

*Catawba Lands Conservancy*

*Financial Statements*

*December 31, 2023 and 2022*

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# *Catawba Lands Conservancy*

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December 31, 2023 and 2022

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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 consolidated financial statements of Catawba Lands Conservancy (the "Conservancy" - a nonprofit organization), which comprises the consolidated statement of financial position as of December 31, 2023 and 2022, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catawba Lands Conservancy as of December 31, 2023, and 2022, 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 consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.*

August 9, 2024

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**Catawba Lands Conservancy****Consolidated Statement of Financial Position****December 31, 2023 and 2022**

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	December 31,	
	2023	2022
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 6,609,351	\$ 6,018,995
Grants and other receivables	110,037	103,511
Pledge receivable, current	505,074	542,183
Prepaid expenses	24,095	170,431
<u>Total Current Assets</u>	<u>7,248,557</u>	<u>6,835,120</u>
Property and Equipment (net)	699,192	816,783
Other Assets:		
Pledge receivable, long-term	412,481	780,879
Investments	8,507,641	7,559,836
Operating right of use asset	701,683	772,558
Property acquired for preservation	33,536,847	33,440,259
<u>Total Other Assets</u>	<u>43,158,652</u>	<u>42,553,532</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 51,106,401</u></b>	<b><u>\$ 50,205,435</u></b>

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**Catawba Lands Conservancy****Consolidated Statement of Financial Position****December 31, 2023 and 2022**

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	December 31,	
	2023	2022
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities:		
Accounts payable	\$ 24,410	\$ 156,912
Operating lease liability	64,803	62,708
Current portion of note payable	-	193,703
<u>Total Current Liabilities</u>	<u>89,213</u>	<u>413,323</u>
Long Term Liabilities:		
Operating lease liability (less current portion)	661,900	726,703
<u>Total Long Term Liabilities</u>	<u>661,900</u>	<u>726,703</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	1,456,154	1,485,139
Designated - land	33,536,847	33,440,259
Designated - other	4,894,417	3,670,418
<u>Total Net Assets Without Donor Restrictions</u>	<u>39,887,418</u>	<u>38,595,816</u>
<u>With Donor Restrictions</u>	<u>10,467,870</u>	<u>10,469,593</u>
<u>Total Net Assets</u>	<u>50,355,288</u>	<u>49,065,409</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 51,106,401</u></b>	<b><u>\$ 50,205,435</u></b>

# ***Catawba Lands Conservancy***

## **Consolidated Statement of Activities**

**Year Ended December 31, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>TOTALS</u>
<b><u>SUPPORT AND REVENUE</u></b>			
Grants and contributions	\$ 1,112,244	\$ 1,746,386	\$ 2,858,630
Contributions of property to be preserved	2,225,548	-	2,225,548
Program service revenue	142,480	-	142,480
Special events (net of \$82,425 direct benefit)	109,604	-	109,604
Investment income	1,235,024	-	1,235,024
Other income	80,524	-	80,524
Net assets released by:			
Payment	1,713,234	(1,713,234)	-
Time	34,875	(34,875)	-
<b><i>Total Support, Revenue, and Reclassifications</i></b>	<b><i>6,653,533</i></b>	<b><i>(1,723)</i></b>	<b><i>6,651,810</i></b>
<b><u>EXPENSES</u></b>			
Easement write-down	2,630,047	-	2,630,047
Salaries and benefits	1,568,675	-	1,568,675
Advertising	53,905	-	53,905
Contracted services	288,349	-	288,349
Office supplies and expenses	124,881	-	124,881
Occupancy	138,531	-	138,531
Grant expense	162,375	-	162,375
Depreciation	117,591	-	117,591
Trail costs	127,101	-	127,101
Insurance	34,325	-	34,325
Travel	18,298	-	18,298
Technology	77,251	-	77,251
Interest expense	9,685	-	9,685
Training	10,917	-	10,917
<b><i>Total Expenses</i></b>	<b><i>5,361,931</i></b>	<b><i>-</i></b>	<b><i>5,361,931</i></b>
<b><i>CHANGE IN NET ASSETS</i></b>	<b><i>1,291,602</i></b>	<b><i>(1,723)</i></b>	<b><i>1,289,879</i></b>
<b><i>NET ASSETS, BEGINNING</i></b>	<b><i>38,595,816</i></b>	<b><i>10,469,593</i></b>	<b><i>49,065,409</i></b>
<b><i>NET ASSETS, ENDING</i></b>	<b><i>\$ 39,887,418</i></b>	<b><i>\$ 10,467,870</i></b>	<b><i>\$ 50,355,288</i></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 and contributions	\$ 805,036	\$ 373,250	\$ 1,178,286
Contributions of property to be preserved	979,875	-	979,875
Program service revenue	1,396,467	-	1,396,467
Special events (net of \$16,255 direct benefit)	55,089	-	55,089
Investment earnings	(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><i>3,160,381</i></b>	<b><i>(124,457)</i></b>	<b><i>3,035,924</i></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><i>3,644,479</i></b>	<b><i>-</i></b>	<b><i>3,644,479</i></b>
<b><i>CHANGE IN NET ASSETS</i></b>	<b><i>(484,098)</i></b>	<b><i>(124,457)</i></b>	<b><i>(608,555)</i></b>
<b><i>NET ASSETS, BEGINNING</i></b>	<b><i>39,079,914</i></b>	<b><i>2,372,918</i></b>	<b><i>41,452,832</i></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><i>\$ 38,595,816</i></b>	<b><i>\$ 10,469,593</i></b>	<b><i>\$ 49,065,409</i></b>



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**Catawba Lands Conservancy****Consolidated Statement of Cash Flows****Years Ended December 31, 2023 and 2022**

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	December 31,	
	2023	2022
<b><u>OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 1,289,879	\$ (608,555)
Adjustments to reconcile changes in net assets to cash flows from operating activities:		
Depreciation expense	117,591	89,444
Donated property, net of conservation easements granted	(29,000)	-
Grants received to acquire property for preservation	(51,000)	-
Net realized and unrealized (gains) losses on investments	(893,614)	809,980
(Gain) on disposal of assets	-	(7,500)
Contribution of cash from CTT	-	3,644,478
(Increase) decrease in operating assets:		
Grants and other receivables	(6,526)	(63,145)
Pledge receivable	405,507	203,000
Prepaid expense	146,336	(147,909)
Operating right of use asset	70,875	(772,558)
Increase (decrease) in operating liabilities:		
Accounts payable	(132,502)	121,627
Deferred revenue	-	(1,689)
Operating lease liability	(62,708)	789,411
<b><u>Cash Flows from Operating Activities</u></b>	<b><u>854,838</u></b>	<b><u>4,056,584</u></b>

***Catawba Lands Conservancy***  
**Consolidated Statement of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	December 31,	
	2023	2022
<b><u>INVESTING ACTIVITIES</u></b>		
Grants received to acquire property for preservation	51,000	-
Purchase of property for preservation	(67,588)	-
Proceeds from the sale of land	-	109,370
Proceeds from sale of fixed asset	-	7,500
Purchase of property and equipment	-	(502,164)
Purchase of investments	(632,031)	(220,497)
Proceeds from the sale of investments	577,840	100,774
<b><i>Cash Flows from Investing Activities</i></b>	<b><i>(70,779)</i></b>	<b><i>(505,017)</i></b>
<b><u>FINANCING ACTIVITIES</u></b>		
Repayment of debt	(193,703)	(184,478)
<b><i>Cash Flows from Financing Activities</i></b>	<b><i>(193,703)</i></b>	<b><i>(184,478)</i></b>
<b><i>NET CHANGE IN CASH AND CASH EQUIVALENTS</i></b>	<b><i>590,356</i></b>	<b><i>3,367,089</i></b>
<b><i>CASH AND CASH EQUIVALENTS, BEGINNING</i></b>	<b><i>6,018,995</i></b>	<b><i>2,651,906</i></b>
<b><i>CASH AND CASH EQUIVALENTS, ENDING</i></b>	<b><i>\$ 6,609,351</i></b>	<b><i>\$ 6,018,995</i></b>

**Supplemental disclosures**

Interest paid	\$ 9,685	\$ 27,694
Non-cash CTT contribution of investments	\$ -	\$ 3,253,592
Non-cash CTT contribution of net pledges	\$ -	\$ 1,323,062

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***Catawba Lands Conservancy***  
**Notes to Consolidated Financial Statements**  
**December 31, 2023 and 2022**

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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 assets 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. The LLC was dissolved during 2024.

*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, 2023 and 2022**

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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 \$29,000 for the year ended December 31, 2023. No donated property was received during the year ended December 31, 2022.

*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 recorded a like amount as an expense since the conservation easements had no future economic benefit to the Conservancy. Donated conservation easements amounted to \$2,196,548 and \$979,875 for the year ended December 31, 2023 and 2022, 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, 2023 and 2022**

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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 the grants and other receivables, are based on a review of individual accounts, historical experience, and current economic conditions. Based on the underlying nature of the receivables at December 31, 2023, 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 \$5,000 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. Also included in investments is 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, 2023 and 2022**

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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.

*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 of \$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 – GRANTS AND OTHER RECEIVABLES**

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

	<u>2023</u>	<u>2022</u>
Grants receivable	\$ 46,500	\$ 34,875
Other receivables	<u>63,537</u>	<u>68,636</u>
TOTAL	<u>\$ 110,037</u>	<u>\$ 103,511</u>

***Catawba Lands Conservancy***  
**Notes to Consolidated Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 5 – PLEDGES RECEIVABLE**

*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 \$33,283. 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 \$99,822 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,

2024		\$	578,343
2025			296,950
2026			118,367
2027			32,000
2028			<u>25,000</u>
Total Promises to Give			1,050,660
Deduct:			
Discount for present value	\$	99,822	
Allowance for doubtful accounts		<u>33,283</u>	<u>133,105</u>
NET CAPITAL CAMPAIGN PLEDGES			<u>\$ 917,555</u>

Of the net pledges, \$505,074 is classified as current and \$412,481 as long-term.

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

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

	<u>2023</u>	<u>2022</u>
Equity mutual funds	\$ 3,884,123	\$ 3,569,978
Fixed income	438,619	-
Exchange-traded products	843,049	673,418
Beneficial assets held in trusts	<u>3,341,850</u>	<u>3,316,440</u>
TOTAL	<u>\$ 8,507,641</u>	<u>\$ 7,559,836</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.

***Catawba Lands Conservancy***  
**Notes to Consolidated Financial Statements**  
**December 31, 2023 and 2022**

*Investment earnings*

Investment earnings for the year ended December 31:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 341,410	\$ 163,172
Realized and unrealized gains (losses) on investments	<u>893,614</u>	<u>(809,980)</u>
<b>TOTAL</b>	<b><u>\$ 1,235,024</u></b>	<b><u>\$ (646,808)</u></b>

*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.

**NOTE 7 – PROPERTY AND EQUIPMENT**

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

	<u>2023</u>	<u>2022</u>
Office and other equipment	\$ 374,148	\$ 374,148
Property improvements	833,957	833,957
Leasehold improvements	200,434	200,434
Buildings	<u>68,746</u>	<u>68,746</u>
<b>Total Property and Equipment</b>	<b>1,477,285</b>	<b>1,477,285</b>
Less - accumulated depreciation	<u>778,093</u>	<u>660,502</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b><u>\$ 699,192</u></b>	<b><u>\$ 816,783</u></b>

**NOTE 8 – DEBT**

*Unsecured note payable*

The Conservancy owes \$193,703 on an unsecured promissory note as of December 31, 2022, 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 matured February 2023, at which time the Conservancy paid the note in full.

*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 the Bloomberg Short-Term Bank Yield ("BSBY") plus three percent. The Conservancy did not utilize the line of credit during 2023 or 2022.



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**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, 2023, was 3.29%.

For the year ended December 31, 2023, the total operating lease cost was \$87,740. Total short-term lease costs were approximately \$12,000. As of December 31, 2023, the remaining lease term was approximately nine years.

Lease liabilities mature during the years ending December 31:

2024	\$	87,740
2025		89,202
2026		92,127
2027		92,127
2028		93,044
2029 and thereafter		<u>387,682</u>
Total lease payments		841,922
Less present value discount		<u>115,219</u>
TOTAL	\$	<u><u>726,703</u></u>

**NOTE 10 – NET ASSETS**

*Board designated net assets without donor restrictions*

The Conservancy has designated the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Stewardship and legal defense accumulated investment earnings	\$ 2,223,767	\$ 1,806,857
Preservation of property	1,328,992	877,300
Property improvements	1,017,493	957,530
Preserve management	303,697	-
Hickory Grove	<u>20,468</u>	<u>28,731</u>
TOTAL	<u>\$ 4,894,417</u>	<u>\$ 3,670,418</u>

The Board of Directors has also set aside land for its conservation efforts. At December 31, 2023 and 2022, this land is carried on the financial statements at \$33,536,847 and \$33,440,259.

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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, 2023 and 2022 are detailed as follows:

	<u>2023</u>	<u>2022</u>
Time Restricted:		
Mecklenburg County	\$ 23,250	\$ 23,250
Carolina Thread Trail pledges	917,555	1,323,062
Total Time Restricted	<u>940,805</u>	<u>1,346,312</u>
Unutilized Funds:		
Stewardship and legal defense	1,536,313	1,514,308
Land acquisition	-	203,000
Union County Water Protection	84,753	84,753
Carolina Thread Trail projects	4,522,662	4,364,526
Accumulated income on Endowment Fund held by FFTC	1,272,345	955,662
Stewardship	110,992	-
Other	-	1,032
Total Unutilized Funds	<u>7,527,065</u>	<u>7,123,281</u>
Perpetuity Restricted Funds:		
Corpus on Endowment Fund held by FFTC	<u>2,000,000</u>	<u>2,000,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 10,467,870</u>	<u>\$ 10,469,593</u>

**NOTE 11 – 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 approximately \$27,500 and \$24,000 in 2023 and 2022, respectively.

**NOTE 12 – IN-KIND CONTRIBUTIONS**

The Conservancy received non-cash contributions (other than land and easements) during the year ended December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Legal and professional services	\$ -	\$ 70,742
Food and other	750	600
TOTAL	<u>\$ 750</u>	<u>\$ 71,342</u>

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The professional services received in 2022 were related to civil and environmental services. The value was provided by the consultants. No such services were received in 2023.

**NOTE 13 – 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, 2023 and 2022, respectively.

	<u>TOTAL</u>	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>
Year ended December 31, 2023:				
Easement write-down	\$ 2,630,047	\$ 2,630,047	\$ -	\$ -
Salaries and benefits	1,568,675	1,276,434	120,401	171,840
Advertising and promotion	53,905	31,637	639	21,629
Contracted services	288,349	278,921	9,274	154
Office and supplies expenses	124,881	98,894	15,684	10,303
Occupancy	138,531	112,579	19,657	6,295
Grant expense	162,375	162,375	-	-
Depreciation	117,591	109,441	3,923	4,227
Trail costs	127,101	126,176	14	911
Insurance	34,325	30,359	2,562	1,404
Travel	18,298	16,725	426	1,147
Technology	77,251	54,155	6,619	16,477
Interest expense	9,685	9,685	-	-
Training	10,917	9,404	471	1,042
<b>TOTAL</b>	<b><u>\$ 5,361,931</u></b>	<b><u>\$ 4,946,832</u></b>	<b><u>\$ 179,670</u></b>	<b><u>\$ 235,429</u></b>

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	<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>	<b>\$ 3,644,479</b>	<b>\$ 3,244,355</b>	<b>\$ 164,497</b>	<b>\$ 235,627</b>

**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*

Cash held in bank accounts is insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Conservancy holds cash at year-end in excess of insured limits covered by the FDIC. However, management believes that the risk related to these accounts is minimal because of the strong credit rating of the bank.

**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 as of December 31, 2023 and 2022, 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, 2023	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Mutual funds & ETFs	\$ 4,727,172	\$ 4,727,172	\$ -	\$ -
Fixed income	438,619	438,619	-	-
Beneficial assets in trusts	<u>3,341,850</u>	<u>-</u>	<u>-</u>	<u>3,341,850</u>
TOTAL	<u>\$ 8,507,641</u>	<u>\$ 5,165,791</u>	<u>\$ -</u>	<u>\$ 3,341,850</u>

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>

The following table sets forth a summary of changes in the fair value of the Level 3 assets for the year ended December 31, 2023 and 2022, respectively.

Balance, beginning of year	\$ 3,316,440
Net increase (decrease) in value	466,792
Issuances	1,343
Sales	<u>(442,725)</u>
Balance, end of year	<u>\$ 3,341,850</u>
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>

**NOTE 16 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Conservancy has \$15,732,103 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$6,609,351, current net pledges receivable \$505,074, and grants and other receivables of \$110,037, which are expected to be collected during the year, and investments of \$8,507,641. Included in the financial assets available within one year, \$9,730,065 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 17 – RELATED PARTY TRANSACTIONS**

The Conservancy holds a majority of its investments at a board member's investment company; however, no investment fees were charged during the year.

The Conservancy rents office space from a board member. The total amount paid to the board member was approximately \$87,500.

The Conservancy has a letter of intent to purchase land from a board member for \$1,424,500. The purchase date has not been settled; however, the Conservancy has secured funding to purchase the land.

**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.