

*Catawba Lands Conservancy*

*Financial Statements*

*December 31, 2022 and 2021*

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# *Catawba Lands Conservancy*

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December 31, 2022 and 2021

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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, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to 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, 2022 and 2021, 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.

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.

Catawba Lands Conservancy  
Charlotte, North Carolina

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.

*Foard & Company, P.A.*  
June 9, 2023

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**Catawba Lands Conservancy****Consolidated Statement of Financial Position****December 31, 2022 and 2021**

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	December 31,	
	2022	2021
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 6,018,995	\$ 2,651,906
Grants and other receivables	103,511	40,366
Pledge receivable, current	542,183	203,000
Prepaid expenses	170,431	22,522
<u>Total Current Assets</u>	<u>6,835,120</u>	<u>2,917,794</u>
Property and Equipment (net)	816,783	404,063
Other Assets:		
Pledge receivable, long-term	780,879	-
Investments	4,243,396	4,923,978
Beneficial assets held in trust	3,316,440	72,523
Operating right of use asset	772,558	-
Property acquired for preservation	33,440,259	33,549,629
<u>Total Other Assets</u>	<u>42,553,532</u>	<u>38,546,130</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 50,205,435</u></b>	<b><u>\$ 41,867,987</u></b>

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**Catawba Lands Conservancy****Consolidated Statement of Financial Position****December 31, 2022 and 2021**

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	December 31,	
	2022	2021
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities:		
Accounts payable	\$ 156,912	\$ 35,285
Deferred revenue	-	1,689
Operating lease liability	62,708	-
Current portion of note payable	193,703	184,479
<u>Total Current Liabilities</u>	<u>413,323</u>	<u>221,453</u>
Long Term Liabilities:		
Operating lease liability (less current portion)	726,703	-
Note payable (less current portion)	-	193,702
<u>Total Long Term Liabilities</u>	<u>726,703</u>	<u>193,702</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	1,485,139	1,002,195
Designated - land	33,440,259	33,549,629
Designated - other	3,670,418	4,528,090
<u>Total Net Assets Without Donor Restrictions</u>	<u>38,595,816</u>	<u>39,079,914</u>
With Donor Restrictions	10,469,593	2,372,918
<u>Total Net Assets</u>	<u>49,065,409</u>	<u>41,452,832</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 50,205,435</u></b>	<b><u>\$ 41,867,987</u></b>

# Catawba Lands Conservancy

## Consolidated Statement of Activities

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	TOTALS
<b><u>SUPPORT AND REVENUE</u></b>			
Grants	\$ 534,510	\$ -	\$ 534,510
Contributions of property to be preserved	979,875	-	979,875
Program service revenue	1,396,467	-	1,396,467
Other contributions	270,526	373,250	643,776
Special events (net of \$16,255 direct benefit)	55,089	-	55,089
Investment loss	(646,808)	-	(646,808)
Other income	73,015	-	73,015
Net assets released by:			
Payment	474,357	(474,357)	-
Time	23,350	(23,350)	-
<b><i>Total Support, Revenue, and Reclassifications</i></b>	<b>3,160,381</b>	<b>(124,457)</b>	<b>3,035,924</b>
<b><u>EXPENSES</u></b>			
Easement write-down	979,875	-	979,875
Salaries and benefits	1,561,039	-	1,561,039
Advertising	82,612	-	82,612
Contracted services	271,186	-	271,186
Office supplies and expenses	102,079	-	102,079
Occupancy	106,901	-	106,901
Depreciation	89,444	-	89,444
Trail costs	271,095	-	271,095
Insurance	35,984	-	35,984
Travel	20,286	-	20,286
Technology	94,863	-	94,863
Interest expense	18,909	-	18,909
Training	10,206	-	10,206
<b><i>Total Expenses</i></b>	<b>3,644,479</b>	<b>-</b>	<b>3,644,479</b>
<b><i>CHANGE IN NET ASSETS</i></b>	<b>(484,098)</b>	<b>(124,457)</b>	<b>(608,555)</b>
<b><i>NET ASSETS, BEGINNING</i></b>	<b>39,079,914</b>	<b>2,372,918</b>	<b>41,452,832</b>
<b><i>OTHER CHANGE IN NET ASSETS</i></b>			
Carolina Thread Trail ("CTT")		8,221,132	8,221,132
<b><i>NET ASSETS, ENDING</i></b>	<b>\$ 38,595,816</b>	<b>\$ 10,469,593</b>	<b>\$ 49,065,409</b>

# Catawba Lands Conservancy

## Consolidated Statement of Activities

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	TOTALS
<b><u>SUPPORT AND REVENUE</u></b>			
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 \$58,130 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)	-
<b><i>Total Support, Revenue, and Reclassifications</i></b>	<b>8,435,933</b>	<b>(180,342)</b>	<b>8,255,591</b>
<b><u>EXPENSES</u></b>			
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
<b><i>Total Expenses</i></b>	<b>2,781,754</b>	<b>-</b>	<b>2,781,754</b>
<b><i>CHANGE IN NET ASSETS</i></b>	<b>5,654,179</b>	<b>(180,342)</b>	<b>5,473,837</b>
<b><i>NET ASSETS, BEGINNING</i></b>	<b>33,425,735</b>	<b>2,553,260</b>	<b>35,978,995</b>
<b><i>NET ASSETS, ENDING</i></b>	<b>\$ 39,079,914</b>	<b>\$ 2,372,918</b>	<b>\$ 41,452,832</b>



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**Catawba Lands Conservancy****Consolidated Statement of Cash Flows****Years Ended December 31, 2022 and 2021**

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	December 31,	
	2022	2021
<b><u>OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ (608,555)	\$ 5,473,837
Adjustments to reconcile changes in net assets to cash flows from operating activities:		
Depreciation expense	89,444	68,044
Donated property, net of conservation easements granted	-	(4,090,000)
Grants received to acquire property for preservation	-	(232,720)
Net realized and unrealized (gains) losses on investments	809,980	(223,470)
(Gain) on disposal of assets	(7,500)	-
Contribution of cash from CTT	3,644,478	-
Loss on sale of land	-	86,847
(Increase) decrease in operating assets:		
Grants and other receivables	(63,145)	71,729
Pledge receivable	203,000	203,000
Prepaid expense	(147,909)	10,812
Operating right of use asset	(772,558)	-
Increase (decrease) in operating liabilities:		
Accounts payable	121,627	7,573
Funds held for others	-	(100,000)
Deferred revenue	(1,689)	(9,215)
Operating lease liability	789,411	-
<b><i>Cash Flows from Operating Activities</i></b>	<b><i>4,056,584</i></b>	<b><i>1,266,437</i></b>

***Catawba Lands Conservancy***  
**Consolidated Statement of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

	December 31,	
	2022	2021
<b><u>INVESTING ACTIVITIES</u></b>		
Grants received to acquire property for preservation	-	232,720
Purchase of property for preservation	-	(218,037)
Proceeds from the sale of land	109,370	400,000
Proceeds from sale of fixed asset	7,500	-
Purchase of property and equipment	(502,164)	(12,901)
Purchase of investments	(220,497)	(970,665)
Proceeds from the sale of investments	100,774	81,385
<b><i>Cash Flows from Investing Activities</i></b>	<b><i>(505,017)</i></b>	<b><i>(487,498)</i></b>
<b><u>FINANCING ACTIVITIES</u></b>		
Repayment of debt	(184,478)	(175,694)
<b><i>Cash Flows from Financing Activities</i></b>	<b><i>(184,478)</i></b>	<b><i>(175,694)</i></b>
<b><i>NET CHANGE IN CASH AND CASH EQUIVALENTS</i></b>	<b><i>3,367,089</i></b>	<b><i>603,245</i></b>
<b><i>CASH AND CASH EQUIVALENTS, BEGINNING</i></b>	<b><i>2,651,906</i></b>	<b><i>2,048,661</i></b>
<b><i>CASH AND CASH EQUIVALENTS, ENDING</i></b>	<b><i>\$ 6,018,995</i></b>	<b><i>\$ 2,651,906</i></b>

**Supplemental disclosures**

Interest paid	\$ 18,909	\$ 27,694
Non-cash CTT contribution of investments	\$ 3,253,592	\$ -
Non-cash CTT contribution of net pledges	\$ 1,323,061	\$ -

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***Catawba Lands Conservancy***  
**Notes to Consolidated Financial Statements**  
**December 31, 2022 and 2021**

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**NOTE 1 – NATURE OF OPERATIONS**

*Catawba Lands Conservancy*

Catawba Lands Conservancy (the “Conservancy”) is a non-profit organization dedicated to acquiring and preserving environmentally 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, on December 31, 2022, the Carolina Thread Trail’s (CTT) assets were transferred to the Conservancy. Previously, CTT was a supporting organization of Foundation For The Carolinas with a memorandum of understanding that provided for the Conservancy to be the lead agency for CTT. CTT was created by the Conservancy as an initiative to develop a regional network of greenways and trails. CTT was part of a unique 15-county collaboration that connects communities and conserve land through a network of conservation corridors and trails developed through locally designed and adopted plans. The transfer of assts and dissolution of CTT was accomplished to simplify the administration of CTT and the Conservancy.

*Hickory Grove Rental Home, LLC*

Hickory Grove Rental Home, LLC (the “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.

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***Catawba Lands Conservancy***  
**Notes to Consolidated Financial Statements**  
**December 31, 2022 and 2021**

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*Net Assets with Donor Restrictions* – Net assets subject to donor-imposed stipulations. These restrictions 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.

*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 for the year ended December 31, 2021.

*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 \$979,875 and \$579,050 for the years ended December 31, 2022 and 2021, 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.

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***Catawba Lands Conservancy***  
**Notes to Consolidated Financial Statements**  
**December 31, 2022 and 2021**

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*Leases*

The Conservancy determines if an arrangement is or contains a lease at inception. Leases are included in the operating right of use (ROU) assets and operating lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Conservancy does not report ROU assets and lease liabilities for its leases with a term of 12 months or less; rather they are reported as a lease expense on a straight-line basis over the lease term. The Conservancy had one operating lease, and no finance leases as of the end of the year.

*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, other than the CTT pledges receivable, 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, 2022 and 2021, 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 assets held in trust*

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

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***Catawba Lands Conservancy***  
**Notes to Consolidated Financial Statements**  
**December 31, 2022 and 2021**

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*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.

*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 – CAROLINA THREAD TRAIL CONTRIBUTION**

The assets transferred to the Conservancy on December 31, 2022, from CTT of \$8,221,132 consisted of cash \$3,644,478, beneficial interests in trusts of \$3,253,592, net pledges receivable of \$1,323,062. The assets transfer was recorded as an other change in net assets.

**NOTE 4 – PLEDGES RECEIVABLE**

*Pledge receivable – land purchase*

The Conservancy received a pledge of \$609,000 related to the purchase of land that is to be held for preservation during the year ended December 31, 2020. The remaining balance of \$203,000 was received during the year ending December 31, 2022. No allowance for doubtful accounts was recorded due to the historical knowledge of the donor.

***Catawba Lands Conservancy***  
**Notes to Consolidated Financial Statements**  
**December 31, 2022 and 2021**

*Pledges receivable – Carolina Thread Trail*

Unconditional promises to give for the Carolina Thread Trail are presented net of an estimated allowance for doubtful accounts of \$45,279. Management’s assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. A discount for the present value of \$117,243 has been provided, computed using a risk-free interest rate of 4.22%, which is based on the three-year *U.S. Treasury* yield as of December 31, 2022. These pledges are expected to be collected during the year ending December 31,

2023		\$	608,783
2024			404,283
2025			296,850
2026			118,268
2027 and thereafter			<u>57,400</u>
Total Promises to Give			1,485,584
Deduct:			
Discount for present value	\$	117,243	
Allowance for doubtful accounts		<u>45,279</u>	<u>162,522</u>
NET CAPITAL CAMPAIGN PLEDGES			<u>\$ 1,323,062</u>

Of the net pledges, \$542,183 is classified as current and \$780,879 as long-term.

**NOTE 5 – GRANTS AND OTHER RECEIVABLES**

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

	<u>2022</u>	<u>2021</u>
Grants receivable	\$ 34,875	\$ 27,750
Other receivables	<u>68,636</u>	<u>12,616</u>
TOTAL	<u>\$ 103,511</u>	<u>\$ 40,366</u>

Grants receivable and deferred revenue activity are 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 12/31/2020	\$ 23,250	\$ -	\$ 10,157	\$ 10,904
Amounts billed	132,536	132,536	252,092	252,092
Less: amounts earned	-	132,536	-	261,307
Amounts collected	<u>132,536</u>	<u>-</u>	<u>257,749</u>	<u>-</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, 2022 and 2021**

	<u>Governmental Grants</u>		<u>Non-Governmental Grants</u>	
	<u>Receivables</u>	<u>Deferred</u>	<u>Receivables</u>	<u>Deferred</u>
Beginning 12/31/2021	\$ 23,250	\$ -	\$ 4,500	\$ 1,689
Amounts billed	169,661	169,661	364,850	364,850
Less: amounts earned	-	169,661	-	366,539
Amounts collected	<u>158,036</u>	<u>-</u>	<u>369,350</u>	<u>-</u>
Ending balance 12/31/2022	<u>\$ 34,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 6 – INVESTMENTS AND BENEFICIAL ASSETS HELD IN TRUST**

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

	<u>2022</u>	<u>2021</u>
Equity mutual funds	\$ 3,569,978	\$ 4,250,571
Exchange-traded products	673,418	673,407
Beneficial assets held in trusts	<u>3,316,440</u>	<u>72,523</u>
TOTAL	<u>\$ 7,559,836</u>	<u>\$ 4,996,501</u>

These investments, other than the beneficial assets held in trust, 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>2022</u>	<u>2021</u>
Interest and dividend income	\$ 163,172	\$ 88,311
Realized and unrealized gains (losses) on investments	<u>(809,980)</u>	<u>377,702</u>
TOTAL	<u>\$ (646,808)</u>	<u>\$ 466,013</u>

Endowment

CTT has established the Carolina Thread Trail Endowment Fund (Endowment Fund) with the Foundation for the Carolinas (the Foundation). While the Conservancy has discretion over which investment pool to place the funds in, the Foundation makes all investment decisions within the individual investment pool. Investment income from the Endowment Fund are available for distribution on an annual basis based on the Foundation's spending policy, which is currently 4.5% of the average value of the Endowment Fund for the prior three calendar years.



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**NOTE 7 – PROPERTY AND EQUIPMENT**

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

	<u>2022</u>	<u>2021</u>
Office and other equipment	\$ 374,148	\$ 144,725
Property improvements	833,957	788,315
Leasehold improvements	200,434	-
Buildings	<u>68,746</u>	<u>68,746</u>
Total Property and Equipment	1,477,285	1,001,786
Less - accumulated depreciation	<u>660,502</u>	<u>597,723</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 816,783</u>	<u>\$ 404,063</u>

**NOTE 8 – DEBT**

Unsecured note payable

The Conservancy owes \$193,703 and \$378,171 on an unsecured promissory note as of December 31, 2022 and 2021, 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. The balance of \$193,703 will be paid in full during the year ending December 31, 2023.

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 2022 or 2021.

**NOTE 9 – OPERATING LEASES**

The Conservancy leases office space under non-cancellable operating leases. These leases contain no significant restrictions. In addition, the Conservancy did not identify any contracts entered during the year meeting the lease criteria, nor did it have any finance leases during the year. The operating ROU assets represent the Conservancy's right to use underlying assets for the lease term, and the operating lease liability represents the Conservancy's obligation to make lease payments arising from the leases. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms. The Conservancy has made an accounting election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted average discount rate to calculate lease liabilities as of December 31, 2022, was 3.29%.

For the year ended December 31, 2022, the total operating lease cost was \$12,918. Total short-term lease costs were \$43,786. As of December 31, 2022, the remaining lease term was approximately nine years.

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Lease liabilities mature during the years ending December 31:

2023	\$ 87,740
2024	87,740
2025	89,202
2026	92,127
2027	92,127
2028 and thereafter	<u>480,725</u>
Total lease payments	929,661
Less present value discount	<u>140,250</u>
TOTAL	<u>\$ 789,411</u>

**NOTE 10 – 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 \$24,282 in 2022 and \$22,631 in 2021.

**NOTE 11 – 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, 2022 and 2021, the total of these funds were \$1,806,857 and \$2,490,552, respectively. Also, funds were designated for the preservation of the property at December 31, 2022 and 2021 of \$877,301 and \$486,123, respectively. At December 31, 2022 and 2021, \$957,530 and \$965,054 was designated for property improvements, respectively. Also, at December 31, 2022 and 2021, Hickory Grove funds were \$28,731 and \$28,441, respectively.

The Board of Directors has also set aside land for its conservation efforts. At December 31, 2022 and 2021, this land is carried on the financial statements at \$33,440,259 and \$33,549,629, respectively.

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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, 2022 and 2021 are detailed as follows:

	<u>2022</u>	<u>2021</u>
Time Restricted:		
Mecklenburg County	\$ 23,250	\$ 23,250
Carolina Thread Trail pledges	1,323,062	-
Total Time Restricted	<u>1,346,312</u>	<u>23,250</u>
Unutilized Funds:		
Stewardship and legal defense	1,514,308	1,484,508
Land acquisition	203,000	406,000
Union County Water Protection	84,753	137,753
Carolina Thread Trail projects	4,364,526	261,175
Accumulated income on Endowment Fund held by FFTC	955,662	-
Other	1,032	60,232
Total Unutilized Funds	<u>7,123,281</u>	<u>2,349,668</u>
Perpetuity Restricted Funds:		
Corpus on Endowment Fund held by FFTC	<u>2,000,000</u>	<u>-</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 10,469,593</u></b>	<b><u>\$ 2,372,918</u></b>

**NOTE 12 – IN-KIND CONTRIBUTIONS**

The Conservancy received non-cash contributions (other than land and easements) during the year ended December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Legal and professional services	\$ 70,742	\$ -
Food and other	600	1,477
<b>TOTAL</b>	<b><u>\$ 71,342</u></b>	<b><u>\$ 1,477</u></b>

The professional services received in 2022 were related to civil and environmental services. The value was provided by the consultants.

**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.

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*Cash in excess of insured limits*

The Conservancy occasionally maintains cash balances in excess of insured limits. At December 31, 2022, the uninsured balance of cash was \$2,148,205. However, management believes that the risk related to the accounts is minimal because of the creditworthiness of the financial institutions.

**NOTE 14 – 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, 2022 and 2021, respectively.

	<u>TOTAL</u>	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>
Year ended December 31, 2022:				
Easement write-down	\$ 979,875	\$ 979,875	\$ -	\$ -
Salaries and benefits	1,561,039	1,278,384	112,084	170,571
Advertising and promotion	82,612	60,859	-	21,753
Contracted services	271,186	247,065	17,121	7,000
Office and supplies expenses	102,079	82,807	9,141	10,131
Occupancy	106,901	85,703	15,894	5,304
Depreciation	89,444	83,245	2,984	3,215
Trail costs	271,095	271,095	-	-
Insurance	35,984	31,277	2,257	2,450
Travel	20,286	19,281	-	1,005
Technology	94,863	76,643	4,576	13,644
Interest expense	18,909	18,909	-	-
Training	10,206	9,212	440	554
<b>TOTAL</b>	<u>\$ 3,644,479</u>	<u>\$ 3,244,355</u>	<u>\$ 164,497</u>	<u>\$ 235,627</u>

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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 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
<b>TOTAL</b>	<b><u>\$ 2,781,754</u></b>	<b><u>\$ 2,456,698</u></b>	<b><u>\$ 113,704</u></b>	<b><u>\$ 211,352</u></b>

**NOTE 15 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Conservancy has \$14,224,525 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$6,018,995, current net pledges receivable \$542,183 and grants and other receivables of \$103,511, which are expected to be collected during the year, investments of 7,559,836. Included in the financial assets available within one year, \$9,123,281 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 six months of normal operating expenses. 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 16 – 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:

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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 as of December 31, 2022 and 2021, respectively. 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 breakdown of the different financial instruments are as follows:

December 31, 2022	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Mutual funds & ETFs	\$ 4,243,396	\$ 4,243,396	\$ -	\$ -
Beneficial assets in trusts	<u>3,316,440</u>	<u>-</u>	<u>-</u>	<u>3,316,440</u>
TOTAL	<u>\$ 7,559,836</u>	<u>\$ 4,243,396</u>	<u>\$ -</u>	<u>\$ 3,316,440</u>

December 31, 2021	<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 assets 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, 2022 and 2021, respectively.

Balance, beginning of year	\$ 72,523
Net increase (decrease) in value	(10,319)
Transfer of CTT beneficial assets held in trust	3,253,592
Issuances	1,418
Sales	<u>(774)</u>
Balance, end of year	<u>\$ 3,316,440</u>

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

**NOTE 17 – RELATED PARTY TRANSACTIONS**

During 2021, the Conservancy paid \$9,783 to a company affiliated with a current member of its board of directors for publishing, website design, and signage. During 2021, \$4,580 of these aforementioned payments benefited the Conservancy, while \$5,280 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 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.