

CATAWBA LANDS CONSERVANCY

***FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019***

Catawba Lands Conservancy

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Catawba Lands Conservancy (the "Conservancy" - a nonprofit corporation), which comprise the statement of financial position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the year 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

Catawba Lands Conservancy
Charlotte, North Carolina

Opinion

In our opinion, the 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, 2020 and 2019 and the changes in its net assets and its cash flows for the year 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 *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, 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 17, 2021, on our consideration of Catawba Lands 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 Catawba Lands Conservancy's internal control over financial reporting and compliance.

C. Dewitt Ford & Company, P.A.

June 17, 2021

Catawba Lands Conservancy

Consolidated Statement of Financial Position

December 31, 2020 and 2019

	December 31,	
	2020	2019
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 2,048,661	\$ 1,990,733
Grants and other receivables	112,095	41,462
Pledge receivable, current	203,000	-
Prepaid expenses	33,334	6,589
<u>Total Current Assets</u>	<u>2,397,090</u>	<u>2,038,784</u>
Property and Equipment (net)	459,206	537,116
Other Assets:		
Pledge receivable, long-term	203,000	-
Investments	3,883,751	3,328,612
Land held for sale	486,847	486,847
Property acquired for preservation	29,241,592	23,030,915
<u>Total Other Assets</u>	<u>33,815,190</u>	<u>26,846,374</u>
<u>TOTAL ASSETS</u>	<u>\$ 36,671,486</u>	<u>\$ 29,422,274</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 27,712	\$ 54,188
Deferred revenue	10,904	241,250
Current portion of note payable	175,694	4,538
<u>Total Current Liabilities</u>	<u>214,310</u>	<u>299,976</u>
Long Term Liabilities:		
Note payable	378,181	-
<u>Total Long Term Liabilities</u>	<u>378,181</u>	<u>-</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	1,559,869	1,722,813
Designated - land	29,241,592	23,030,915
Designated - other	2,624,274	2,547,055
<u>Total Net Assets Without Donor Restrictions</u>	<u>33,425,735</u>	<u>27,300,783</u>
With donor restrictions	2,653,260	1,821,515
<u>Total Net Assets</u>	<u>36,078,995</u>	<u>29,122,298</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 36,671,486</u>	<u>\$ 29,422,274</u>

Catawba Lands Conservancy**Consolidated Statement of Activities****Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	TOTALS
<u>SUPPORT AND REVENUE</u>			
Grants	\$ 2,120,560	\$ 499,022	\$ 2,619,582
Contributions of property to be preserved	4,742,066	-	4,742,066
Program service revenue	676,955	-	676,955
Other contributions	750,045	666,635	1,416,680
Special events (net of \$58,130 direct benefit)	22,684	-	22,684
Investment earnings	561,271	-	561,271
Paycheck Protection Program	195,777	-	195,777
Other income	51,002	-	51,002
Net assets released by:			
Payment	287,412	(287,412)	-
Time	46,500	(46,500)	-
<i>Total Support, Revenue, and Reclassifications</i>	<i>9,454,272</i>	<i>831,745</i>	<i>10,286,017</i>
<u>EXPENSES</u>			
Easement write-down	1,521,500	-	1,521,500
Salaries and benefits	1,216,767	-	1,216,767
Advertising	96,351	-	96,351
Contracted services	90,844	-	90,844
Office supplies and expenses	93,420	-	93,420
Occupancy	88,399	-	88,399
Depreciation	77,910	-	77,910
Trail costs	67,004	-	67,004
Insurance	27,431	-	27,431
Travel	14,317	-	14,317
Technology	24,575	-	24,575
Bad debt	7,650	-	7,650
Training	3,152	-	3,152
<i>Total Expenses</i>	<i>3,329,320</i>	<i>-</i>	<i>3,329,320</i>
<i>CHANGE IN NET ASSETS</i>	<i>6,124,952</i>	<i>831,745</i>	<i>6,956,697</i>
<i>NET ASSETS, BEGINNING</i>	<i>27,300,783</i>	<i>1,821,515</i>	<i>29,122,298</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 33,425,735</i>	<i>\$ 2,653,260</i>	<i>\$ 36,078,995</i>

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	129,154	-	129,154
Contracted services	179,349	-	179,349
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 Cash Flows****Years Ended December 31, 2020 and 2019**

	December 31,	
	2020	2019
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 6,956,697	\$ 759,784
Adjustments to reconcile changes in net assets to cash flows from operating activities:		
Depreciation expense	77,910	79,555
Donated property, net of conservation easements granted	(4,478,700)	(443,900)
Land transferred to local government	-	76,088
Grants received to acquire property for preservation	(1,454,171)	(440,381)
Net realized and unrealized (gains) losses on investments	(444,425)	(486,497)
(Increase) decrease in operating assets:		
Grants and other receivables	(70,633)	172,066
Pledge receivable	(406,000)	-
Prepaid expense	(26,745)	2,312
Increase (decrease) in operating liabilities:		
Accounts payable	(26,476)	(11,761)
Deferred revenue	(230,346)	241,250
<u>Cash Flows from Operating Activities</u>	<u>(102,889)</u>	<u>(51,484)</u>
<u>INVESTING ACTIVITIES</u>		
Grants received to acquire property for preservation	1,454,171	440,381
Purchase of property for preservation	(1,731,977)	(55,458)
Purchase of investments	(216,359)	(178,157)
Proceeds from the sale of investments	105,645	25,624
<u>Cash Flows from Investing Activities</u>	<u>(388,520)</u>	<u>232,390</u>
<u>FINANCING ACTIVITIES</u>		
Repayment of debt	(4,538)	(4,537)
Proceeds from note payable	553,875	-
<u>Cash Flows from Financing Activities</u>	<u>549,337</u>	<u>(4,537)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	57,928	176,369
CASH AND CASH EQUIVALENTS, BEGINNING	1,990,733	1,814,364
CASH AND CASH EQUIVALENTS, ENDING	\$ 2,048,661	\$ 1,990,733

Catawba Lands Conservancy

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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)*” (“Topic 606”). 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.

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, 2020 and 2019

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 temporary in nature, which are subject to donor-imposed stipulations that may or will be 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets that are perpetual in nature, are subject to donor-imposed stipulations that they be maintained in perpetuity. At December 31, 2020 and 2019, the Conservancy had no net assets that were perpetual in nature.

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 without donor restrictions support unless the donor has restricted the use of the donated asset to a specific purpose. Donated property amounted to \$4,478,700 and \$443,900 for the years ended December 31, 2020 and 2019, 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 \$263,366 and \$52,940 for the years ended December 31, 2020 and 2019, respectively.

Catawba Lands Conservancy

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019, 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 the 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, the 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, 2020 and 2019

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, 2020 and 2019.

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, 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, 2022. 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, 2020 and 2019

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 – PLEDGE RECEIVABLE

The Conservancy received a pledge for \$609,000 related to the purchase of land that is to be held for preservation. The Conservancy received \$203,000 during the year and expects the remaining balance of \$406,000 to be paid in equal installments during the years ending December 31, 2021 and 2022. No allowance for doubtful accounts was recorded due to the historical knowledge of the donor. A discount for present value was not material to the financial statements and has not been recorded.

NOTE 4 – GRANTS AND OTHER RECEIVABLES

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

	<u>2020</u>	<u>2019</u>
Grants receivable	\$ 33,407	\$ 30,900
Other receivables	78,688	10,562
TOTAL	<u>\$ 112,095</u>	<u>\$ 41,462</u>

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 12/31/2018	\$ 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>
	<u>Governmental Grants</u>		<u>Non-Governmental Grants</u>	
	<u>Receivables</u>	<u>Deferred</u>	<u>Receivables</u>	<u>Deferred</u>
Beginning 12/31/2019	\$ 23,250	\$ -	\$ 7,650	\$ 241,250
Amounts billed	2,067,866	2,067,866	551,716	551,716
Less: amounts earned	-	2,067,866	-	782,062
Less: bad debt expense	-	-	7,650	-
Amounts collected	2,067,866	-	541,559	-
Ending balance 12/31/2020	<u>\$ 23,250</u>	<u>\$ -</u>	<u>\$ 10,157</u>	<u>\$ 10,904</u>

Catawba Lands Conservancy
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

NOTE 5 – INVESTMENTS

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

	<u>2020</u>	<u>2019</u>
Equity mutual funds	\$ 3,262,719	\$ 2,842,434
Exchange-traded products	555,850	427,894
Beneficial interest in trusts	<u>65,182</u>	<u>58,284</u>
TOTAL	<u>\$ 3,883,751</u>	<u>\$ 3,328,612</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:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 111,210	\$ 76,850
Realized and unrealized gains(losses) on investments	<u>450,061</u>	<u>486,497</u>
TOTAL	<u>\$ 561,271</u>	<u>\$ 563,347</u>

NOTE 6 – PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</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>529,678</u>	<u>451,768</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 459,206</u>	<u>\$ 537,116</u>

NOTE 7 – DEBT

Unsecured note payable 1

The Conservancy owes \$4,538 on an unsecured promissory note as of December 31, 2019, related to the bargain purchase of a conservation easement. The note bears no interest and no present value discount has been calculated. The note was paid in full during the year ended December 31, 2020.

Catawba Lands Conservancy
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Unsecured note payable 2

The Conservancy owes \$553,875 on an unsecured promissory note as of December 31, 2020 related to the bargain purchase of land held for preservation. The note bears interest of five percent and requires annual payments of \$203,388. The note matures February 2023, at which time all unpaid principal and interest are due. Future minimum payments are due as follows:

Year ending December 31:

2021	\$ 175,694
2022	184,479
2023	<u>193,702</u>
TOTAL	<u>\$ 553,875</u>

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 2020 and 2019.

NOTE 8 – OPERATING LEASES

The Conservancy has entered into non-cancelable operating lease agreements for office space, storage, and office equipment. Lease payments actually made during 2020 and 2019 were \$82,451 and \$75,651 for office space and \$4,511 and \$9,225 for storage and office equipment. Future minimum payments are due under operating leases during:

Year ending December 31:

2021	\$ 77,448
2022	2,713
2023	2,713
2024	<u>2,713</u>
TOTAL	<u>\$ 85,587</u>

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 \$19,739 in 2020 and \$19,611 in 2019.

Catawba Lands Conservancy
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

NOTE 10 – 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, 2020 and 2019, the total of these funds was \$2,083,746 and \$1,627,738. Also, funds were designated for preservation the of property at December 31, 2020 and 2019 of \$478,782 and \$860,305, respectively. At December 31, 2020 and 2019, \$38,496 and \$40,758 was designated for property improvements, respectively. Also, at December 31, 2020 and 2019, Hickory Grove funds were \$23,250 and \$18,255, respectively.

The Board of Directors has also set aside land for its conservation efforts. At December 31, 2020 and 2019, this land is carried on the financial statements at \$29,241,592 and \$23,030,915, respectively.

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, 2020 and 2019 are detailed as follows:

	<u>2020</u>	<u>2019</u>
Time Restricted:		
Mecklenburg County	\$ 23,250	\$ 23,250
Total Time Restricted	<u>23,250</u>	<u>23,250</u>
Unutilized Funds:		
Stewardship and legal defense	1,455,953	1,398,948
Land acquisition	609,000	-
Union County Water Protection	137,753	137,753
Carolina Thread Trail	133,889	205,435
Other	<u>63,389</u>	<u>56,129</u>
Total Unutilized Funds	<u>2,630,010</u>	<u>1,798,265</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 2,653,260</u>	<u>\$ 1,821,515</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, 2020 and 2019, respectively.

Catawba Lands Conservancy**Notes to Consolidated Financial Statements****December 31, 2020 and 2019**

	<u>TOTAL</u>	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>
Year ended December 31, 2020:				
Easement write-down	\$ 1,521,500	\$ 1,521,500	\$ -	\$ -
Salaries and benefits	1,216,767	1,008,598	67,944	140,225
Advertising and promotion	96,351	62,861	-	33,490
Contracted services	90,844	80,431	10,413	-
Office and supplies expenses	93,420	68,822	14,303	10,295
Occupancy	88,399	71,620	7,119	9,660
Depreciation	77,910	72,510	2,600	2,800
Trail and land maintenance costs	67,004	66,956	48	-
Insurance	27,431	24,791	2,640	-
Travel	14,317	13,522	-	795
Technology	24,575	19,154	644	4,777
Bad debt expense	7,650	-	7,650	-
Training	3,152	3,152	-	-
TOTAL	<u>\$ 3,329,320</u>	<u>\$ 3,013,917</u>	<u>\$ 113,361</u>	<u>\$ 202,042</u>

	<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>

Catawba Lands Conservancy
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

NOTE 12 – IN-KIND CONTRIBUTIONS

The Conservancy received non-cash contributions (other than land and easements) during the year ended December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Legal and professional services	\$ 5,600	\$ 2,000
Picnic baskets	-	13,335
Food and other	<u>1,319</u>	<u>8,413</u>
TOTAL	<u>\$ 6,919</u>	<u>\$ 23,748</u>

NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Conservancy has \$2,299,966 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$2,048,661, current pledge of \$203,000, and grants and other receivables of \$48,305, which are expected to be collected during the year. Included in the financial assets available within one year, \$971,057 are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. 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 14 – 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, 2020, the uninsured balance of cash was \$1,739,840. However, management believes that the risk related to the accounts is minimal because of the creditworthiness of the financial institutions.

Pledge receivable

The Conservancy's pledge receivable consists of one donor for the purpose of paying the annual debt payment. This represents a significant concentration of risk that operations could be affected if the donor discontinued giving to the Conservancy.

Catawba Lands Conservancy
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

NOTE 15 – 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, 2020. 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 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	\$ 3,818,568	\$ 3,818,568	\$ -	\$ -
Beneficial interests in trusts	65,182	-	-	65,182
Land held for sale	486,847	-	-	486,847
TOTAL	<u>\$ 4,370,597</u>	<u>\$ 3,818,568</u>	<u>\$ -</u>	<u>\$ 552,029</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, 2020.

Balance, beginning of year	\$ 545,131
Net increase in value	6,197
Issuances	1,348
Sales	<u>(647)</u>
Balance, end of year	<u>\$ 552,029</u>

Catawba Lands Conservancy

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

NOTE 16 – RELATED PARTY TRANSACTIONS

During 2020 and 2019, the Conservancy paid \$24,972 and \$9,713, respectively, to a company affiliated with a current member of its board of directors for publishing, website design, and signage. During 2020 and 2019, \$8,285 and \$5,063, respectively, of these aforementioned payments benefited the Conservancy, while \$16,687 and \$4,650, 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 17 – PAYCHECK PROTECTION PROGRAM

In order to mitigate the effect of the COVID-19 pandemic, the Conservancy received a Paycheck Protection Program "PPP" loan for \$195,777 from the Small Business Administration "SBA" during the year. Since the amount was fully utilized during the year, it is recorded as revenue in the accompanying financial statements. The Conservancy received formal notification that the loan was forgiven in full.

NOTE 18 – 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.

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INDEPENDENT AUDITORS' 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 (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related 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 17, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Catawba Lands 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 Catawba Lands Conservancy's internal control. Accordingly, we do not express an opinion on the effectiveness of Catawba Lands 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 organization'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 the 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.

**Catawba Lands Conservancy
Charlotte, North Carolina**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catawba Lands 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 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.

June 17, 2021

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

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

Report on Compliance for Each Major State Program

We have audited Catawba Lands Conservancy's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on Catawba Lands Conservancy's major state program for the year ended December 31, 2020. Catawba Lands 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Catawba Lands Conservancy's major state program 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 the audit requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards and the Uniform Guidance 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 Catawba Lands 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 the major state program. However, our audit does not provide a legal determination on Catawba Lands Conservancy's compliance.

Catawba Lands Conservancy
Charlotte, North Carolina

Opinion on Each Major State Program

In our opinion, Catawba Lands Conservancy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of Catawba Lands 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 Catawba Lands Conservancy's internal control over compliance with the types of requirements that could have a direct and material effect on its major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 Catawba Lands 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.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

C. Dewitt Ford & Company, P.A.

June 17, 2021

CATAWBA LANDS CONSERVANCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020

I. Summary of Auditors' Results

- A. An unmodified opinion was issued on the financial statements of Catawba Lands Conservancy.
- B. No significant deficiencies relating to the audit of the financial statements are reported in the "Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements In Accordance With *Government Auditing Standards*."
- C. No instances of noncompliance material to the financial statements of Catawba Lands Conservancy were disclosed during the audit.
- D. No significant deficiencies relating to the audit of the major state program are reported in the "Independent Auditors' Report On Compliance For Each Major State Program And On Internal Control Over Compliance Required By The OMB Uniform Guidance and the State Single Audit Implementation Act."
- E. An unmodified opinion was issued on Catawba Lands Conservancy's compliance with the types of compliance requirements applicable to its major state program.
- F. Our audit disclosed no audit findings that related to its major state program.
- G. The major state program for Catawba Lands Conservancy for the fiscal year ended December 31, 2020 was:

Program Name
North Carolina Department of Environment and Natural Resources
Clean Water Management Trust Fund

- H. The threshold used to distinguish between Type A and Type B programs for Catawba Lands Conservancy is \$500,000.
- I. Catawba Lands Conservancy did not qualify as a low risk auditee under Uniform Guidance.

II. Findings Related to the Audit of the Financial Statements

No findings for the year ended December 31, 2020.

III. Findings Related to the Audit of State Awards

No findings for the year ended December 31, 2020

IV. Summary Schedule of Prior Year Audit Findings

N/A

CATAWBA LANDS CONSERVANCY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2020

State Grantor Program Title	State Expenditures
State Awards:	
North Carolina Department of Natural and Cultural Resources:	
Clean Water Management Trust Fund:	
CWMTF Contract 2019-007	\$ 902,497
CWMTF Contract 2018-015	551,674
Subtotal	1,454,171
North Carolina Department of Agriculture and Consumer Services	
ADFP Contract 16-030-2030	183,461
Subtotal	183,461
Total State Expenditures	\$ 1,637,632