



FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

# 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, 2023 and 2022, 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. (the Trust) as of September 30, 2023 and 2022, 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 the Trust 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.

### ***Changes in Accounting Principle***

As discussed in Note 1 to the financial statements, management adopted new accounting guidance FASB Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

### ***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 the Trust'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 the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

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

*Albright Crumbacker Moul & Itell, LLC*

Hagerstown, Maryland  
December 15, 2023

# C&O CANAL TRUST, INC.

## STATEMENTS OF FINANCIAL POSITION

<i>September 30,</i>	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,545,745	\$ 1,445,089
Pledges receivable	69,021	37,164
Agency funds receivable	4,229	-
Prepaid expenses	3,940	3,560
Investments	-	3,988
Collections	22,548	22,548
	<b>\$ 1,645,483</b>	<b>\$ 1,512,349</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 66,763	\$ 131,462
Compensated absences	11,125	11,451
Agency funds payable	1,160	2,650
Conditional contributions	21,817	-
Deferred revenue	48,180	51,650
Long-term debt	150,000	150,000
	299,045	347,213
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	688,185	664,007
With donor restrictions	658,253	501,129
	1,346,438	1,165,136
	<b>\$ 1,645,483</b>	<b>\$ 1,512,349</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>			<b>2023</b>			<b>2022</b>
	<b>WITHOUT DONOR RESTRICTIONS</b>	<b>WITH DONOR RESTRICTIONS</b>	<b>TOTAL</b>			<b>TOTAL</b>
<b>CHANGES IN SUPPORT AND REVENUE</b>						
Administration fee revenue	\$ 19,850	\$ -	\$ 19,850	\$		18,772
Canal Quarters, net of refunds	159,091	15,644	174,735			186,146
Event revenue, net of expenses of \$48,326 and \$43,940	128,046	33,921	161,967			195,528
Grants and contributions of cash and other financial assets	393,622	249,035	642,657			686,191
Contributions of nonfinancial assets	80,787	-	80,787			71,483
Paycheck Protection Program gain on extinguished of debt	-	-	-			91,172
Workplace giving	39,958	-	39,958			38,170
Other income	32,464	-	32,464			16,781
	853,818	298,600	1,152,418			1,304,243
Restrictions satisfied by purpose or time	141,476	(141,476)	-			-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>995,294</b>	<b>157,124</b>	<b>1,152,418</b>			<b>1,304,243</b>
<b>EXPENSES</b>						
Program services	844,568	-	844,568			848,026
General and administrative	121,870	-	121,870			131,421
Fundraising	4,678	-	4,678			4,973
<b>TOTAL EXPENSES</b>	<b>971,116</b>	<b>-</b>	<b>971,116</b>			<b>984,420</b>
<b>CHANGE NET ASSETS</b>	<b>24,178</b>	<b>157,124</b>	<b>181,302</b>			<b>319,823</b>
<b>NET ASSETS - beginning of year</b>	<b>664,007</b>	<b>501,129</b>	<b>1,165,136</b>			<b>845,313</b>
<b>NET ASSETS - end of year</b>	<b>\$ 688,185</b>	<b>\$ 658,253</b>	<b>\$ 1,346,438</b>	<b>\$</b>		<b>\$ 1,165,136</b>

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

# C&O CANAL TRUST, INC.

## STATEMENTS OF ACTIVITIES

Year ended September 30,

2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>CHANGES IN SUPPORT AND REVENUE</b>			
Administration fee revenue	\$ 18,772	\$ -	\$ 18,772
Canal Quarters, net of refunds	181,414	4,732	186,146
Event revenue, net of expenses of \$43,940	140,528	55,000	195,528
Grants and contributions of cash and other financial assets	501,629	184,562	686,191
Contributions of nonfinancial assets	71,483	-	71,483
Paycheck Protection Program gain on extinguished of debt	91,172	-	91,172
Workplace giving	38,170	-	38,170
Other income	16,781	-	16,781
	1,059,949	244,294	1,304,243
Restrictions satisfied by purpose or time	199,676	(199,676)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,259,625</b>	<b>44,618</b>	<b>1,304,243</b>
<b>EXPENSES</b>			
Program services	848,026	-	848,026
General and administrative	131,421	-	131,421
Fundraising	4,973	-	4,973
<b>TOTAL EXPENSES</b>	<b>984,420</b>	<b>-</b>	<b>984,420</b>
<b>CHANGES IN NET ASSETS</b>	<b>275,205</b>	<b>44,618</b>	<b>319,823</b>
<b>NET ASSETS - beginning of year</b>	<b>388,802</b>	<b>456,511</b>	<b>845,313</b>
<b>NET ASSETS - end of year</b>	<b>\$ 664,007</b>	<b>\$ 501,129</b>	<b>\$ 1,165,136</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,

2023

	EDUCATION, INTERPRETATION AND OUTREACH	VOLUNTEERS	OTHER PROGRAMS	TOTAL PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUNDRAISING	TOTAL EXPENSES
Advertising	\$ 12,359	\$ 5	\$ 2,485	\$ 14,849	\$ 2,776	\$ 58	\$ 17,683
Computer and technology	10,399	4	4,989	15,392	2,035	2,802	20,229
Consultant and program expense	55,525	3	16,568	72,096	1,457	5	73,558
Contribution to CHOH NPS	20,000	-	47,500	67,500	-	-	67,500
Fundraising and special events direct expenses	-	-	-	-	-	48,326	48,326
Interest	2,861	2	630	3,493	706	2	4,201
Insurance	6,100	1	412	6,513	460	1	6,974
Miscellaneous expense	4,591	2,002	942	7,535	3,141	3	10,679
Office supplies	6,222	2	1,026	7,250	1,130	81	8,461
Postage and delivery	1,841	1	357	2,199	399	298	2,896
Printing and reproduction	5,859	1	614	6,474	670	700	7,844
Professional fees and services	16,458	5	4,679	21,142	2,773	334	24,249
Rent	17,022	8	3,758	20,788	4,199	13	25,000
Repairs and maintenance	79,044	-	2,580	81,624	-	-	81,624
Salary, taxes and benefits	406,507	182	90,508	497,197	101,135	314	598,646
Travel and meetings	10,147	464	2,265	12,876	989	67	13,932
Utilities	7,640	-	-	7,640	-	-	7,640
Total expenses	662,575	2,680	179,313	844,568	121,870	53,004	1,019,442
Less: fundraising and special events expenses included with revenue in the statement of activities	-	-	-	-	-	(48,326)	(48,326)
Total expenses reported on the statement of activities	\$ 662,575	\$ 2,680	\$ 179,313	\$ 844,568	\$ 121,870	\$ 4,678	\$ 971,116

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



# C&O CANAL TRUST, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES

Year ended September 30,

2022

	EDUCATION, INTERPRETATION AND OUTREACH	VOLUNTEERS	OTHER PROGRAMS	TOTAL PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUNDRAISING	TOTAL EXPENSES
Advertising	\$ 6,612	\$ 61	\$ 1,090	\$ 7,763	\$ 8,144	\$ 7	\$ 15,914
Computer and technology	9,984	111	1,904	11,999	1,750	1,974	15,723
Consultant and program expense	49,975	593	49,062	99,630	106	-	99,736
Contribution to CHOH NPS	30,000	-	102,750	132,750	-	-	132,750
Fundraising and special events direct expenses	-	-	-	-	-	43,940	43,940
Interest	41	-	42	83	4,976	-	5,059
Insurance	5,181	16	291	5,488	417	2	5,907
Miscellaneous expense	3,225	33	776	4,034	1,929	4	5,967
Office supplies	6,481	52	918	7,451	1,313	8	8,772
Postage and delivery	1,645	13	228	1,886	326	468	2,680
Printing and reproduction	9,701	45	4,595	14,341	1,142	1,081	16,564
Professional fees and services	12,891	86	3,268	16,245	7,174	938	24,357
Rent	16,709	187	3,324	20,220	4,757	23	25,000
Repairs and maintenance	83,157	-	2,557	85,714	-	-	85,714
Salary, taxes and benefits	348,424	3,896	69,309	421,629	99,201	468	521,298
Travel and meetings	7,530	7	4,816	12,353	186	-	12,539
Utilities	6,440	-	-	6,440	-	-	6,440
Total expenses	597,996	5,100	244,930	848,026	131,421	48,913	1,028,360
Less: fundraising and special events expenses included with revenue in the statement of activities	-	-	-	-	-	(43,940)	(43,940)
Total expenses reported on the statement of activities	\$ 597,996	\$ 5,100	\$ 244,930	\$ 848,026	\$ 131,421	\$ 4,973	\$ 984,420

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>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 181,302	\$ 319,823
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Paycheck Protection Program gain on extinguished debt	-	(91,172)
Donated stock	3,988	1,333
Donated collection items	-	(1,588)
(Increase) decrease in operating assets		
Pledges receivable	(31,857)	31,902
Agency funds receivable	(4,229)	-
Prepaid expenses	(380)	6,440
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(64,699)	118,730
Compensated absences	(326)	1,962
Agency funds payable	(1,490)	(17,036)
Conditional contributions	21,817	(60,903)
Deferred revenue	(3,470)	(12,046)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>100,656</b>	<b>297,445</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>100,656</b>	<b>297,445</b>
Cash and cash equivalents, beginning	1,445,089	1,147,644
Cash and cash equivalents, ending	<b>\$ 1,545,745</b>	<b>\$ 1,445,089</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the years for		
Interest	\$ 6,410	\$ -

*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.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Donor restricted contributions whose restrictions are met in the year of contribution are shown in net assets without donor restriction.

**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 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.

**Contributions of cash and other financial assets and pledges:** 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.

# C&O CANAL TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

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**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 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, 2023 and 2022, 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.

**Prepaid expenses:** The Trust considers expenses paid for in the current year that are for the next fiscal year as prepaid expenses in the statements of financial position.

**Investment:** The Trusts policy is to sell donated stocks as soon as reasonably possible once transferred to the Trust. Donated stocks that have not yet been sold are listed as investments on the statement of financial position.

**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 2023 and 2022.

# 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 carry over 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.

**Contributions of nonfinancial assets:** 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 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 nonfinancial 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. No amounts have been reflected in the financial

# C&O CANAL TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

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statements for donated services by volunteers who donated their time to the Trust's service or fundraising campaigns since there is no objective basis available to measure the value of the services received, and the conditions for recognition have not been met. See note 7 for additional information on contributions of nonfinancial assets.

**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 \$17,683 and \$15,914, respectively, for the years ended September 30, 2023 and 2022.

**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 2019.

**New accounting pronouncement:** In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which together with related, subsequently issued guidance, sets out the principles for the identification, measurement, recognition, presentation, and disclosure of leases. The Trust adopted this guidance as of October 1, 2022, using the modified retrospective transition approach and the optional transition method that provides the option to use the effective date as the date of initial application on transition. As a result, the comparative period financial information was not adjusted, and new required lease disclosures are not provided for periods before October 1, 2022. As of September 30, 2023 the Trust does not have lease obligations that would require recognition or disclosure in the financial statements.

## 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, 2023 and 2022, \$1,231,447 and \$1,135,296 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, 2023 and 2022, the Trust has working capital of approximately \$1,473,000 and \$1,292,600, respectively, and average days (based on normal expenditures) cash on hand of approximately 581 and 536 days, respectively. The Trust has a \$60,000 line of credit available to meet cash flow needs (Note 8).

# C&O CANAL TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

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

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,545,745	\$ 1,445,089
Pledges receivable	69,021	37,164
Investments	-	3,988
<u>Total financial assets available at year end</u>	<u>1,614,766</u>	<u>1,486,241</u>
Less amounts not available to be used within one year		
Net assets with donor restrictions	658,253	501,129
Less net assets with restrictions to be met in less than a year	(25,000)	(25,000)
	<u>633,253</u>	<u>476,129</u>
<u>Financial assets available to meet general expenditures over the next twelve months</u>	<u>\$ 981,513</u>	<u>\$ 1,010,112</u>

#### 4. PLEDGES RECEIVABLE

Pledges receivable consist of the following as of September 30:

	<u>2023</u>		
	<u>WITHOUT DONOR RESTRICTION</u>	<u>WITH DONOR RESTRICTION</u>	<u>TOTAL</u>
Less than 1 year	\$ 20,121	\$ 48,900	\$ 69,021
	<u>2022</u>		
	<u>WITHOUT DONOR RESTRICTION</u>	<u>WITH DONOR RESTRICTION</u>	<u>TOTAL</u>
Less than 1 year	\$ 25,914	\$ 11,250	\$ 37,164

#### 5. LONG TERM DEBT

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 December of 2022. Payments apply first to accrued interest before reducing the principle.

# C&O CANAL TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

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

2024	\$	-
2025		-
2026		2,964
2027		3,695
2028		3,798
Thereafter		139,543
		<u>139,543</u>
		<u>\$ 150,000</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:

	<u>2023</u>	<u>2022</u>
Contributions	\$ 202,143	\$ 231,168
Special event revenue	8,150	8,300
	<u>210,293</u>	<u>239,468</u>
Less: event expense	(48,326)	(43,940)
	<u>\$ 161,967</u>	<u>\$ 195,528</u>



# C&O CANAL TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

### 7. CONTRIBUTIONS OF NONFINANCIAL ASSETS

Contributions of nonfinancial assets consisted of the following as of September 30:

	2023	2022	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Donated collection items	\$ -	\$ 1,588	Programmatic	No associated donor restrictions	The Trust estimated the fair value of the basis on estimated retail values that would be received for selling similar products.
Donated services	40,688	31,582	Programmatic	No associated donor restrictions	Contributed services are valued at the estimated fair value based on current rates for similar services.
Advertising	9,763	6,585	Programmatic	No associated donor restrictions	The Trust estimated the fair value of advertising based on rates provided by the service provider for similar products.
Professional services	3,500	4,993	General and Administrative	No associated donor restrictions	Contributed services from accountants and attorneys are valued at the estimated fair value based on current rates for similar services.
Rent	25,000	25,000	General and Administrative	No associated donor restrictions	In valuing the contributed rent, which is located in Washington County, MD, the Trust estimated the fair value on the basis of recent comparable rental prices in Washington County MD's real estate market.
Supplies	1,836	1,735	Programmatic	No associated donor restrictions	The Trust estimated the fair value of the basis on estimated retail values that would be received for selling similar products Washington County MD.
	<b>\$ 80,787</b>	<b>\$ 71,483</b>			

### 8. 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 \$9,739 and \$11,265 for 2023 and 2022, respectively, and have been reported in salary, taxes and benefits on the schedules of functional expenses.

### 9. 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

### 10. NET ASSETS

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

	BALANCE AT SEPTEMBER 30, 2022	CONTRIBUTIONS	SATISFACTION OF RESTRICTIONS	BALANCE AT SEPTEMBER 30, 2023
Subject to purpose restrictions				
Billy Goat Trail Fund	\$ 8,499	\$ -	\$ -	\$ 8,499
Bench Program	220,785	50,449	(15,355)	255,879
Rare Plants Program	4,550	39,760	(33,464)	10,846
Canal Qtrs. Fund	3,541	5,500	(825)	8,216
Canal Qtrs. Maintenance	125,222	15,644	(1,204)	139,662
Canal Qtrs. Rehab	5,322	21,265	(5,125)	21,462
Canal Towns	11,486	4,745	(6,664)	9,567
Canal for All	9,200	71,791	(25,664)	55,327
Eagle Scout Fund	1,757	-	-	1,757
Education Program	1,971	29,267	(24,390)	6,848
Henry Diamond Fund	55,000	-	-	55,000
Towpath	44,450	59,426	(28,140)	75,736
Various	9,346	753	(645)	9,454
	<b>\$ 501,129</b>	<b>\$ 298,600</b>	<b>\$ (141,476)</b>	<b>\$ 658,253</b>

# C&O CANAL TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

	BALANCE AT SEPTEMBER 30, 2021	CONTRIBUTIONS	SATISFACTION OF RESTRICTIONS	BALANCE AT SEPTEMBER 30, 2022
Subject to purpose restrictions				
Billy Goat Trail Fund	\$ 8,499	\$ -	\$ -	8,499
Bench Program	200,907	38,250	(18,372)	220,785
Rare Plants Program	-	99,000	(94,450)	4,550
Canal Qtrs. Fund	3,371	200	(30)	3,541
Canal Qtrs. Maintenance	121,695	4,731	(1,204)	125,222
Canal Qtrs. Rehab	6,994	-	(1,672)	5,322
Canal Towns	11,001	5,909	(5,424)	11,486
Canal for All	-	9,200	-	9,200
Eagle Scout Fund	1,757	-	-	1,757
Education Program	656	36,850	(35,535)	1,971
Henry Diamond Fund	55,000	-	-	55,000
Towpath	23,852	47,935	(27,337)	44,450
Various	7,779	2,219	(652)	9,346
Restrictions of Time	15,000	-	(15,000)	-
	<b>\$ 456,511</b>	<b>\$ 244,294</b>	<b>\$ (199,676)</b>	<b>\$ 501,129</b>

### 11. SUBSEQUENT EVENTS

In preparing these financial statements, the Trust has evaluated events and transactions for potential recognition or disclosure through December 15, 2023, 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, 2023 through December 15, 2023, that require recognition or disclosure in the financial statements.

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