

*CATAWBA LANDS CONSERVANCY*

*FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012*

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# *Catawba Lands Conservancy*

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December 31, 2013

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# **C. DEWITT FOARD & COMPANY, P.A.**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Catawba Lands Conservancy  
Charlotte, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Catawba Lands Conservancy, (the Conservancy – a not-for-profit organization), which comprise the consolidated statement of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors of  
Catawba Lands Conservancy  
Charlotte, North Carolina

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Conservancy as of December 31, 2013 and 2012, 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.

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2014, on our consideration of Conservancy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Conservancy's internal control over financial reporting and compliance.

C. DeWitt Ford & Company, P.A.

June 16, 2014

# ***Catawba Lands Conservancy***

## **Statement of Financial Position**

**December 31, 2013 and 2012**

	December 31,	
	2013	2012
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 1,298,683	\$ 1,068,622
Grants and other receivables	760,408	100,977
Total Current Assets	2,059,091	1,169,599
Property and Equipment (net)	711,385	270,753
Other Assets:		
Investments	1,535,460	1,198,455
Land held for sale	50,000	50,000
Property acquired for preservation	20,141,098	18,095,959
Total Other Assets	21,726,558	19,344,414
<b><i>TOTAL ASSETS</i></b>	<b>\$ 24,497,034</b>	<b>\$ 20,784,766</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities:		
Accounts payable	\$ 62,206	\$ 52,246
Note payable	425,000	-
Total Current Liabilities	487,206	52,246
Net Assets:		
Unrestricted:		
Undesignated	1,912,910	816,335
Designated - land	20,141,098	18,095,959
Designated - other	522,497	522,497
Total Unrestricted Net Assets	22,576,505	19,434,791
Temporarily restricted	1,433,323	1,297,729
Total Net Assets	24,009,828	20,732,520
<b><i>TOTAL LIABILITIES AND NET ASSETS</i></b>	<b>\$ 24,497,034</b>	<b>\$ 20,784,766</b>

# Catawba Lands Conservancy

## Statement of Activities

Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	TOTALS
<b><u>SUPPORT AND REVENUE</u></b>			
Grants	\$ 342,081	\$ 1,821,853	\$ 2,163,934
Contributions of property to be preserved	32,093,392	-	32,093,392
Other contributions	1,663,976	217,048	1,881,024
Fundraising revenue	11,435	-	11,435
Investment earnings	238,468	-	238,468
Other income	9,760	-	9,760
Net assets released by:			
Payment	1,844,807	(1,844,807)	-
Time	58,500	(58,500)	-
<b><i>Total Support, Revenue, and Reclassifications</i></b>	<b><i>36,262,419</i></b>	<b><i>135,594</i></b>	<b><i>36,398,013</i></b>
<b><u>EXPENSES</u></b>			
Easements granted	30,752,229	-	30,752,229
Salaries and benefits	1,073,767	-	1,073,767
Contributions to exempt organizations	800,000	-	800,000
Professional fees	115,358	-	115,358
Operations and maintenance	100,269	-	100,269
Office supplies and expenses	57,103	-	57,103
Public activities	65,779	-	65,779
Depreciation	44,746	-	44,746
Travel	28,082	-	28,082
Insurance	24,132	-	24,132
Communications	21,377	-	21,377
Interest	3,144	-	3,144
Other expenses	34,719	-	34,719
<b><i>Total Expenses</i></b>	<b><i>33,120,705</i></b>	<b><i>-</i></b>	<b><i>33,120,705</i></b>
<b><i>CHANGE IN NET ASSETS</i></b>	<b><i>3,141,714</i></b>	<b><i>135,594</i></b>	<b><i>3,277,308</i></b>
<b><i>NET ASSETS, BEGINNING</i></b>	<b><i>19,434,791</i></b>	<b><i>1,297,729</i></b>	<b><i>20,732,520</i></b>
<b><i>NET ASSETS, ENDING</i></b>	<b><i>\$ 22,576,505</i></b>	<b><i>\$ 1,433,323</i></b>	<b><i>\$ 24,009,828</i></b>

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# Catawba Lands Conservancy

## Statement of Activities

Year Ended December 31, 2012

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>TOTALS</u>
<b><u>SUPPORT AND REVENUE</u></b>			
Grants	\$ 188,209	\$ 1,909,787	\$ 2,097,996
Contributions of property to be preserved	361,201	-	361,201
Other contributions	625,053	133,752	758,805
Investment earnings	136,069	-	136,069
Other income	12,610	-	12,610
Net assets released by:			
Payment	1,577,964	(1,577,964)	-
Time	46,500	(46,500)	-
<b><i>Total Support, Revenue, and Reclassifications</i></b>	<b><i>2,947,606</i></b>	<b><i>419,075</i></b>	<b><i>3,366,681</i></b>
<b><u>EXPENSES</u></b>			
Salaries and benefits	1,036,202	-	1,036,202
Easements granted	658,073	-	658,073
Professional fees	318,934	-	318,934
Operations and maintenance	86,924	-	86,924
Public activities	61,207	-	61,207
Office supplies and expenses	48,347	-	48,347
Depreciation	28,798	-	28,798
Travel	22,139	-	22,139
Grants paid to City of Charlotte	20,000	-	20,000
Insurance	17,569	-	17,569
Communications	12,504	-	12,504
Other expenses	17,839	-	17,839
<b><i>Total Expenses</i></b>	<b><i>2,328,536</i></b>	<b><i>-</i></b>	<b><i>2,328,536</i></b>
<b><i>CHANGE IN NET ASSETS</i></b>	<b><i>619,070</i></b>	<b><i>419,075</i></b>	<b><i>1,038,145</i></b>
<b><i>NET ASSETS, BEGINNING</i></b>	<b><i>18,815,721</i></b>	<b><i>878,654</i></b>	<b><i>19,694,375</i></b>
<b><i>NET ASSETS, ENDING</i></b>	<b><i>\$ 19,434,791</i></b>	<b><i>\$ 1,297,729</i></b>	<b><i>\$ 20,732,520</i></b>

# Catawba Lands Conservancy

## Statement of Cash Flows

Years Ended December 31, 2013 and 2012

	December 31,	
	2013	2012
<b><u>OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 3,277,308	\$ 1,038,145
Adjustments to reconcile changes in net assets to cash flows from operating activities:		
Depreciation expense	44,746	28,798
Donated property, net of conservation easements granted	(1,566,760)	(379,303)
Grants received to acquire property for preservation	(675,173)	(663,709)
Net realized and unrealized (gains) losses on investments	(209,219)	(107,397)
(Increase) decrease in operating assets:		
Grants and other receivables	(659,431)	(7,139)
Other current assets	-	1,450
Increase (decrease) in operating liabilities:		
Accounts payable	9,960	(1,903)
<b><i>Cash Flows from Operating Activities</i></b>	<b>221,431</b>	<b>(91,058)</b>
<b><u>INVESTING ACTIVITIES</u></b>		
Grants received to acquire property for preservation	675,173	663,709
Purchase of property for preservation	(722,125)	-
Proceeds from the sale of property	175,000	-
Purchase of property and equipment	(416,632)	(179,503)
Purchase of investments	(337,903)	(202,103)
Proceeds from the sale of investments	210,117	93,301
<b><i>Cash Flows from Investing Activities</i></b>	<b>(416,370)</b>	<b>375,404</b>
<b><u>FINANCING ACTIVITIES</u></b>		
Proceeds from note payable	425,000	-
<b><i>Cash Flows from Financing Activities</i></b>	<b>425,000</b>	<b>-</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>230,061</b>	<b>284,346</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>1,068,622</b>	<b>784,276</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>\$ 1,298,683</b>	<b>\$ 1,068,622</b>

See accompanying notes to financial statements.

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# ***Catawba Lands Conservancy***

## **Notes to Financial Statements**

**December 31, 2013 and 2012**

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### **NOTE 1 – NATURE OF OPERATIONS**

#### *Catawba Lands Conservancy*

Catawba Lands Conservancy (the “Conservancy”) is a non-profit organization dedicated to acquiring and preserving environmentally, historically, or culturally significant lands for open space, recreation, or protection of natural resources. The Conservancy principally preserves land tracts located in the North Carolina Catawba River Basin and the Southern Piedmont of North Carolina. The Conservancy is also responsible for the perpetual management and stewardship of properties owned and the monitoring and enforcement of conservation easements. The Conservancy is also involved in facilitating the acquisition of conservation easements that are deeded to other parties, such as the State of North Carolina.

#### *Hickory Grove Rental Home, LLC*

Hickory Grove Rental Home, LLC is a single purpose entity founded in December 2013 to facilitate rental of donated property located on Hickory Grove Rd, Gaston County, North Carolina. The Conservancy is the sole member of the LLC.

#### *Principles of consolidation*

Due to common control, as described above, the accompanying consolidated financial statements include the activities of both entities. All significant inter-company accounts and transactions have been eliminated. The concept of consolidation for financial statement purposes ignores the legal concept of separate entities. The Conservancy transferred ownership of rental property in December 2013 to the LLC. The LLC recognized no revenue or expenses for the year ended December 31, 2013.

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### *Basis of presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets can be both undesignated and designated in nature. Undesignated, unrestricted net assets are those currently available for use in the day-to-day operation of the Conservancy and those resources invested in property and equipment. From time to time, the Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives of the Conservancy. Such amounts, as well as property acquired for preservation, are reflected as unrestricted, designated net assets in the accompanying statement of financial position.

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## ***Catawba Lands Conservancy***

### **Notes to Financial Statements**

**December 31, 2013 and 2012**

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#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Conservancy and/or the passage of time. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Conservancy. Generally, the donors of these assets permit the Conservancy to use all or part of the income earned on any related investments for general or specific purposes. At December 31, 2013 and 2012, the Conservancy had no permanently restricted net assets.

#### *Public support and grant revenue*

The Conservancy relies heavily upon various grants and public contributions to assist in the accomplishment of its preservation mission. Changes in economic conditions may directly affect a grantor's ability and willingness to make future contributions. Generally, grant funds made available to the Conservancy are utilized to accomplish specific objectives of the grantor and the Conservancy. Such grants contain specific criteria governing the expenditure of such funds. As a condition of the grant, the Conservancy agrees to fully utilize the funds in a manner as prescribed by the underlying grant agreement. Any noncompliance with the specific terms of the grant may result in funds being returned to the grantor and any reductions in grant funding could adversely affect the operations of the Conservancy.

#### *Donated property*

Property received as a gift is recorded at its estimated fair value on the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the use of the donated asset to a specific purpose. Donated property amounted to \$1,566,760 and \$379,303 for the years ended December 31, 2013 and 2012.

#### *Donated conservation easements*

Conservation easements received as a gift are recorded at the estimated change in the market value of the associated property before and after the imposition of the easement. At that time, the Conservancy also records a like amount as an expense since the conservation easements have no future economic benefit to the Conservancy. Donated conservation easements amounted to \$30,752,229 and \$6,201 for the years ended December 31, 2013 and 2012.

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## *Catawba Lands Conservancy*

### Notes to Financial Statements

December 31, 2013 and 2012

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#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### *Donated services*

The Conservancy records donated services as contributions when the services either create or enhance nonfinancial assets or would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. A number of unpaid volunteers, who serve in the capacity of Board members and various other volunteers, have made significant contributions of their time to assist the Conservancy in achieving the goals of its programs. The value of this contributed time is not reflected in these financial statements since it does not meet the above recognition criteria.

##### *Cash and cash equivalents*

The Conservancy considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except for those short-term investments managed as part of investment management strategies.

##### *Allowance for doubtful accounts*

Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. Based on the underlying nature of the receivables at December 31, 2013 and 2012, management believes any allowance for uncollectible receivables is not material to the financial statements taken as a whole.

##### *Property and equipment*

Property and equipment is stated at cost if purchased or estimated fair value at date of receipt if donated, subject to a \$500 capitalization threshold. Depreciation is provided over the estimated useful lives of the assets and is computed on the straight-line method. The costs of major improvements are capitalized while the costs of maintenance and repairs, which do not improve or extend the useful life of the respective asset, are expensed when incurred. The cost and accumulated depreciation of property and equipment are eliminated from the accounts upon disposal and any resulting gain or loss is included in the changes in net assets in the period during which the disposition occurred.

##### *Investments*

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued in the statement of financial position at their fair value. Fair value is determined by reference to exchange or dealer-quoted market prices. If a quoted market price is not available, fair value of securities is estimated using quoted market prices. If a quoted market price is not available, fair value of securities are reflected as investment gains or losses in the accompanying statements of activities.

##### *Beneficial interests*

The Conservancy recognizes its interest in assets held by other not-for-profit organizations (the Community Foundation of Gaston County, Inc. and Foundation for the Carolinas) for the sole benefit of the Conservancy. These assets are available to the Conservancy for acquisition and stewardship of property easements and are recorded as investments on the Statement of Financial Position.

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## ***Catawba Lands Conservancy***

### **Notes to Financial Statements**

**December 31, 2013 and 2012**

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#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### *Land held for sale*

The Conservancy has received donations of land, which the Conservancy intends to sell. The proceeds from these sales will be available for the general operations of the Conservancy. The land held for sale is recorded at its fair value at the date of donation, which approximates its fair value at December 31, 2013 and 2012.

##### *Property and easements acquired for preservation*

The Conservancy may acquire certain property and/or conservation easements through purchases as well as through donor contributions. Donors generally contribute deeds to property and/or conservation easements. Conservation easements are legal agreements in which the landowner gives up some of the rights to their land, such as development, but retains ownership and management of the property. The conservation easements are permanent and run with the land to successive owners. Contributions are recorded at the estimated fair market value of the property or easement taking into consideration the fact that the lands' use may be severely limited based on the intent to preserve the property in its undeveloped state. Based on these facts, the values of easements shown in the accompanying Statement of Activities are based on management estimates.

##### *Income tax status*

The Conservancy is exempt from Federal income tax under Internal Revenue Code Section 501(c)(3) with respect to its exempt function income. The Conservancy is not a private foundation as defined by Section 509(a) of the Internal Revenue Code.

U.S. generally accepted accounting principles requires an organization to recognize a tax benefit or expense from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Conservancy has no uncertain tax positions as of December 31, 2013.

##### *Functional allocation of expenses*

Expenses are allocated to program services, management and general, and fund raising based on management's estimates of time spent and various allocation methods appropriate to the type of expense.

##### *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 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.

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**Catawba Lands Conservancy****Notes to Financial Statements****December 31, 2013 and 2012**

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**NOTE 3 – GRANTS AND OTHER RECEIVABLES**

Total grants and other receivables were as follows at December 31:

	<u>2013</u>	<u>2012</u>
Grants receivable	\$ 754,537	\$ 96,573
Other receivables	<u>5,871</u>	<u>4,404</u>
TOTAL	<u>\$ 760,408</u>	<u>\$ 100,977</u>

**NOTE 4 – INVESTMENTS**

The fair value of investments was as follows at December 31:

	<u>2013</u>	<u>2012</u>
Money market funds	\$ 21,640	\$ 31,484
Equity mutual funds	1,023,409	784,535
Debt mutual funds	478,799	371,996
Land held for sale	50,000	50,000
Beneficial interest in trusts	<u>11,612</u>	<u>10,440</u>
TOTAL	<u>\$ 1,585,460</u>	<u>\$ 1,248,455</u>

These investments, other than the land held for investment, are insured by the Securities Investor Protection Corporation up to \$500,000. The Conservancy invests in a variety of investments, which are subject to fluctuations in market values and expose the Conservancy to a certain degree of investment risk.

**Investment earnings**

Investment earnings for the year ended December 31, 2013 and 2012 is summarized below:

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 29,249	\$ 28,672
Realized and unrealized gains on investments	<u>209,219</u>	<u>107,397</u>
TOTAL	<u>\$ 238,468</u>	<u>\$ 136,069</u>

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## ***Catawba Lands Conservancy***

### **Notes to Financial Statements**

**December 31, 2013 and 2012**

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#### **NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of December 31:

	<u>2013</u>	<u>2012</u>
Office equipment	\$ 161,222	\$ 159,652
Property improvements	693,945	278,884
Buildings	<u>68,746</u>	<u>-</u>
Total Property and Equipment	923,913	438,536
Less - accumulated depreciation	<u>(212,528)</u>	<u>(167,783)</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 711,385</u>	<u>\$ 270,753</u>

#### **Trail construction**

The Conservancy is currently constructing a trail that is expected to be completed during 2014. At December 31, 2013, the Conservancy had unpaid commitments of \$43,200 related to construction service contracts.

#### **NOTE 6 – DEBT**

##### **Lines of credit**

The Conservancy also maintains a \$1,250,000 secured line of credit agreement with another financial institution. The line of credit bears interest at the rate of LIBOR plus three percent and is collateralized by deeds of trust on various tracts of land owned by the Conservancy. The Conservancy did not utilize the line of credit during 2013 and 2012.

##### **Note payable**

The Conservancy financed a property acquisition by entering into a note agreement dated December 27, 2013 with The Conservation Fund for \$425,000. The outstanding balance as of December 31, 2013 of \$425,000 is due in its entirety along with accrued interest, at a rate of 3 percent annually, on December 27, 2016. The note payable of \$425,000 and accrued interest of \$3,144 were paid to The Conservation Fund in January 2014.

#### **NOTE 7 – OPERATING LEASES**

The Conservancy has entered into non-cancelable operating lease agreements for office space and a copier. Lease payments actually made during 2013 and 2012 were \$63,454 and \$53,016, respectively, for office space and \$10,042 and \$6,109, respectively, for the copier. Future minimum payments are due under operating leases during:

Year ending December 31:

2014	\$ 46,337
2015	5,387
2016	<u>3,143</u>
Total	<u>\$ 54,867</u>

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# *Catawba Lands Conservancy*

## Notes to Financial Statements

December 31, 2013 and 2012

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### NOTE 8 – RETIREMENT PLAN

The Conservancy maintains a SIMPLE-IRA plan, as described in Internal Revenue Code Section 408(p), for the benefit of its employees. Employees can make pretax contributions to the plan and the Conservancy can make matching or discretionary non-elective contributions on behalf of its employees. The Conservancy made matching contributions of three percent of eligible participants' salaries, which amounted to \$12,196 in 2013 and \$14,332 in 2012.

### NOTE 9 – NET ASSETS

#### Board designated, unrestricted net assets

The Board of Directors of the Conservancy has elected to set aside the investment income on contributions received for the future stewardship and legal defense of land and easements that it owns. At December 31, 2013 and 2012 the total of these funds was \$698,742 and \$461,744, respectively. In addition, \$60,753 was designated for preservation of property at December 31, 2013 and 2012, respectively. In 2013, \$11,044 was designated for property improvements.

The Board of Directors has also set aside land for its conservation efforts. At December 31, 2013 and 2012, this land was valued at \$20,141,098 and \$18,095,959, respectively.

#### Temporarily restricted

Funds that have been received by the Conservancy for a particular purpose or period of time that have remaining restrictions at December 31, 2013 and 2012 are detailed as follows:

	<u>2013</u>	<u>2012</u>
Time Restricted:		
Mecklenburg County	\$ 23,250	\$ 23,250
The Blumenthal Foundation	30,000	40,000
The John W. Harris Family Foundation	6,000	8,000
Total Time Restricted	<u>59,250</u>	<u>71,250</u>
Unutilized Funds:		
Stewardship and legal defense	1,046,062	876,985
Wal-mart grant	15,000	15,000
Fish and Wildlife	117	117
Carolina Thread Trail	312,894	334,377
Total Unutilized Funds	<u>1,374,073</u>	<u>1,226,479</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 1,433,323</u>	<u>\$ 1,297,729</u>

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## *Catawba Lands Conservancy*

### Notes to Financial Statements

December 31, 2013 and 2012

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#### NOTE 10 – IN-KIND CONTRIBUTIONS

The Conservancy received non-cash contributions (other than land and easements) during the year ended December 31, 2012 and 2011, in the form of goods and services that are required to be recognized in the accompanying statement of activities. In-kind contributions are detailed as follows:

	<u>2013</u>	<u>2012</u>
Legal and professional services	\$ 30,961	\$ 120,425
Rental property	68,746	-
Design services	-	550
Small tools received	<u>772</u>	<u>3,662</u>
TOTAL	<u>\$ 100,479</u>	<u>\$ 124,637</u>

#### NOTE 11 – CONCENTRATIONS OF RISK

##### Geographic area

The Conservancy operates in a limited geographic area, and is therefore sensitive to changes in the local economy.

##### Cash in excess of insured limits

The Conservancy occasionally maintains cash balances in excess of insured limits. At December 31, 2013, the uninsured balance of cash was \$980,707. However, management believes that the risk related to the accounts is minimal because of the credit worthiness of the financial institutions.

#### NOTE 12 – FUNCTIONAL EXPENSES

The Conservancy's activities are focused in three functional areas. Program services represent the primary focus of the Conservancy's activities. Supporting services are fundraising activities and general and administrative activities. The costs of providing the various programs and other activities for the year ended December 31, 2013 and 2012 are summarized on a functional basis below. Certain costs have been allocated among the program and supporting services benefited.

	<u>2013</u>	<u>2012</u>
Program services - public services	\$ 32,892,147	\$ 2,095,682
Supporting services -		
Fundraising	111,318	128,069
General and administrative	<u>117,240</u>	<u>104,785</u>
TOTAL	<u>\$ 33,120,705</u>	<u>\$ 2,328,536</u>



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# Catawba Lands Conservancy

## Notes to Financial Statements

December 31, 2013 and 2012

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### NOTE 13 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require fair value of financial instruments to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs, as follows:

Level 1 - Fair value is based on quoted prices in active markets for identical assets or liabilities.

Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Conservancy has segregated its financial instruments into the most appropriate level within the fair value hierarchy at December 31, 2013, as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Mutual funds	\$ 1,523,848	\$ 1,523,848	\$ -	\$ -
Community Foundation funds	<u>11,612</u>	<u>-</u>	<u>-</u>	<u>11,612</u>
TOTAL	<u>\$ 1,535,460</u>	<u>\$ 1,523,848</u>	<u>\$ -</u>	<u>\$ 11,612</u>

The following table sets forth a summary of changes in the fair value of the Level 3 assets for the year ended December 31, 2013.

Balance, beginning of year	\$ 10,439
Net decrease in value	1,077
Purchases, sales, issuances, and settlements (net)	<u>96</u>
Balance, end of year	<u>\$ 11,612</u>

### NOTE 14 – SUBSEQUENT EVENTS

The Conservancy has evaluated subsequent events from the date of the statement of financial position through the date of the audit report which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.

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## *Catawba Lands Conservancy*

Notes to Financial Statements

December 31, 2013 and 2012

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### **NOTE 15 – NON-RECURRING EVENTS**

During the year, the Conservancy received a significant conservation easement valued at \$27,400,000. In addition, the Conservancy also received a bequest from a family estate and significant donation to support stewardship of the property associated with the estate. A portion of the bequest and the donation were forwarded to the Foundation for the Carolinas to support the conservation of the property.

# C. DEWITT FOARD & COMPANY, P.A.

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of  
Catawba Lands Conservancy  
Charlotte, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Catawba Lands Conservancy (the "Conservancy"), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 16, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Conservancy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Conservancy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Conservancy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors of  
Catawba Lands Conservancy  
Charlotte, North Carolina

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Conservancy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C. Dewitt Ford & Company, P.A.

Charlotte, North Carolina  
June 16, 2014

# **C. DEWITT FOARD & COMPANY, P.A.**

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of  
Catawba Lands Conservancy  
Charlotte, North Carolina

### **Report on Compliance for Each Major Federal Program**

We have audited Catawba Lands Conservancy's (the "Conservancy") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Conservancy's major federal programs for the year ended December 31, 2013. The Conservancy's major federal programs for the year ended December 31, 2013 are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Conservancy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Conservancy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Conservancy's compliance.

### **Opinion on Each Major Federal Program**

In our opinion the Conservancy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

To the Board of Directors of  
Catawba Lands Conservancy  
Charlotte, North Carolina

**Report on Internal Control Over Compliance**

The management of the Conservancy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Conservancy's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Conservancy's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*C. DeWitt Ford & Company, P.A.*

June 16, 2014

# **C. DEWITT FOARD & COMPANY, P.A.**

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Board of Directors of  
Catawba Lands Conservancy  
Charlotte, North Carolina

### **Report on Compliance for Each Major State Program**

We have audited Catawba Lands Conservancy's (the "Conservancy") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on its major State program for the year ended December 31, 2013. The Conservancy's major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Conservancy's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Conservancy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination on the Conservancy's compliance.

### **Opinion on Each Major State Program**

In our opinion, the Conservancy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended December 31, 2013.

To the Board of Directors of  
Catawba Lands Conservancy  
Charlotte, North Carolina

**Report on Internal Control Over Compliance**

Management of the Conservancy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Conservancy's internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Conservancy's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

*C. Dewitt Ford & Company, P.A.*

Charlotte, North Carolina  
June 16, 2014



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***Catawba Lands Conservancy***  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2013**

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**SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_yes      X no
- Significant deficiency(s) identified that are not considered to be material weaknesses \_\_\_yes      X no

Noncompliance material to financial statements noted? \_\_\_yes      X no

*Federal and State Awards*

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_yes      X no
- Significant deficiency(s) identified that are not considered to be material weaknesses \_\_\_yes      X no

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_yes      X no

*Identification of Major Programs*

State Programs -

North Carolina Department of Environment and Natural resources:  
Clean Water Management Trust Fund

Dollar threshold used to distinguish between Type A and Type B Programs \$300,000

Auditee qualified as low-risk auditee? \_\_\_yes      X no

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***Catawba Lands Conservancy***  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2013**

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**FINDINGS – FINANCIAL STATEMENTS AUDIT**

None

**FINDINGS – FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS**

None

**SUMMARY OF PRIOR YEAR FINDINGS AND CORRECTIVE ACTION PLAN**

None

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**Catawba Lands Conservancy****Schedule of Federal and State Awards Expended  
Year Ended December 31, 2013**

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<u>Agency</u>	<u>CFDA Number</u>	<u>Amount Expended</u>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>		
Passed through the N.C. Department of Environment and Natural Resources:		
Recreational Trails Program	20.219	\$ 69,835
Total U.S. Department of Transportation		<u>\$ 69,835</u>
 <b><u>NORTH CAROLINA DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES</u></b>		
	<u>Contract Number</u>	
Clean Water Management Trust Fund:		
Waxhaw Creek Preserve	2012-008	\$ 405,173
Catawba Springs Preserve	2012-008	245,000
The Fork	2012D-010	<u>25,000</u>
Total North Carolina Department of Environment and Natural Resources		<u>675,173</u>
<b>TOTAL FEDERAL AND STATE AWARDS</b>		<u><u>\$ 745,008</u></u>