

CATAWBA LANDS CONSERVANCY

FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Catawba Lands Conservancy

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December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Catawba Lands Conservancy (the "Conservancy" - a nonprofit organization), which comprises the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catawba Lands Conservancy as of December 31, 2021 and 2020, 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.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Catawba Lands Conservancy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Catawba Lands Conservancy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Catawba Lands Conservancy
Charlotte, North Carolina

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of Catawba Lands Conservancy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catawba Lands Conservancy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

C. DeWitt Ford & Company, P.A.
May 10, 2022

Catawba Lands Conservancy

Consolidated Statement of Financial Position

December 31, 2021 and 2020

	December 31,	
	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,651,906	\$ 2,048,661
Grants and other receivables	40,366	112,095
Pledge receivable, current	203,000	203,000
Prepaid expenses	22,522	33,334
Total Current Assets	2,917,794	2,397,090
Property and Equipment (net)	404,063	459,206
Other Assets:		
Pledge receivable, long-term	-	203,000
Investments	4,996,501	3,883,751
Land held for sale	-	486,847
Property acquired for preservation	33,549,629	29,241,592
Total Other Assets	38,546,130	33,815,190
TOTAL ASSETS	\$ 41,867,987	\$ 36,671,486
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 35,285	\$ 27,712
Deferred revenue	1,689	10,904
Funds held for others	-	100,000
Current portion of note payable	184,479	175,694
Total Current Liabilities	221,453	314,310
Long Term Liabilities:		
Note payable	193,702	378,181
Total Long Term Liabilities	193,702	378,181
Net Assets:		
Without Donor Restrictions:		
Undesignated	1,002,195	1,559,869
Designated - land	33,549,629	29,241,592
Designated - other	4,528,090	2,624,274
Total Net Assets Without Donor Restrictions	39,079,914	33,425,735
With donor restrictions	2,372,918	2,553,260
Total Net Assets	41,452,832	35,978,995
TOTAL LIABILITIES AND NET ASSETS	\$ 41,867,987	\$ 36,671,486

Catawba Lands Conservancy**Consolidated Statement of Activities****Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	TOTALS
<u>SUPPORT AND REVENUE</u>			
Grants	\$ 493,843	\$ -	\$ 493,843
Contributions of property to be preserved	4,669,300	-	4,669,300
Program service revenue	828,099	-	828,099
Other contributions	1,300,207	415,566	1,715,773
Special events (net of \$56,737 direct benefit)	71,903	-	71,903
Investment earnings	466,013	-	466,013
Other income	10,660	-	10,660
Net assets released by:			
Payment	572,658	(572,658)	-
Time	23,250	(23,250)	-
<i>Total Support, Revenue, and Reclassifications</i>	<i>8,435,933</i>	<i>(180,342)</i>	<i>8,255,591</i>
<u>EXPENSES</u>			
Easement write-down	579,050	-	579,050
Salaries and benefits	1,397,176	-	1,397,176
Advertising	92,564	-	92,564
Contracted services	214,325	-	214,325
Office supplies and expenses	74,350	-	74,350
Occupancy	89,781	-	89,781
Depreciation	68,044	-	68,044
Trail costs	118,061	-	118,061
Insurance	32,409	-	32,409
Travel	16,563	-	16,563
Technology	63,304	-	63,304
Interest expense	27,694	-	27,694
Training	8,433	-	8,433
<i>Total Expenses</i>	<i>2,781,754</i>	<i>-</i>	<i>2,781,754</i>
<i>CHANGE IN NET ASSETS</i>	<i>5,654,179</i>	<i>(180,342)</i>	<i>5,473,837</i>
<i>NET ASSETS, BEGINNING</i>	<i>33,425,735</i>	<i>2,553,260</i>	<i>35,978,995</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 39,079,914</i>	<i>\$ 2,372,918</i>	<i>\$ 41,452,832</i>

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	566,635	1,316,680
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>	9,454,272	731,745	10,186,017
<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>	3,329,320	-	3,329,320
<i>CHANGE IN NET ASSETS</i>	6,124,952	731,745	6,856,697
<i>NET ASSETS, BEGINNING</i>	27,300,783	1,821,515	29,122,298
<i>NET ASSETS, ENDING</i>	\$ 33,425,735	\$ 2,553,260	\$ 35,978,995

Catawba Lands Conservancy

Consolidated Statement of Cash Flows

Years Ended December 31, 2021 and 2020

	December 31,	
	2021	2020
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 5,473,837	\$ 6,856,697
Adjustments to reconcile changes in net assets to cash flows from operating activities:		
Depreciation expense	68,044	77,910
Donated property, net of conservation easements granted	(4,090,000)	(4,478,700)
Grants received to acquire property for preservation	(232,720)	(1,454,171)
Net realized and unrealized (gains) losses on investments	(223,470)	(444,425)
Loss on sale of land	86,847	-
(Increase) decrease in operating assets:		
Grants and other receivables	71,729	(70,633)
Pledge receivable	203,000	(406,000)
Prepaid expense	10,812	(26,745)
Increase (decrease) in operating liabilities:		
Accounts payable	7,573	(26,476)
Funds held for others	(100,000)	100,000
Deferred revenue	(9,215)	(230,346)
<i>Cash Flows from Operating Activities</i>	<i>1,266,437</i>	<i>(102,889)</i>
<u>INVESTING ACTIVITIES</u>		
Grants received to acquire property for preservation	232,720	1,454,171
Purchase of property for preservation	(218,037)	(1,731,977)
Proceeds from the sale of land	400,000	-
Purchase of property and equipment	(12,901)	-
Purchase of investments	(970,665)	(216,359)
Proceeds from the sale of investments	81,385	105,645
<i>Cash Flows from Investing Activities</i>	<i>(487,498)</i>	<i>(388,520)</i>
<u>FINANCING ACTIVITIES</u>		
Repayment of debt	(175,694)	(4,538)
Proceeds from note payable	-	553,875
<i>Cash Flows from Financing Activities</i>	<i>(175,694)</i>	<i>549,337</i>
<i>NET CHANGE IN CASH AND CASH EQUIVALENTS</i>	<i>603,245</i>	<i>57,928</i>
<i>CASH AND CASH EQUIVALENTS, BEGINNING</i>	<i>2,048,661</i>	<i>1,990,733</i>
<i>CASH AND CASH EQUIVALENTS, ENDING</i>	<i>\$ 2,651,906</i>	<i>\$ 2,048,661</i>

Catawba Lands Conservancy
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

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

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:

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.

Catawba Lands Conservancy
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020, 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 \$4,669,300 and \$4,478,700 for the years ended December 31, 2021 and 2020, respectively.

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 \$579,050 and \$263,366 for the years ended December 31, 2021 and 2020, respectively.

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.

Catawba Lands Conservancy
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020, 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.

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 was recorded at its estimated fair value of \$486,847 for the year ended December 31, 2020. The property sold during the year ended December 31, 2021 for \$400,000.

Catawba Lands Conservancy

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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.

Funds held for the benefit of others

The accompanying statement of activities does not include funds received by the Conservancy for the benefit of an unrelated organization for which the Conservancy acts only as an agent and has no variance power over the use of the funds. The Conservancy received \$100,000 during the year ended December 31, 2020 and it disbursed the full amount during the year ended December 31, 2021.

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, 2021 and 2020

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 during the year ended December 31, 2020. The Conservancy received \$203,000 during the year ended December 31, 2021 and 2020, and expects the remaining balance of \$203,000 to be paid in during the year ending December 31, 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>2021</u>	<u>2020</u>
Grants receivable	\$ 27,750	\$ 33,407
Other receivables	<u>12,616</u>	<u>78,688</u>
TOTAL	<u>\$ 40,366</u>	<u>\$ 112,095</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 12/31/2019	\$ 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	-	-	<u>7,650</u>	-
Amounts collected	<u>2,067,866</u>	-	<u>541,559</u>	-
Ending balance 12/31/2020	<u>\$ 23,250</u>	<u>\$ -</u>	<u>\$ 10,157</u>	<u>\$ 10,904</u>

	<u>Governmental Grants</u>		<u>Non-Governmental Grants</u>	
	<u>Receivables</u>	<u>Deferred</u>	<u>Receivables</u>	<u>Deferred</u>
Beginning 12/31/2020	\$ 23,250	\$ -	\$ 10,157	\$ 10,904
Amounts billed	132,536	132,536	252,092	252,092
Less: amounts earned	-	<u>132,536</u>	-	<u>261,307</u>
Amounts collected	<u>132,536</u>	-	<u>257,749</u>	-
Ending balance 12/31/2021	<u>\$ 23,250</u>	<u>\$ -</u>	<u>\$ 4,500</u>	<u>\$ 1,689</u>

Catawba Lands Conservancy
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

NOTE 5 – INVESTMENTS

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

	<u>2021</u>	<u>2020</u>
Equity mutual funds	\$ 4,250,571	\$ 3,262,719
Exchange-traded products	673,407	555,850
Beneficial interest in trusts	<u>72,523</u>	<u>65,182</u>
TOTAL	<u>\$ 4,996,501</u>	<u>\$ 3,883,751</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>2021</u>	<u>2020</u>
Interest and dividend income	\$ 88,311	\$ 111,210
Realized and unrealized gains(losses) on investments	<u>377,702</u>	<u>450,061</u>
TOTAL	<u>\$ 466,013</u>	<u>\$ 561,271</u>

NOTE 6 – PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Office and other equipment	\$ 144,725	\$ 144,725
Property improvements	788,315	775,413
Buildings	<u>68,746</u>	<u>68,746</u>
Total Property and Equipment	1,001,786	988,884
Less - accumulated depreciation	<u>597,723</u>	<u>529,678</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 404,063</u>	<u>\$ 459,206</u>

NOTE 7 – DEBT

Unsecured note payable

The Conservancy owes \$378,181 and \$553,875 on an unsecured promissory note as of December 31, 2021 and 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:

Catawba Lands Conservancy
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Year ending December 31:

2022	\$ 184,479
2023	<u>193,702</u>
TOTAL	<u>\$ 378,181</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 2021 and 2020.

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 2021 and 2020 were \$77,842 and \$82,451 for office space and \$2,316 and \$4,511 for storage and office equipment. Future minimum payments are due under operating leases during:

Year ending December 31:

2022	\$ 86,655
2023	81,770
2024	<u>2,713</u>
TOTAL	<u>\$ 171,138</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 \$22,631 in 2021 and \$19,739 in 2020.

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, 2021 and 2020, the total of these funds was \$2,490,552 and \$2,083,746. Also, funds were designated for the preservation the of property at December 31, 2021 and 2020 of \$486,123 and \$478,782, respectively. At December 31, 2021 and 2020, \$965,054 and \$38,496 was designated for property improvements, respectively. Also, at December 31, 2021 and 2020, Hickory Grove funds were \$28,441 and \$23,250, respectively.

Catawba Lands Conservancy
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

The Board of Directors has also set aside land for its conservation efforts. At December 31, 2021 and 2020, this land is carried on the financial statements at \$33,549,629 and \$29,241,592, 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, 2021 and 2020 are detailed as follows:

	<u>2021</u>	<u>2020</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	1,484,508	1,455,953
Land acquisition	406,000	609,000
Union County Water Protection	137,753	137,753
Carolina Thread Trail	261,175	263,915
Other	<u>60,232</u>	<u>63,389</u>
Total Unutilized Funds	<u>2,349,668</u>	<u>2,530,010</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 2,372,918</u>	<u>\$ 2,553,260</u>

NOTE 11 – IN-KIND CONTRIBUTIONS

The Conservancy received non-cash contributions (other than land and easements) during the year ended December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Legal and professional services	\$ -	\$ 5,600
Food and other	<u>1,477</u>	<u>1,319</u>
TOTAL	<u>\$ 1,477</u>	<u>\$ 6,919</u>

NOTE 12 – 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, 2021 and 2020, respectively.

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	<u>TOTAL</u>	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>
Year ended December 31, 2021:				
Easement write-down	\$ 579,050	\$ 579,050	\$ -	\$ -
Salaries and benefits	1,397,176	1,146,279	72,690	178,207
Advertising and promotion	92,564	89,460	-	3,104
Contracted services	214,325	200,880	13,445	-
Office and supplies expenses	74,350	60,313	6,658	7,379
Occupancy	89,781	74,758	6,754	8,269
Depreciation	68,044	63,328	2,270	2,446
Trail and land maintenance costs	118,061	118,061	-	-
Insurance	32,409	28,652	3,757	-
Travel	16,563	15,593	-	970
Technology	63,304	47,175	8,080	8,049
Interest expense	27,694	27,694	-	-
Training	8,433	5,455	50	2,928
TOTAL	<u>\$ 2,781,754</u>	<u>\$ 2,456,698</u>	<u>\$ 113,704</u>	<u>\$ 211,352</u>

	<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>

NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Conservancy has \$2,895,272 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$2,651,906, current pledge of \$203,000, and grants and other receivables of \$40,366, which are expected to be collected during the year. Included in the financial assets available within one year, \$2,349,668 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, 2021, the uninsured balance of cash was \$2,323,507. 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.

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.

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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, 2021. 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	\$ 4,923,978	\$ 4,923,978	\$ -	\$ -
Beneficial interests in trusts	<u>72,523</u>	<u>-</u>	<u>-</u>	<u>72,523</u>
TOTAL	<u>\$ 4,996,501</u>	<u>\$ 4,923,978</u>	<u>\$ -</u>	<u>\$ 72,523</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, 2021.

Balance, beginning of year	\$ 65,182
Net increase in value	6,051
Issuances	2,044
Sales	<u>(754)</u>
Balance, end of year	<u>\$ 72,523</u>

NOTE 16 – RELATED PARTY TRANSACTIONS

During 2021 and 2020, the Conservancy paid \$9,783 and \$24,972, respectively, to a company affiliated with a current member of its board of directors for publishing, website design, and signage. During 2021 and 2020, \$4,580 and \$8,285, respectively, of these aforementioned payments benefited the Conservancy, while \$5,280 and \$16,687, respectively, benefited CTT. Also, the Conservancy holds a majority of its 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 ended December 31, 2020. Since the amount was fully utilized during the year ended December 31, 2020, 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. During this period, no material recognizable subsequent events were identified.