

CATAWBA LANDS CONSERVANCY

*FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018*

Catawba Lands Conservancy

Table of Contents

December 31, 2019 and 2018

	Page
Independent Auditors' Report	1
Audited Financial Statements:	
Consolidated Statement of Financial Position.....	2
Consolidated Statement of Activities	3-4
Consolidated Statement of Cash Flows.....	5
Notes to Financial Statements	6-16

C. DEWITT FOARD & COMPANY, P.A.

*CERTIFIED PUBLIC ACCOUNTANTS
817 EAST MOREHEAD STREET SUITE 100
CHARLOTTE, NORTH CAROLINA 28202
TELEPHONE: 704-372-1515 WWW.CDFCO.COM*

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 (the "Conservancy" - a nonprofit corporation), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, 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, 2019 and 2018, 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.

May 7, 2020

Catawba Lands Conservancy

Consolidated Statement of Financial Position

December 31, 2019 and 2018

	December 31,	
	2019	2018
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 1,990,733	\$ 1,814,364
Grants and other receivables	41,462	213,528
Prepaid expenses	6,589	8,901
<u>Total Current Assets</u>	<u>2,038,784</u>	<u>2,036,793</u>
Property and Equipment (net)	537,116	616,670
Other Assets:		
Investments	3,328,612	2,689,582
Land held for sale	486,847	486,847
Property acquired for preservation	23,030,915	22,607,646
<u>Total Other Assets</u>	<u>26,846,374</u>	<u>25,784,075</u>
<u>TOTAL ASSETS</u>	<u>\$ 29,422,274</u>	<u>\$ 28,437,538</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 54,188	\$ 65,949
Deferred revenue	241,250	-
Current portion of note payable	4,538	4,538
<u>Total Current Liabilities</u>	<u>299,976</u>	<u>70,487</u>
Long Term Liabilities:		
Note payable	-	4,537
<u>Total Long Term Liabilities</u>	<u>-</u>	<u>4,537</u>
Net Assets:		
Without donor restrictions		
Undesignated	1,722,813	1,775,553
Designated - land	23,030,915	22,607,646
Designated - other	2,547,055	2,113,816
<u>Total Net Assets Without Donor Restrictions</u>	<u>27,300,783</u>	<u>26,497,015</u>
With donor restrictions	1,821,515	1,865,499
<u>Total Net Assets</u>	<u>29,122,298</u>	<u>28,362,514</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 29,422,274</u>	<u>\$ 28,437,538</u>

Catawba Lands Conservancy**Consolidated Statement of Activities****Year Ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	TOTALS
<u>SUPPORT AND REVENUE</u>			
Grants	\$ 173,575	\$ 206,600	\$ 380,175
Contributions of property to be preserved	496,840	-	496,840
Program service revenue	545,345	-	545,345
Other contributions	786,856	37,300	824,156
Special events (net of \$48,281 direct benefit)	23,932	-	23,932
Investment earnings	563,347	-	563,347
Other income	76,111	-	76,111
Net assets released by:			
Payment	241,384	(241,384)	-
Time	46,500	(46,500)	-
<i>Total Support, Revenue, and Reclassifications</i>	<i>2,953,890</i>	<i>(43,984)</i>	<i>2,909,906</i>
<u>EXPENSES</u>			
Easement write-down	344,087	-	344,087
Salaries and benefits	1,076,369	-	1,076,369
Advertising	159,154	-	159,154
Contracted services	149,349	-	149,349
Office supplies and expenses	105,877	-	105,877
Occupancy	83,621	-	83,621
Depreciation	79,555	-	79,555
Trail costs	77,260	-	77,260
Insurance	25,219	-	25,219
Travel	23,364	-	23,364
Technology	15,528	-	15,528
Training	10,739	-	10,739
<i>Total Expenses</i>	<i>2,150,122</i>	<i>-</i>	<i>2,150,122</i>
<i>CHANGE IN NET ASSETS</i>	<i>803,768</i>	<i>(43,984)</i>	<i>759,784</i>
<i>NET ASSETS, BEGINNING</i>	<i>26,497,015</i>	<i>1,865,499</i>	<i>28,362,514</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 27,300,783</i>	<i>\$ 1,821,515</i>	<i>\$ 29,122,298</i>

Catawba Lands Conservancy

Consolidated Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	TOTALS
<u>SUPPORT AND REVENUE</u>			
Grants	\$ 944,233	\$ 619,600	\$ 1,563,833
Contributions of property to be preserved	2,549,100	-	2,549,100
Program service revenue	723,908		723,908
Other contributions	946,688	200,157	1,146,845
Special events (net of \$70,705 direct benefit)	27,835	-	27,835
Investment earnings	(115,928)	-	(115,928)
Other income	64,941	-	64,941
Net assets released by:			
Payment	1,446,467	(1,446,467)	-
Time	46,500	(46,500)	-
<i>Total Support, Revenue, and Reclassifications</i>	6,633,744	(673,210)	5,960,534
<u>EXPENSES</u>			
Easement write-down	3,928,000	-	3,928,000
Salaries and benefits	1,086,522	-	1,086,522
Advertising	155,796	-	155,796
Contracted services	167,732	-	167,732
Office supplies and expenses	101,134	-	101,134
Occupancy	79,916	-	79,916
Depreciation	75,809	-	75,809
Trail costs	43,393	-	43,393
Insurance	25,422	-	25,422
Travel	23,808	-	23,808
Technology	17,002	-	17,002
Training	8,010	-	8,010
<i>Total Expenses</i>	5,712,544	-	5,712,544
CHANGE IN NET ASSETS	921,200	(673,210)	247,990
NET ASSETS, BEGINNING	25,575,815	2,538,709	28,114,524
NET ASSETS, ENDING	\$ 26,497,015	\$ 1,865,499	\$ 28,362,514

Catawba Lands Conservancy

Consolidated Statement of Cash Flows

Years Ended December 31, 2019 and 2018

	December 31,	
	2019	2018
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 759,784	\$ 247,990
Adjustments to reconcile changes in net assets to cash flows from operating activities:		
Depreciation expense	79,555	75,809
Donated property, net of conservation easements granted	(443,900)	(471,100)
Land transferred to local government	76,088	-
Grants received to acquire property for preservation	(440,381)	(1,498,428)
Net realized and unrealized (gains) losses on investments	(486,497)	189,299
(Gain) loss on disposal of assets	-	(4,077)
(Increase) decrease in operating assets:		
Grants and other receivables	172,066	(56,455)
Prepaid expense	2,312	(887)
Increase (decrease) in operating liabilities:		
Accounts payable	(11,761)	4,731
Deferred revenue	241,250	-
<i>Cash Flows from Operating Activities</i>	<i>(51,484)</i>	<i>(1,513,118)</i>
<u>INVESTING ACTIVITIES</u>		
Grants received to acquire property for preservation	440,381	1,498,428
Purchase of property for preservation	(55,458)	(659,139)
Proceeds from the sale of property and equipment	-	7,000
Purchase of property and equipment	-	(25,624)
Purchase of investments	(178,157)	(134,920)
Proceeds from the sale of investments	25,624	444,818
<i>Cash Flows from Investing Activities</i>	<i>232,390</i>	<i>1,130,563</i>
<u>FINANCING ACTIVITIES</u>		
Repayment of debt	(4,537)	(4,538)
<i>Cash Flows from Financing Activities</i>	<i>(4,537)</i>	<i>(4,538)</i>
<i>NET CHANGE IN CASH AND CASH EQUIVALENTS</i>	<i>176,369</i>	<i>(387,093)</i>
<i>CASH AND CASH EQUIVALENTS, BEGINNING</i>	<i>1,814,364</i>	<i>2,201,457</i>
<i>CASH AND CASH EQUIVALENTS, ENDING</i>	<i>\$ 1,990,733</i>	<i>\$ 1,814,364</i>

Catawba Lands Conservancy
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

NOTE 1 – NATURE OF OPERATIONS

Catawba Lands Conservancy

Catawba Lands Conservancy (the “Conservancy”) is a non-profit organization dedicated to acquiring and preserving environmentally 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 Southern Piedmont. 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 Carolina Thread Trail (CTT), which is an initiative to develop a regional network of greenways and trails. 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 the 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

The accompanying consolidated financial statements include the accounts of the Conservancy and the LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

During the year ended December 31, 2019, the Conservancy adopted the requirements of the Financial Accounting Standards Board’s Accounting Standards Update No. 2014-09, “*Revenue from Contracts with Customers (Topic 606)*” (“ASU 2014-09”). The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard was evaluated for 2018, however, the implementation was deemed immaterial to the financial statements.

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:

Catawba Lands Conservancy

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Net Assets without Donor Restrictions – Net assets without donor restrictions can be both undesignated and designated in nature. Undesignated net assets without donor restrictions 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 designated net assets without donor restrictions in the accompanying statement of financial position.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations. These net assets may be temporarily restricted, with the restriction being met either by actions of the Conservancy 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 net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Conservancy. At December 31, 2019 and 2018, 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 \$443,900 and \$471,100 for the years ended December 31, 2019 and 2018, respectively. During the year ended December 31, 2019, the Conservancy transferred a property that was donated during the same fiscal year to a local government. The value of the transfer was \$76,088.

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 \$52,940 and \$2,078,000 for the years ended December 31, 2019 and 2018, respectively.

Catawba Lands Conservancy
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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 as 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, 2019 and 2018, management believes any allowance for uncollectible receivables is not material to the financial statements taken as a whole.

Property and equipment

Property and equipment are stated at cost if purchased or estimated fair value at date of receipt if donated, subject to a \$2,500 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 for similar investment securities. Changes in the 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.) 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 Consolidated Financial Statements

December 31, 2019 and 2018

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 of \$486,847 for the years ended December 31, 2019 and 2018.

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 independent appraisal or management estimate if an appraisal is not available.

Deferred revenue

Amounts collected in advance of being earned, such as grant revenue, contingent donations whose contingency has not been met to the description, or sponsorships for future events, if any, are recorded as deferred revenue and are recognized as revenue once the performance obligation has been completed.

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.

Future pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classifications affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Early adoption is permitted. It is expected that the implementation of this standard will result in an increase in assets and liabilities, but it will not result in a material change in net assets.

Catawba Lands Conservancy
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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.

NOTE 3 – GRANTS AND OTHER RECEIVABLES

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

	<u>2019</u>	<u>2018</u>
Grants receivable	\$ 30,900	\$ 205,703
Other receivables	10,562	7,825
TOTAL	\$ 41,462	\$ 213,528

Grants receivable and deferred revenue activity is classified between governmental and non-governmental grants. Activity as follows:

	<u>Governmental Grants</u>		<u>Non-Governmental Grants</u>	
	<u>Receivables</u>	<u>Deferred</u>	<u>Receivables</u>	<u>Deferred</u>
Beginning 12/31/2017	\$ 34,875	\$ -	\$ 69,100	\$ -
Amounts billed	1,503,900	1,503,900	59,933	59,933
Less: amounts earned		1,503,900	-	59,933
Amounts collected	1,340,722	-	121,383	-
Ending balance 12/31/2018	<u>\$ 198,053</u>	<u>\$ -</u>	<u>\$ 7,650</u>	<u>\$ -</u>

	<u>Governmental Grants</u>		<u>Non-Governmental Grants</u>	
	<u>Receivables</u>	<u>Deferred</u>	<u>Receivables</u>	<u>Deferred</u>
Beginning 12/31/2018	\$ 198,053	\$ -	\$ 7,650	\$ -
Amounts billed	295,418	295,418	326,007	326,007
Less: amounts earned	-	295,418	-	84,757
Amounts collected	470,221	-	326,007	-
Ending balance 12/31/2019	<u>\$ 23,250</u>	<u>\$ -</u>	<u>\$ 7,650</u>	<u>\$ 241,250</u>

Catawba Lands Conservancy
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

NOTE 4 – INVESTMENTS

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

	<u>2019</u>	<u>2018</u>
Equity mutual funds	\$ 2,842,434	\$ 2,352,045
Exchange-traded products	427,894	286,932
Beneficial interest in trusts	<u>58,284</u>	<u>50,605</u>
TOTAL	<u>\$ 3,328,612</u>	<u>\$ 2,689,582</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, 2019 and 2018 is summarized below:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 76,850	\$ 73,371
Realized and unrealized gains(losses) on investments	<u>486,497</u>	<u>(189,299)</u>
TOTAL	<u>\$ 563,347</u>	<u>\$ (115,928)</u>

NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Office and other equipment	\$ 144,725	\$ 144,725
Property improvements	775,413	775,413
Buildings	<u>68,746</u>	<u>68,746</u>
Total Property and Equipment	988,884	988,884
Less - accumulated depreciation	<u>451,768</u>	<u>372,214</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 537,116</u>	<u>\$ 616,670</u>

NOTE 6 – DEBT

Unsecured note payable

The Conservancy owes \$4,538 and \$9,075 on an unsecured promissory note as of December 31, 2019 and 2018, respectively, related to the bargain purchase of a conservation easement. The note bears no interest and no present value discount has been calculated. The note payable is due in 2020.

Catawba Lands Conservancy
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Line of credit

The Conservancy also maintains a \$1,250,000 unsecured line of credit agreement with another financial institution. The line of credit bears interest at the rate of LIBOR plus three percent. The Conservancy did not utilize the line of credit during 2019 and 2018.

NOTE 7 – OPERATING LEASES

The Conservancy has entered into non-cancelable operating lease agreements for office space, storage, and office equipment. Lease payments actually made during 2019 and 2018 were \$75,651 and \$77,536 for office space and \$9,225 and \$5,639 for storage and office equipment. Future minimum payments are due under operating leases during:

Year ending December 31:

2020	\$ 83,320
2021	77,448
2022	2,713
2023	2,713
2024	<u>2,713</u>
TOTAL	<u>\$ 168,907</u>

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 \$19,611 in 2019 and \$21,284 in 2018.

NOTE 9 – NET ASSETS

Board designated net assets without donor restrictions

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, 2019 and 2018, the total of these funds was \$1,627,738 and \$1,116,395. Also, funds were designated for preservation of property at December 31, 2019, and 2018 of \$860,305 and \$928,412, respectively. At December 31, 2019 and 2018, \$40,758 and \$55,580 was designated for property improvements, respectively. Also, at December 31, 2019, and 2018, Hickory Grove funds were \$18,255 and \$13,429, respectively.

The Board of Directors has also set aside land for its conservation efforts. At December 31, 2019 and 2018, this land is carried on the financial statements at \$23,030,915 and \$22,607,645, respectively.

Catawba Lands Conservancy
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Net assets with donor restrictions

Funds that have been received by the Conservancy for a particular purpose or period of time that have remaining restrictions at December 31, 2019 and 2018 are detailed as follows:

	<u>2019</u>	<u>2018</u>
Time Restricted:		
Mecklenburg County	\$ 23,250	\$ 34,875
Future Sponsorships	-	10,000
Total Time Restricted	<u>23,250</u>	<u>44,875</u>
Unutilized Funds:		
Stewardship and legal defense	1,398,948	1,361,648
Union County Water Protection	137,753	137,753
Carolina Thread Trail	205,435	280,081
Other	56,129	41,142
Total Unutilized Funds	<u>1,798,265</u>	<u>1,820,624</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 1,821,515</u>	<u>\$ 1,865,449</u>

NOTE 10 – IN-KIND CONTRIBUTIONS

The Conservancy received non-cash contributions (other than land and easements) during the year ended December 31, 2019 and 2018, 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>2019</u>	<u>2018</u>
Legal and professional services	\$ 2,000	\$ 21,651
Picnic baskets	13,335	16,210
Food and other	8,413	4,578
TOTAL	<u>\$ 23,748</u>	<u>\$ 42,439</u>

NOTE 11 – FUNCTIONAL EXPENSES

Functional allocation of 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. Certain costs have been allocated among the program and supporting services benefited. Expenses are allocated to program services, management and general, and fundraising based on management's estimates of time spent and various allocation methods appropriate to the type of expense. Below are the allocations for the years ended December 31, 2019 and 2018, respectively.

Catawba Lands Conservancy
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

	<u>TOTAL</u>	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>
Year ended December 31, 2019:				
Easement write-down	\$ 344,087	\$ 344,087	\$ -	\$ -
Salaries and benefits	1,076,369	869,797	81,261	125,311
Advertising and promotion	159,154	113,403	-	45,751
Contracted services	149,349	137,075	12,274	-
Office and supplies expenses	105,877	79,851	12,428	13,598
Occupancy	83,621	67,711	7,267	8,643
Depreciation	79,555	74,155	2,600	2,800
Trail and land maintenance costs	77,260	77,260	-	-
Insurance	25,219	21,822	2,247	1,150
Travel	23,364	22,504	-	860
Technology	15,528	9,798	1,005	4,725
Training	10,739	8,895	240	1,604
TOTAL	<u>\$ 2,150,122</u>	<u>\$ 1,826,358</u>	<u>\$ 119,322</u>	<u>\$ 204,442</u>

	<u>TOTAL</u>	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>
Year ended December 31, 2018:				
Easement write-down	\$ 3,928,000	\$ 3,928,000	\$ -	\$ -
Salaries and benefits	1,086,522	907,390	69,792	109,340
Advertising and promotion	155,796	101,562	-	54,234
Contracted services	167,732	142,338	25,244	150
Office and supplies expenses	101,134	71,549	17,596	11,989
Occupancy	79,916	63,358	7,069	9,489
Depreciation	75,809	70,444	2,565	2,800
Trail and land maintenance costs	43,393	43,393	-	-
Insurance	25,422	22,634	1,644	1,144
Travel	23,808	22,998	25	785
Technology	17,002	9,926	1,581	5,495
Training	8,010	6,500	516	994
TOTAL	<u>\$ 5,712,544</u>	<u>\$ 5,390,092</u>	<u>\$ 126,032</u>	<u>\$ 196,420</u>

NOTE 12 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Conservancy has \$2,032,195 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$1,990,733 and grants and other receivables of \$41,462, which are expected to be collected during the year. The Conservancy has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 180 days of normal operating expenses, which are, on average, approximately \$900,000. The Conservancy has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management the Conservancy invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments. The Conservancy also maintains a line of credit of \$1,250,000 in the event that funds are needed on a short-term basis.

NOTE 13 – 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, 2019, the uninsured balance of cash was \$1,655,182. However, management believes that the risk related to the accounts is minimal because of the credit worthiness of the financial institutions.

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.

Catawba Lands Conservancy
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

The Conservancy has segregated its financial instruments into the most appropriate level within the fair value hierarchy at December 31, 2019. The Conservancy’s Level 3 assets are valued based on the fair value of the underlying securities which consists of investments that are both publicly-traded and not publicly traded. The land held for sale’s is valued based on management’s estimate of realizable value when sold. The breakdown of the different financial instruments are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Mutual funds & ETFs	\$ 3,270,328	\$ 3,270,328	\$ -	\$ -
Beneficial interests in trusts	58,284	-	-	58,284
Land held for sale	<u>486,847</u>	<u>-</u>	<u>-</u>	<u>486,847</u>
TOTAL	<u>\$ 3,815,459</u>	<u>\$ 3,270,328</u>	<u>\$ -</u>	<u>\$ 545,131</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, 2019.

Balance, beginning of year	\$ 537,452
Net increase in value	7,023
Issuances	1,280
Sales	<u>(624)</u>
Balance, end of year	<u>\$ 545,131</u>

NOTE 15 – RELATED PARTY TRANSACTIONS

During 2019 and 2018, the Conservancy paid \$9,713 and \$28,509, respectively, to a company affiliated with a current member of its board of directors for publishing and website design. During 2019 and 2018, \$5,063 and \$7,717, respectively, of these aforementioned payments benefited the Conservancy, while \$4,650 and \$20,792, respectively, benefited CTT. Also, the Conservancy holds a majority of their investments at a board member’s investment company, however no investment fees were charged during the year.

NOTE 16 – 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, the COVID-19 pandemic has caused operations to be disrupted. At this point, the direct impact of this pandemic is unknown, however, the Conservancy did secure the Paycheck Protection Program (“PPP”) loan from the U.S. Small Business Administration for \$195,777. The Conservancy applied for the loan to help mitigate uncertainty. The Conservancy’s intention is to meet the requirements of the PPP loan to have the full amount forgiven. The Conservancy also entered into a note agreement with a land owner for \$553,875 related to the purchase of a conservation easement.