



FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

# C&O CANAL TRUST, INC.

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
**C&O Canal Trust, Inc.**  
Hagerstown, Maryland

### *Opinion*

We have audited the financial statements of **C&O Canal Trust, Inc.** (a Not-For-Profit Organization), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of C&O Canal Trust, Inc. as of September 30, 2021 and 2020, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of C&O Canal Trust, 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.

### *Emphasis of Matter*

As discussed in Note 1 to the financial statements, management has adopted FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and FASB ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. Our opinion is not modified with respect to these matters.

### *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 C&O Canal Trust, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of C&O Canal Trust, 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about C&O Canal Trust, 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.

*Albright Crumbacker Moul & Itell, LLC*

Hagerstown, Maryland  
December 3, 2021

# C&O CANAL TRUST, INC.

## STATEMENTS OF FINANCIAL POSITION

<i>September 30,</i>	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,147,644	\$ 963,582
Pledges receivable	69,066	52,695
Prepaid expenses	10,000	9,653
Investments	5,321	5,059
Collections	20,960	20,960
	<b>\$ 1,252,991</b>	<b>\$ 1,051,949</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 12,732	\$ 83,080
Compensated absences	9,489	18,730
Agency funds payable	19,686	2,291
Conditional contributions	60,903	19,776
Deferred revenue	63,696	54,511
Long-term debt	241,172	234,200
	407,678	412,588
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	388,802	159,916
With donor restrictions	456,511	479,445
	845,313	639,361
	<b>\$ 1,252,991</b>	<b>\$ 1,051,949</b>

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

# C&O CANAL TRUST, INC.

## STATEMENTS OF ACTIVITIES

<i>Years ended September 30,</i>			2021			2020
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	TOTAL		TOTAL
<b>CHANGES IN SUPPORT AND REVENUE</b>						
Administration fee revenue	\$ 25,599	\$ -	\$ 25,599	\$		20,960
Canal Quarters, net of refunds	189,258	34,577	223,835			110,112
Event revenue, net	150,447	-	150,447			164,624
Grants and contributions	459,634	143,749	603,383			508,885
In-kind contributions	123,015	-	123,015			135,636
Paycheck Protection Program gain on extinguished of debt	84,200	-	84,200			-
Workplace giving	21,702	-	21,702			25,299
Other income	11,222	-	11,222			7,969
	1,065,077	178,326	1,243,403			973,485
Restrictions satisfied by purpose or time	201,260	(201,260)	-			-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,266,337</b>	<b>(22,934)</b>	<b>1,243,403</b>			<b>973,485</b>
<b>EXPENSES</b>						
Program services	918,428	-	918,428			688,191
General and administrative	111,718	-	111,718			139,147
Fundraising	7,305	-	7,305			8,512
<b>TOTAL EXPENSES</b>	<b>1,037,451</b>	<b>-</b>	<b>1,037,451</b>			<b>835,850</b>
<b>CHANGE NET ASSETS</b>	<b>228,886</b>	<b>(22,934)</b>	<b>205,952</b>			<b>137,635</b>
<b>NET ASSETS - beginning of year</b>	<b>159,916</b>	<b>479,445</b>	<b>639,361</b>			<b>501,726</b>
<b>NET ASSETS - end of year</b>	<b>\$ 388,802</b>	<b>\$ 456,511</b>	<b>\$ 845,313</b>	<b>\$</b>		<b>639,361</b>

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

# C&O CANAL TRUST, INC.

## STATEMENTS OF ACTIVITIES

Year ended September 30,

2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>CHANGES IN SUPPORT AND REVENUE</b>			
Administration fee revenue	\$ 20,960	\$ -	\$ 20,960
Canal Quarters, net of refunds	110,112	-	110,112
Event revenue, net	164,624	-	164,624
Grants and contributions	363,968	144,917	508,885
In-kind contributions	135,636	-	135,636
Workplace giving	25,299	-	25,299
Other income	7,969	-	7,969
	828,568	144,917	973,485
Restrictions satisfied by purpose or time	127,674	(127,674)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>956,242</b>	<b>17,243</b>	<b>973,485</b>
<b>EXPENSES</b>			
Program services	688,191	-	688,191
General and administrative	139,147	-	139,147
Fundraising	8,512	-	8,512
<b>TOTAL EXPENSES</b>	<b>835,850</b>	<b>-</b>	<b>835,850</b>
<b>CHANGES IN NET ASSETS</b>	<b>120,392</b>	<b>17,243</b>	<b>137,635</b>
<b>NET ASSETS - beginning of year</b>	<b>39,524</b>	<b>462,202</b>	<b>501,726</b>
<b>NET ASSETS - end of year</b>	<b>\$ 159,916</b>	<b>\$ 479,445</b>	<b>\$ 639,361</b>

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

# C&O CANAL TRUST, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES

Year ended September 30,

2021

	EDUCATION, INTERPRETATION AND OUTREACH	VOLUNTEERS	OTHER PROGRAMS	TOTAL PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUNDRAISING	TOTAL EXPENSES
Advertising	\$ 20,146	\$ 46	\$ 5,537	\$ 25,729	\$ 3,816	\$ 229	\$ 29,774
Computer and technology	7,636	14	2,421	10,071	1,288	2,960	14,319
Consultant and program expense	66,504	80	88,836	155,420	7,153	117	162,690
Contribution to CHOH NPS	30,000	-	80,094	110,094	-	-	110,094
Fundraising and special events direct expenses	981	-	-	981	-	13,612	14,593
Interest	66	-	25	91	4,226	-	4,317
Insurance	5,479	5	530	6,014	424	7	6,445
Miscellaneous expense	2,488	7	766	3,261	623	10	3,894
Office supplies	4,995	12	1,250	6,257	1,004	17	7,278
Postage and delivery	1,534	3	275	1,812	221	956	2,989
Printing and reproduction	12,125	15	5,076	17,216	1,312	1,191	19,719
Professional fees and services	17,739	35	4,764	22,538	3,158	1,155	26,851
Rent	14,982	49	5,495	20,526	4,402	72	25,000
Repairs and maintenance	88,420	-	11	88,431	-	-	88,431
Salary, taxes and benefits	317,501	1,044	116,456	435,001	84,048	1,529	520,578
Travel and meetings	5,452	-	3,558	9,010	43	43	9,096
Utilities	5,976	-	-	5,976	-	-	5,976
Total expenses	602,024	1,310	315,094	918,428	111,718	21,898	1,052,044
Less: fundraising and special events expenses included with revenue in the statement of activities	-	-	-	-	-	(14,593)	(14,593)
Total expenses reported on the statement of activities	\$ 602,024	\$ 1,310	\$ 315,094	\$ 918,428	\$ 111,718	\$ 7,305	\$ 1,037,451

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



# C&O CANAL TRUST, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES

Year ended September 30,

2020

	EDUCATION, INTERPRETATION AND OUTREACH	VOLUNTEERS	OTHER PROGRAMS	TOTAL PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUNDRAISING	TOTAL EXPENSES
Advertising	\$ 5,868	\$ 46	\$ 255	\$ 6,169	\$ 26,302	\$ 18	\$ 32,489
Amortization	3,550	-	-	3,550	-	-	3,550
Computer and technology	12,106	110	1,584	13,800	1,057	2,395	17,252
Consultant and program expense	51,462	179	52,289	103,930	1,670	48	105,648
Contribution to CHOH NPS	30,000	-	11,336	41,336	-	-	41,336
Fundraising and special events direct expenses	-	-	-	-	-	762	762
Interest	34	1	4	39	1,141	2	1,182
Insurance	5,527	35	198	5,760	340	14	6,114
Miscellaneous expense	2,811	147	321	3,279	2,442	23	5,744
Office supplies	5,538	101	2,594	8,233	961	37	9,231
Postage and delivery	1,768	21	120	1,909	206	626	2,741
Printing and reproduction	10,758	118	1,148	12,024	1,132	1,186	14,342
Professional fees and services	12,057	177	1,551	13,785	22,015	2,022	37,822
Rent	11,491	357	7,002	18,850	3,841	259	22,950
Repairs and maintenance	43,195	-	-	43,195	-	-	43,195
Salary, taxes and benefits	346,571	8,076	45,141	399,788	77,541	3,171	480,500
Travel and meetings	6,971	343	728	8,042	499	11	8,552
Utilities	4,502	-	-	4,502	-	-	4,502
Total expenses	554,209	9,711	124,271	688,191	139,147	10,574	837,912
Less: fundraising and special events expenses included with revenue in the statement of activities	-	-	-	-	-	(2,062)	(2,062)
Total expenses reported on the statement of activities	\$ 554,209	\$ 9,711	\$ 124,271	\$ 688,191	\$ 139,147	\$ 8,512	\$ 835,850

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

# C&O CANAL TRUST, INC.

## STATEMENTS OF CASH FLOWS

<i>Years ended September 30,</i>	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 205,952	\$ 137,635
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Amortization	-	3,550
Paycheck Protection Program gain on extinguished debt	(84,200)	-
Donated stock	(262)	(5,059)
(Increase) decrease in operating assets		
Pledges receivable	(16,371)	(5,534)
Prepaid expenses	(347)	(9,653)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(70,348)	1,799
Compensated absences	(9,241)	8,687
Agency funds payable	17,395	(6,713)
Conditional contributions	41,127	19,776
Deferred revenue	9,185	21,418
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>92,890</b>	<b>165,906</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	91,172	234,200
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>91,172</b>	<b>234,200</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>184,062</b>	<b>400,106</b>
Cash and cash equivalents, beginning	963,582	563,476
Cash and cash equivalents, ending	\$ <b>1,147,644</b>	\$ <b>963,582</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the years for		
Interest	\$ -	\$ <b>688</b>

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

# C&O CANAL TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of **C&O Canal Trust, Inc.** (the Trust) is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Trust's management, who is responsible for their integrity and objectivity.

**Nature of activity:** The Trust is a Not-For-Profit Organization formed in 2007 to pursue the charitable objectives of protecting, restoring, and promoting the Chesapeake and Ohio Canal National Historical Park. The Trust seeks to ensure that the park's natural, historical, and recreational potential is fully realized.

**Basis of presentation:** The financial statements of the Trust have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Trust to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Trust's management and the board of directors. In addition, the Board of Trustees may designate resources for specific purposes, for example, a particular program activity, investment, or capital addition. No such amounts have been designated at this time.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Trust or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates for the Trust include fair value estimates of collections and in-kind contributions.

**Cash and cash equivalents:** The Trust considers all short-term, highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Pledges receivable and contribution revenue:** Unconditional promises to give are recognized as revenues when the donor makes a promise to give to the Trust. Contributions are considered to be available for the general programs of the Trust, unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Donor-restricted contributions are reported as increases in net assets with donor restriction. When a donor restriction expires via the passage of time or fulfillment of the intended purpose, net assets with donor restrictions are reclassified to net assets without donor restriction.

The Trust uses the allowance method to determine uncollectable pledge receivables. The allowance is based on prior years' experience and management's analysis of specific promises made. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

**Exchange revenue recognition:** The Trust recognizes revenue from exchange transactions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. Under FASB ASU 2014-09, revenue from exchange transactions is allocated

# C&O CANAL TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

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and recognized for each performance obligation included in the customer contract or similar arrangement. The Trust's exchange transaction revenue streams are as follows:

**Special events:** The Trust conducts special fundraising events whose gross proceeds include both a contribution and an exchange transaction component. The exchange transaction component is the fair value of the benefit received by the participant, typically the meals and entertainment provided at the event. Unless another objective means is available to provide evidence of the fair value of the donor benefit, the fair value is measured at the actual cost to the Trust. The contribution component is the excess of the gross proceeds over the fair value of the donor benefit. See Note 6 for the allocation of special event revenue between the exchange and contribution components.

**Canal Quarters:** The Trust operates seven lock houses along the C&O Canal. These lock houses are available to the general public to as an overnight lodging experience. Reservation can be made up to 12 months in advance and must be prepaid when the reservation is made. The Trust recognizes this revenue at a point in time when the lodging experience occurs. Reservations not satisfied at the end of the period are deferred until subsequent periods when the obligation can be satisfied.

Exchange revenue is recognized at both a point in time and over time, depending on the timing of the transfer of goods or services. For the years ended September 30, 2021 and 2020, the Trust's exchange revenue was recognized at a point in time.

FASB ASU 2014-09 allows for certain practical expedients which the Trust has elected to apply as follows:

**Portfolio approach:** The Trust has applied the portfolio approach to those contracts within a revenue stream that have similar characteristics, as management has determined that this would produce the same results if each contract within a portfolio was analyzed individually.

**Contract costs:** The Trust has elected to expense all incremental contract acquisition costs as they are incurred, as the amortization period of the asset that the Trust would have recognized is one year or less.

**Financing component:** The Trust does not adjust the promised amount of consideration from customers for the effects of a significant financing component due to the Trust's expectation that the period between the time the service is provided to a customer and the time the customer pays for the service will be one year or less.

**Collections:** Collections consist of antiques that have been donated to furnish lock houses as part of the Canal Quarters program and are carried at fair value. The Trust's collections are held and maintained for the purpose of public exhibition and education in furtherance of public service rather than individual or collective financial gain. The collections are protected, kept unencumbered, cared for, and preserved. All proceeds from deaccessioned objects shall be used only to replenish the collection through acquisition of antiques. There were no objects sold from the collection during 2021 and 2020.

# C&O CANAL TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

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**Fair value measurements:** The Trust conforms with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, which 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) and the lowest priority to unobservable inputs (level 3). 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 are accessible at the measurement date.

**Level 2:** Inputs to the valuation methodology include: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in inactive markets; (c) inputs other than quoted prices that are observable for the asset or liability; and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (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 maximize the use of observable inputs and minimize the use of unobservable inputs.

**Compensated absences:** The Trust permits employees to carryover a maximum of eighty hours of accumulated earned but unused vacation to the next fiscal year. It is the Trust's policy to pay out the unused vacation upon separation of service.

**Agency funds payable:** The Trust enters into agreements with various organizations for the benefit of the C&O Canal National Historical Park. These agreements provide funds to the Trust, although the provider of the funds grants variance power to other organizations or retains variance power itself. In conformity with FASB ASC 958-605, a liability for the funds received (less applicable administration fees) has been recorded on the statements of financial position.

**Deferred revenue:** Guest service fees for Canal Quarters and grant revenue are recognized when earned. Advance guest fees and grant payments received are recognized as deferred revenue.

**In-kind contributions:** Donated assets are recorded as support at their estimated fair values on the date of the gift and are depreciated, if appropriate, over their estimated useful lives, except for antiques and art work not expected to depreciate in value. Such donations are reported as unrestricted support unless the donor placed specific restrictions on the donated asset. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Trust reports expirations of donor restrictions when the donated or acquired assets are placed in service and reclassifies assets with donor restriction to assets without donor restriction at that time. Contributions of donated services that create or enhance non-financial assets, which would typically need to be purchased from individuals with specialized skills if not provided by donation, are recorded at their fair values in the period received. For the years ended September 30, 2021 and 2020,

# C&O CANAL TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

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the Trust recorded the following as in-kind contributions: donated services \$98,015 and \$112,686 and donated rent \$25,000 and \$22,950, respectively, with a corresponding charge to expenses in the accompanying statements of activities.

**Functional allocation of expenses:** The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocations of costs by function are based principally on specific identification of costs to either program, general and administrative, or fundraising. Non-specifically identified costs are allocated to each function based on management's historical analysis of time, effort and purpose.

**Advertising and marketing costs:** Advertising and marketing costs are expensed as incurred. Advertising costs totaled \$29,774 and \$32,489, respectively, for the years ended September 30, 2021 and 2020.

**Income tax status:** The Trust is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The entity complies with ASC 740-10, *Income Taxes*, which establishes a threshold for determining when an income tax benefit of a tax position can be recognized. Under ASC 740-10, a tax position includes, among other things, (a) a decision not to file a tax return, (b) an allocation or a shift of income between jurisdictions, (c) the characterization of income or a decision to exclude reporting taxable income in a tax return, (d) a decision to classify a transaction, entity, or other position in a tax return as tax exempt, and (e) an entity's status, including its status as a tax-exempt not-for-profit entity. Based on its interpretation of the requirements of ASC 740-10, management believes that the Trust has no uncertain tax positions that qualify for either recognition or disclosure. The Trust is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Trust believes they are no longer subject to income tax examinations for years prior to 2017.

**New accounting pronouncement:** In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which together with related, subsequently issued guidance, replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of ASU 2014-09 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive in exchange for those goods or services. To that end, the guidance establishes a five-step model which requires an entity to (1) identify the customer contract, (2) identify the performance obligation(s) included in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligation(s), and (5) recognize revenue when or as the performance obligations are satisfied. The update also requires additional disclosures to enable readers of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The Trust adopted the new standard as of October 1, 2020 using the modified retrospective approach in which the new guidance is applied to the most current period presented, including certain contracts not completed as of September 30, 2020, with an adjustment to beginning net assets recognized for the cumulative effect of the adoption change. The Trust has determined that there was no material impact to revenue recognition on exchange revenue transactions; consequently, no cumulative adjustment to beginning net assets was necessary. Balances reported for fiscal year 2021 under Topic 606 are substantially equivalent to amounts that would have been recognized had the previous revenue recognition guidance been in effect.

In March 2019, FASB issued ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. The standard modified the definition of the term *collections* to eliminate diversity in practice between the GAAP Master Glossary's definition and the definition that many entities use for accreditation purposes and enhanced disclosure requirements for the use of proceeds from deaccessions. The Trust adopted the new standard as of October 1, 2020 using a prospective basis in which the new guidance is applied to collection items moving forward from the date of adoption.

# C&O CANAL TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

**Accounting guidance not yet adopted:** In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the identification, measurement, recognition, presentation, and disclosure of leases. The FASB issued a number of subsequent updates to the standard. Collectively, the new guidance is intended to increase transparency and comparability by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. The standard becomes effective for annual reporting periods beginning after December 15, 2021, as delayed by ASU 2020-05. The use of a modified retrospective transition approach is required and there are numerous optional practical expedients that entities may elect to apply. The Trust is still evaluating the impact of adoption and the available practical expedients of this standard. Upon adoption, the Trust expects to record right-of-use assets and lease liabilities as well as a cumulative-effect adjustment to net assets without donor restrictions. The materiality of the impact of the new requirements to financial position and changes in net assets is unknown. The adoption is not expected to have a material impact on cash flows.

### 2. RISKS AND UNCERTAINTIES

The Trust maintains its cash balances in a local financial institution, which at times may exceed federally insured limits. As of September 30, 2021 and 2020, \$1,084,385 and \$760,989 of the respective cash balance was unsecured. The Trust's management considers those circumstances to be a normal business risk.

### 3. AVAILABILITY AND LIQUIDITY

As of September 30, 2021 and 2020, the Trust has working capital of approximately \$1,065,525 and \$852,601, respectively, and average days (based on normal expenditures) cash on hand of approximately 404 and 423 days, respectively. The Trust has a \$60,000 line of credit available to meet cash flow needs (Note 8).

The following represents the Trust's financial assets available within one year as of September 30:

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 1,147,644	\$ 963,582
Pledges receivable	69,066	52,695
Investments	5,321	5,059
<b>Total financial assets available at year end</b>	<b>1,222,031</b>	<b>1,021,336</b>
Less amounts not available to be used within one year		
Net assets with donor restrictions	456,511	479,445
Less net assets with restrictions to be met in less than a year	(25,000)	(25,000)
	431,511	454,445
<b>Financial assets available to meet general expenditures over the next twelve months</b>	<b>\$ 790,520</b>	<b>\$ 566,891</b>

# C&O CANAL TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

### 4. PLEDGES RECEIVABLE

Pledges receivable are expected consisted of the following as of September 30:

	2021		
	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
Less than 1 year	\$ 46,566	\$ 22,500	\$ 69,066

  

	2020		
	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
Less than 1 year	\$ 26,820	\$ 25,875	\$ 52,695

### 5. LONG TERM DEBT

On April 16, 2020, the Trust, entered into a promissory note with M&T Bank, which provides for a loan in the amount of \$84,200 (the "PPP Loan") pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The PPP Loan has a two-year term and bears interest at a rate of 1.0% per annum. Monthly principal and interest payments are deferred for ten months after the end of the borrower's covered period. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties. The promissory note contains events of default and other provisions customary for a loan of this type. The PPP loan was subsequently forgiven in April of 2021.

In February 2021, the Company, entered into a second promissory note with M&T Bank, which provides for a loan in the amount of \$91,172 pursuant to eligibility for a second draw of the Paycheck Protection Program under the Economic Aid Act. The PPP Loan has a two-year term and bears interest at a rate of 1.0% per annum. Monthly principal and interest payments are deferred for ten months after the end of the borrower's covered period. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties. The promissory note contains events of default and other provisions customary for a loan of this type. This is a 60 month term loan from the date of the note. The Trust has elected to treat the second PPP loan as a financial liability in accordance with FASB ASC 470. The Trust will keep the loan on the balance sheet until the loan is wholly, or in part, forgiven and the trust has been legally released. The trust expects the loan to be forgiven in full.

On June 23, 2020, the Trust executed a loan agreement with the SBA under the Economic Injury Disaster Loan (EIDL) program. The loan is secured by the general lien on the personal property owned by the Trust. The loan amount is \$150,000, has a term of 30 years, carries a fixed rate of 2.75% and requires a monthly payment of \$641 beginning in June of 2022.



# C&O CANAL TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

Aggregate future principal payments for the years ending September 30 are as follows:

2022	\$ 6,916
2023	27,996
2024	28,337
2025	28,684
2026	14,221
Thereafter	135,018
	<u>\$ 241,172</u>

### 6. EVENT REVENUE

Gross receipts from special fundraising events consist of exchange transaction revenue and contribution revenue. As a result of adopting FASB ASU 2014-09, the Trust is required to separately present the components of this revenue. For the year ended June 30, the components of special event revenue were as follows:

	2021	2020
Contributions	\$ 156,240	\$ 166,686
Special event revenue	8,800	-
	165,040	166,686
Less: event expense	(14,593)	(2,062)
	<u>\$ 150,447</u>	<u>\$ 164,624</u>

### 7. RETIREMENT PLAN

The Trust sponsors a Savings Incentive Match Plan for Employees covering all eligible full-time personnel. Contributions are matched up to three percent of each eligible participant's compensation. Total contributions to the plan were \$10,765 and \$8,909 for 2021 and 2020, respectively, and have been reported in salary, taxes and benefits on the schedules of functional expenses.

### 8. LINE OF CREDIT

The Trust has available a \$60,000 unsecured line of credit with a local bank. Interest is payable at the prime rate plus 1.5%. The rate is adjustable daily.

# C&O CANAL TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

### 9. NET ASSETS

Net assets with donor restrictions as of September 30, consisted of the following:

	BALANCE AT SEPTEMBER 30, 2020	CONTRIBUTIONS	SATISFACTION OF RESTRICTIONS	BALANCE AT SEPTEMBER 30, 2021
Subject to purpose restrictions				
Billy Goat Trail Fund	\$ 8,499	\$ -	\$ -	8,499
Bench Program	171,990	49,500	(20,583)	200,907
Canal Qtrs. Fund	3,040	390	(59)	3,371
Canal Qtrs. Maintenance	95,821	34,578	(8,704)	121,695
Canal Qtrs. Rehab	6,994	-	-	6,994
Canal Towns	9,329	6,300	(4,628)	11,001
Eagle Scout Fund	1,757	-	-	1,757
Education Program	12,976	20,800	(33,120)	656
Fletchers Cove	39,521	1,375	(40,896)	-
Henry Diamond Fund	55,000	-	-	55,000
Towpath	62,239	50,383	(88,770)	23,852
Various	7,779	-	-	7,779
Restrictions of Time	4,500	15,000	(4,500)	15,000
	<u>\$ 479,445</u>	<u>\$ 178,326</u>	<u>\$ (201,260)</u>	<u>\$ 456,511</u>

# C&O CANAL TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

	BALANCE AT SEPTEMBER 30, 2019	CONTRIBUTIONS	SATISFACTION OF RESTRICTIONS	BALANCE AT SEPTEMBER 30, 2020
Subject to purpose restrictions				
Billy Goat Trail Fund	\$ 12,947	\$ -	\$ (4,448)	\$ 8,499
Bench Program	140,807	41,634	(10,451)	171,990
Canal Pride	2,000	-	(2,000)	-
Canal Qtrs. Fund	515	2,971	(446)	3,040
Canal Qtrs. Maintenance	112,104	-	(16,283)	95,821
Canal Qtrs. Rehab	9,034	100	(2,140)	6,994
Canal Towns	13,645	4,100	(8,416)	9,329
Eagle Scout Fund	1,757	-	-	1,757
Education Program	1,156	49,200	(37,380)	12,976
Fletchers Cove	49,325	3,350	(13,154)	39,521
Henry Diamond Fund	55,000	-	-	55,000
Towpath	38,912	34,783	(11,456)	62,239
Various	8,000	4,279	(4,500)	7,779
Restrictions of Time	17,000	4,500	(17,000)	4,500
	<b>\$ 462,202</b>	<b>\$ 144,917</b>	<b>\$ (127,674)</b>	<b>\$ 479,445</b>

### 10. SUBSEQUENT EVENTS

In preparing these financial statements, the Trust has evaluated events and transactions for potential recognition or disclosure through December 3, 2021, the date the financial statements were available to be issued. Based on the definitions and requirements of accounting principles generally accepted in the United States of America, management has not identified any events that have occurred subsequent to September 30, 2021 through December 3, 2021, that require recognition or disclosure in the financial statements except that the COVID-19 outbreak in the United States has caused economic uncertainties which are expected to be temporary. These uncertainties may negatively impact operating results, however, such financial impacts are unknown at this time.

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