



Statement of Financial Management Practices

December 2011

Overview

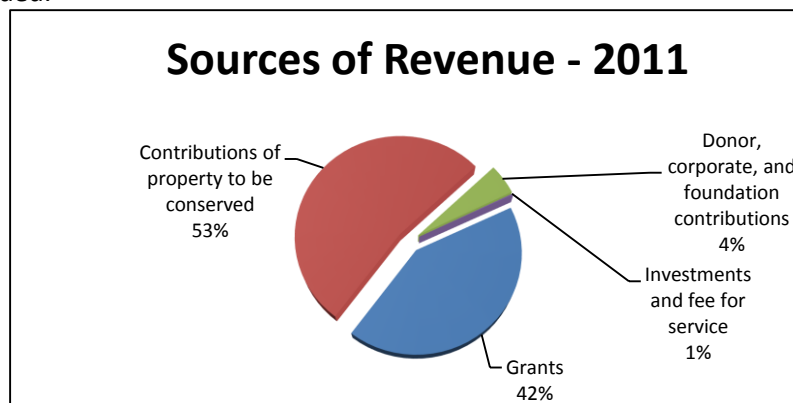
The Catawba Lands Conservancy holds itself to high standards of integrity and transparency in its financial reporting. Catawba Lands Conservancy is an accredited land trust, awarded by the Land Trust Accreditation Commission. Land trust accreditation recognizes land conservation organizations that meet national standards for excellence, uphold the public trust and ensure that conservation efforts are permanent.

Catawba Lands Conservancy's financial statements and reports, including Form 990, are prepared in accordance with the Generally Accepted Accounting Principles (GAAP) for non-profit organizations set by the Financial Accounting Standards Board (FASB). The Conservancy's financial records are reviewed annually during a detailed, professional financial audit. Recent audit reports and Form 990s are available at www.catawbalands.org. Financial results including land transactions are reviewed by the Catawba Lands Conservancy Board at each of its meetings, generally monthly.

Internal Fund Accounting

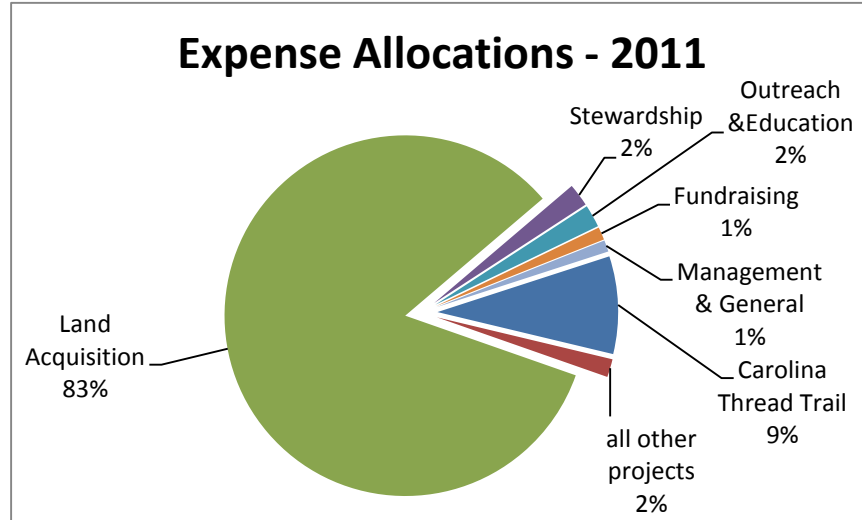
Sources of funds include government grants (used primarily to purchase land and easements), donations of land and easements, individual donors, corporations and foundations, and fees for service. Uses of funds include: operating expenses such as rent, salaries, office expenses and insurances; project costs and property acquisition expenses; land stewardship; and other expenses. Sources and Uses are allocated internally to one of three funds, described as follows:

- **General Fund:** The General Fund operating revenues are relatively stable, averaging approximately \$588,148 per year over the last three years. The General Fund is primarily funded with unrestricted gifts from donors, foundations and government. Personnel costs are the largest expense within the General Fund, averaging about 55% of General Fund expenses. Average staff compensation is approximately \$55,000, fully loaded for benefits. Approximately 65% of operating expenses are relatively fixed (salaries, benefits, occupancy, and insurances).
- **Project Fund:** Project Fund expenses averaged \$4,752,000 per year over the last three years, but vary widely year-to-year. Project Fund revenue is obtained primarily from project-specific government and foundation grants. Projects include both land and conservation easement transactions, and special initiatives such as the Carolina Thread Trail.
- **Endowment or Stewardship Fund:** The Stewardship Fund is established to help ensure that the Conservancy will meet its permanent obligation to steward, monitor and legally defend conservation easements and fee-held land. The Fund includes Stewardship and Legal Defense components. Interest from the Stewardship fund pays for a portion but not all of the Conservancy's stewardship function through an annual withdrawal at a safe rate of 4.5% applied to the trailing three-year balance, which is transferred to the General Fund. The Stewardship Fund grows through appreciation and contributions from conservation projects. It is the policy of the Conservancy to not use the principal of the Stewardship funds and only to use the principal of the Legal Defense Fund if needed.



Expense Reporting and Form 990

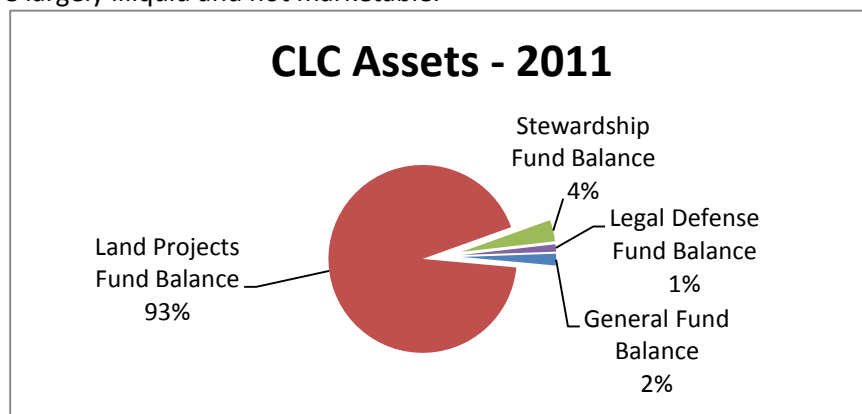
Aggregated expense reporting reflects activity in all funds and is consistently allocated year to year among the three categories: Programs; Fundraising; and Administrative. The majority of the Conservancy's expenses are associated with programs, which include land conservation projects and the Carolina Thread Trail. The program column of the 990 reflects the Conservancy's project expenses.



Conservancy Assets

Assets include cash fund balances, owned land, conservation easements, endowment (Stewardship and Legal Defense), and limited furniture and equipment. As the Conservancy's interests in land projects include both fee simple and conservation easements, the Conservancy balance sheet reflects the appraised value of the land at the time of conveyance for fee-held lands, and a value of \$0.01 for each conservation easement. The value of conservation easements is written down for each transaction to reflect the lack of marketability of the Conservancy's interest in conservation easements. This policy was endorsed by our professional auditor in 2005, at which time the Conservancy wrote-down about \$16.8 MM in book value.

Conservancy assets have averaged \$16,675,000 per year over the last three years. Approximately \$400,000 on average has been available for general operations and about \$915,000 is held as endowment for stewardship and legal defense. The remaining assets are largely illiquid and not marketable.



Questions?

Please direct all questions regarding our financial management practices to Kenni Brooks, Finance Director, at 704-342-3330, extension 207, or to Tom Okel, Executive Director, at extension 202.

