3,541,071</u>

The stewardship and legal defense funds for easements were designated to provide a long-term, ongoing source of income to cover the annual cost associated with monitoring and managing BLC's conservation easements and to be available to cover extraordinary expenses associated with managing and defending an easement.

BLC participates in the Texas Commission on Environmental Quality's (TCEQ) Supplemental Environmental Projects (SEP). SEP's are environmentally beneficial projects that a respondent agrees to undertake in settlement of an enforcement action, but which the respondent is not otherwise legally required to perform, unless the project is a Compliance SEP performed by a local government. Dollars directed to TCEQ approved environmental projects may be used to offset assessed penalties in enforcement actions. Through a SEP, a respondent in an enforcement matter can choose to apply penalty dollars to improving the environment, rather than paying into the Texas General Revenue Fund.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Arrowwood sanctuary projects	\$ 75,000	\$ 85,000
Spring Creek Nature Trail projects	3,500	17,500
Other	<u>12,500</u>	<u>19,915</u>
Total subject to expenditure for specified purpose	<u>91,000</u>	<u>122,415</u>
Subject to passage of time:		
Contributions receivable that are not purpose-restricted by donors, but unavailable until received	<u>120,000</u>	<u>85,000</u>
Not subject to appropriation or expenditure:		
Land held as nature sanctuary	<u>300,000</u>	<u>300,000</u>
Total net assets with donor restrictions	<u>\$ 511,000</u>	<u>\$ 507,415</u>

NOTE 7 – CONSERVATION EASEMENTS

As of December 31, 2022, BLC has conserved 67 properties, representing 14,329 acres, thus forever preserving natural floodplains. BLC is committed to monitoring the properties in order to ensure that the terms of the easements are upheld. In the event of an easement infraction, BLC will take the appropriate

steps to protect the conservation purposes of the donation. BLC is enrolled in the national legal insurance program entitled “Terra Firma” as an additional means to protect against potential future violations of its conservation easements.

NOTE 8 – LEASE AGREEMENTS

BLC leases office space and equipment from unrelated parties under noncancelable operating lease agreements. At December 31, 2022, operating lease right-of-use assets and lease liabilities included a real estate lease for office space and a printer. Right-of-use assets are recognized at the present value of the lease payments at the inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. Operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term.

The operating lease cost for the year ended December 31, 2022 was \$25,867. Lease costs recognized during the year ended December 31, 2021, prior to the adoption of the new accounting standard were \$25,644. Cash paid for amounts included in the measurement of lease liabilities during the year ended December 31, 2022 for operating leases was \$25,844.

The weighted-average term and discount rates for operating leases outstanding as of December 31, 2022:

Weighted-average remaining lease term	1.6 years
Risk-free discount rate	1.0%

Undiscounted cash flows related to operating lease liabilities as of December 31, 2022 are as follows:

2023	\$ 7,853
2024	<u>1,817</u>
Total undiscounted cash flows	9,670
Less present value discount	<u>(46)</u>
Total present value of lease liabilities	<u>\$ 9,624</u>

BLC has entered into a new lease for office space with a commencement date of February 1, 2023. The lease requires monthly payments of \$1,600 and is for a period of three years with an option to renew based on negotiation with the landlord.

NOTE 9 – RETIREMENT PLAN

BLC sponsors a simple IRA retirement savings plan covering all employees completing three months of consecutive employment. Eligible employees may make voluntary, pre-tax contributions of their salary to the plan, subject to the Internal Revenue Service limits. BLC matches employee contributions up to 3% of each employee’s salary. BLC contributed \$4,608 to this plan during 2022 and \$8,196 during 2021.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 29, 2023, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.