

CATAWBA LANDS CONSERVANCY

***FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014***

Catawba Lands Conservancy

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December 31, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Catawba Lands Conservancy, ("Conservancy" - a nonprofit corporation), which comprise the consolidated statement of financial position as of December 31, 2015 and 2014, 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 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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.

Opinion

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Catawba Lands Conservancy, as of December 31, 2015 and 2014, 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.

C. Dewitt Foard & Company, P.A.
June 7, 2016

Catawba Lands Conservancy

Statement of Financial Position

December 31, 2015 and 2014

	December 31,	
	2015	2014
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 1,365,333	\$ 1,075,160
Grants and other receivables	221,984	130,871
<u>Total Current Assets</u>	<u>1,587,317</u>	<u>1,206,031</u>
Property and Equipment (net)	743,728	760,230
Other Assets:		
Investments	1,984,093	2,191,820
Land held for sale	15,000	50,000
Property acquired for preservation	20,826,126	20,269,037
<u>Total Other Assets</u>	<u>22,825,219</u>	<u>22,510,857</u>
<u>TOTAL ASSETS</u>	<u>\$ 25,156,264</u>	<u>\$ 24,477,118</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 40,152	\$ 45,788
Funds held for unrelated organizations	65,000	-
<u>Total Current Liabilities</u>	<u>105,152</u>	<u>45,788</u>
Net Assets:		
Unrestricted:		
Undesignated	1,368,250	1,857,198
Designated - land	20,826,126	20,269,037
Designated - other	1,124,771	1,049,277
<u>Total Unrestricted Net Assets</u>	<u>23,319,147</u>	<u>23,175,512</u>
Temporarily restricted	1,731,965	1,255,818
<u>Total Net Assets</u>	<u>25,051,112</u>	<u>24,431,330</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 25,156,264</u>	<u>\$ 24,477,118</u>

Catawba Lands Conservancy

Statement of Activities

Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>TOTALS</u>
<u>SUPPORT AND REVENUE</u>			
Grants	\$ 526,801	\$ 1,388,822	\$ 1,915,623
Contributions of property to be preserved	677,388	-	677,388
Other contributions	526,484	-	526,484
Investment earnings	981	-	981
Loss on land held for sale	(35,000)	-	(35,000)
Other income	22,537	-	22,537
Net assets released by:			
Payment	875,425	(875,425)	-
Time	37,250	(37,250)	-
<i>Total Support, Revenue, and Reclassifications</i>	<i>2,631,866</i>	<i>476,147</i>	<i>3,108,013</i>
<u>EXPENSES</u>			
Salaries and benefits	1,082,177	-	1,082,177
Easement write-down	461,650	-	461,650
Contributions to exempt organizations	326,951	-	326,951
Professional fees	96,291	-	96,291
Operations and maintenance	96,916	-	96,916
Public activities	138,604	-	138,604
Office supplies and expenses	33,101	-	33,101
Depreciation	78,183	-	78,183
Travel	28,084	-	28,084
Insurance	27,784	-	27,784
Communications	56,143	-	56,143
Other expenses	62,347	-	62,347
<i>Total Expenses</i>	<i>2,488,231</i>	<i>-</i>	<i>2,488,231</i>
<i>CHANGE IN NET ASSETS</i>	<i>143,635</i>	<i>476,147</i>	<i>619,782</i>
<i>NET ASSETS, BEGINNING</i>	<i>23,175,512</i>	<i>1,255,818</i>	<i>24,431,330</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 23,319,147</i>	<i>\$ 1,731,965</i>	<i>\$ 25,051,112</i>

Catawba Lands Conservancy

Statement of Activities

Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	TOTALS
<u>SUPPORT AND REVENUE</u>			
Grants	\$ 148,173	\$ 1,798,090	\$ 1,946,263
Contributions of property to be preserved	1,760,458	-	1,760,458
Other contributions	804,310	90,100	894,410
Investment earnings	166,182	-	166,182
Other income	20,841	-	20,841
Loss on disposal of assets	(253,481)	-	(253,481)
Net assets released by:			
Payment	1,987,195	(1,987,195)	-
Time	78,500	(78,500)	-
<i>Total Support, Revenue, and Reclassifications</i>	<i>4,712,178</i>	<i>(177,505)</i>	<i>4,534,673</i>
<u>EXPENSES</u>			
Salaries and benefits	1,221,419	-	1,221,419
Easement write-down	2,353,488	-	2,353,488
Professional fees	64,490	-	64,490
Operations and maintenance	78,470	-	78,470
Public activities	99,917	-	99,917
Office supplies and expenses	55,210	-	55,210
Depreciation	68,577	-	68,577
Travel	34,391	-	34,391
Insurance	23,643	-	23,643
Communications	76,961	-	76,961
Other expenses	36,605	-	36,605
<i>Total Expenses</i>	<i>4,113,171</i>	<i>-</i>	<i>4,113,171</i>
<i>CHANGE IN NET ASSETS</i>	<i>599,007</i>	<i>(177,505)</i>	<i>421,502</i>
<i>NET ASSETS, BEGINNING</i>	<i>22,576,505</i>	<i>1,433,323</i>	<i>24,009,828</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 23,175,512</i>	<i>\$ 1,255,818</i>	<i>\$ 24,431,330</i>

Catawba Lands Conservancy

Statement of Cash Flows

Years Ended December 31, 2015 and 2014

	December 31,	
	2015	2014
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 619,782	\$ 421,502
Adjustments to reconcile changes in net assets to cash flows from operating activities:		
Depreciation expense	78,183	68,577
Donated property, net of conservation easements granted	(253,738)	(442,747)
Donated property and equipment	(2,000)	(22,195)
Grants received to acquire property for preservation	(247,263)	(993,564)
Net realized and unrealized (gains) losses on investments	42,256	(127,119)
(Gain) Loss on disposal of assets	35,000	253,481
Extinguishment of development rights	-	168,076
(Increase) decrease in operating assets:		
Grants and other receivables	(91,113)	629,537
Increase (decrease) in operating liabilities:		
Accounts payable	(5,636)	(16,418)
Funds held for others	65,000	-
<i>Cash Flows from Operating Activities</i>	240,471	(60,870)
<u>INVESTING ACTIVITIES</u>		
Grants received to acquire property for preservation	247,263	993,564
Purchase of property for preservation	(303,351)	(179,972)
Proceeds from the sale of property	-	99,000
Purchase of property and equipment	(59,681)	(121,004)
Purchase of investments	(250,172)	(590,095)
Proceeds from the sale of investments	415,643	60,854
<i>Cash Flows from Investing Activities</i>	49,702	262,347
<u>FINANCING ACTIVITIES</u>		
Repayment of note payable	-	(425,000)
<i>Cash Flows from Financing Activities</i>	-	(425,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	290,173	(223,523)
CASH AND CASH EQUIVALENTS, BEGINNING	1,075,160	1,298,683
CASH AND CASH EQUIVALENTS, ENDING	\$ 1,365,333	\$ 1,075,160

Catawba Lands Conservancy

Notes to Financial Statements

December 31, 2015 and 2014

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 and farmland. The Conservancy principally preserves land tracts located in the North Carolina Catawba River Basin and the Southern Piedmont of North Carolina. The Conservancy is 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 or other land trusts. Additionally, the Conservancy is the lead agency for the Carolina Thread Trail (CTT), which is an initiative to develop a regional network of greenways and trails. The CTT is a unique 15-county collaboration that will connect communities and conserve land through a network of conservation corridors and trails developed through locally designed and adopted plans.

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. During the year ended December 31, 2014, the change in net assets by individual entity was increased in net assets of \$416,892 for the Conservancy and \$4,610 for the LLC. During the year ended December 31, 2015, the change in net assets by individual entity was increased in net assets of \$618,927 for the Conservancy and \$855 for the LLC.

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.

Catawba Lands Conservancy

Notes to Financial Statements

December 31, 2015 and 2014

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, 2015 and 2014, 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 \$253,738 and \$442,747 for the years ended December 31, 2015 and 2014.

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 \$423,650 and \$1,320,720 for the years ended December 31, 2015 and 2014.

Catawba Lands Conservancy

Notes to Financial Statements

December 31, 2015 and 2014

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, 2015 and 2014, 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.

Catawba Lands Conservancy

Notes to Financial Statements

December 31, 2015 and 2014

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 estimated fair value at December 31, 2015 and 2014. Subsequent to year end, the land was sold at its fair value as of December 31, 2015.

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.

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.

NOTE 3 – GRANTS AND OTHER RECEIVABLES

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

	<u>2015</u>	<u>2014</u>
Grants receivable	\$ 208,985	\$ 124,659
Other receivables	<u>12,999</u>	<u>6,212</u>
TOTAL	<u>\$ 221,984</u>	<u>\$ 130,871</u>

Catawba Lands Conservancy

Notes to Financial Statements

December 31, 2015 and 2014

NOTE 4 – INVESTMENTS

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

	<u>2015</u>	<u>2014</u>
Money market funds	\$ 28,515	\$ 25,546
Equity mutual funds	1,281,497	1,469,141
Debt mutual funds	626,714	668,686
Beneficial interest in trusts	47,367	11,904
Real assets	-	16,543
TOTAL	<u>\$ 1,984,093</u>	<u>\$ 2,191,820</u>

These investments 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, 2015 and 2014 is summarized below:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 43,237	\$ 39,063
Realized and unrealized gains(losses) on investments	<u>(42,256)</u>	<u>127,119</u>
TOTAL	<u>\$ 981</u>	<u>\$ 166,182</u>

Redlair Property

At December 31, 2014, the Conservancy held \$330,854 in investments designated for the stewardship of the Redlair property. During the year ended December 31, 2015, the Conservancy transferred \$326,951, the fair value at the date of transfer, to the Redlair Foundation, a private foundation established for the stewardship of this property. The transfer is reflected as a contribution to exempt organizations in the accompanying statement of activities.

Catawba Lands Conservancy**Notes to Financial Statements****December 31, 2015 and 2014**

NOTE 5 – PROPERTY AND EQUIPMENT

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

	2015	2014
Office equipment	\$ 178,947	\$ 154,693
Property improvements	831,107	793,680
Buildings	68,746	68,746
Total Property and Equipment	1,078,800	1,017,119
Less - accumulated depreciation	(335,072)	(256,889)
PROPERTY AND EQUIPMENT, NET	<u>\$ 743,728</u>	<u>\$ 760,230</u>

NOTE 6 – DEBTLine 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 2015 and 2014.

NOTE 7 – OPERATING LEASES

The Conservancy has entered into non-cancelable operating lease agreements for office space, which is owned by a board member of the Conservancy, and a copier. Lease payments actually made during 2015 and 2014 were \$66,656 and \$45,393, respectively, for office space and \$5,387 for both years ended, for the copier. Future minimum payments are due under operating leases during:

Year ending December 31:

2016	\$ 72,002
2017	71,064
2018	73,269
2019	69,041
Total	<u>\$ 285,376</u>

NOTE 8 – FUNDS HELD FOR UNRELATED ORGANIZATIONS

The accompanying statement of financial position reflects a liability of \$65,000 for the funds held by the Organization for the benefit of other unrelated organizations.

Catawba Lands Conservancy

Notes to Financial Statements

December 31, 2015 and 2014

NOTE 9 – 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 \$13,434 in 2015 and \$13,224 in 2014.

NOTE 10 – 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, 2015 and 2014 the total of these funds was \$923,000 and \$835,790, respectively. In addition, funds were designated for preservation of property at December 31, 2015 and 2014 of \$286,771 and \$192,731, respectively. At December 31, 2014, \$20,756 was designated for property improvements.

The Board of Directors has also set aside land for its conservation efforts. At December 31, 2015 and 2014, this land is carried on the financial statements at \$20,826,126 and \$20,269,037, 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, 2015 and 2014 are detailed as follows:

	<u>2015</u>	<u>2014</u>
Time Restricted:		
Mecklenburg County	\$ 11,625	\$ 23,250
The Blumenthal Foundation	20,000	20,000
Southern Spring Show	23,750	39,500
The John W. Harris Family Foundation	-	4,000
Total Time Restricted	<u>55,375</u>	<u>86,750</u>
Unutilized Funds:		
Stewardship and legal defense	1,146,897	1,050,662
Wal-mart grant	15,000	15,000
Yadkin Pee Dee	150,000	-
Carolina Thread Trail	352,694	102,406
Other	11,999	1,000
Total Unutilized Funds	<u>1,676,590</u>	<u>1,169,068</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 1,731,965</u>	<u>\$ 1,255,818</u>

Catawba Lands Conservancy

Notes to Financial Statements

December 31, 2015 and 2014

NOTE 11 – IN-KIND CONTRIBUTIONS

The Conservancy received non-cash contributions (other than land and easements) during the year ended December 31, 2015 and 2014, 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>2015</u>	<u>2014</u>
Legal and professional services	\$ 2,950	\$ 3,497
Equipment	2,000	22,195
Food and other	<u>4,451</u>	<u>3,698</u>
TOTAL	<u>\$ 9,401</u>	<u>\$ 29,390</u>

NOTE 12 – 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, 2015, the uninsured balance of cash was \$1,058,394. However, management believes that the risk related to the accounts is minimal because of the credit worthiness of the financial institutions.

NOTE 13 – 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, 2015 and 2014 are summarized on a functional basis below. Certain costs have been allocated among the program and supporting services benefited.

	<u>2015</u>	<u>2014</u>
Program services - public services	\$ 2,210,996	\$ 3,864,879
Supporting services -		
Fundraising	154,469	136,767
General and administrative	<u>122,766</u>	<u>111,525</u>
TOTAL	<u>\$ 2,488,231</u>	<u>\$ 4,113,171</u>

Catawba Lands Conservancy

Notes to Financial Statements

December 31, 2015 and 2014

NOTE 14 – 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, 2015, as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Mutual funds	\$ 1,936,727	\$ 1,936,727	\$ -	\$ -
Community Foundation funds	47,366	-	-	47,366
Land held for sale	15,000	-	-	15,000
TOTAL	<u>\$ 1,999,093</u>	<u>\$ 1,936,727</u>	<u>\$ -</u>	<u>\$ 62,366</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, 2015.

Balance, beginning of year	\$ 392,758
Net decrease in value	(40,915)
Purchases, sales, issuances, and settlements (net)	<u>(289,477)</u>
Balance, end of year	<u>\$ 62,366</u>

NOTE 15 – 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, except for the sale of the land held for sale as described in Note 2, no material recognizable subsequent events were identified.