

DAVIDSON LANDS CONSERVANCY, INC.

*FINANCIAL STATEMENTS
DECEMBER 31, 2019*

Davidson Lands Conservancy, Inc.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Davidson Lands Conservancy, Inc
Davidson, North Carolina

We have audited the accompanying financial statements of Davidson Lands Conservancy, Inc (the "Conservancy" - a nonprofit corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Davidson Lands Conservancy, Inc, as of December 31, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

C. Dewitt Foard & Company, P.A.
July 16, 2020

Davidson Lands Conservancy, Inc.**Statement of Financial Position****December 31, 2019**

ASSETS

Current Assets:

Cash and cash equivalents \$ 587,802

Receivables:

Pledges, current (net) 44,603

Grants 10,000

Sales tax 54

Investments 66,862

Total Current Assets 709,321

Fixed assets (net) 92,264

Other Assets:

Pledges receivable, long-term 74,814

Property held for preservation 40,990

Total Other Assets 115,804

TOTAL ASSETS \$ **917,389**

LIABILITIES AND NET ASSETS

Current Liabilities:

Accrued expenses \$ 1,120

Total Current Liabilities 1,120

Net Assets:

Without Donor Restrictions:

Undesignated 213,069

Designated - land 40,990

Designated - other 90,000

Total Net Assets Without Donor Restrictions 344,059

With Donor Restrictions 572,210

Total Net Assets 916,269

TOTAL LIABILITIES AND NET ASSETS \$ **917,389**

Davidson Lands Conservancy, Inc.**Statement of Activities****Year Ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	TOTALS
<u>SUPPORT AND REVENUE</u>			
Grants and contributions	\$ 51,732	\$ 61,248	\$ 112,980
Contributions of property to be preserved	1,040,990	-	1,040,990
Special events (net of \$15,497 direct benefit)	44,127	-	44,127
Investment earnings	11,458	-	11,458
In-kind services	6,000	-	6,000
Program revenue	480	-	480
Net assets released by:			
Payment	2,171	(2,171)	-
<i>Total Support, Revenue, and Reclassifications</i>	<i>1,156,958</i>	<i>59,077</i>	<i>1,216,035</i>
<u>EXPENSES</u>			
Program services	1,072,216	-	1,072,216
Management and general	27,739	-	27,739
Fundraising	20,881	-	20,881
<i>Total Expenses</i>	<i>1,120,836</i>	<i>-</i>	<i>1,120,836</i>
<i>CHANGE IN NET ASSETS</i>	<i>36,122</i>	<i>59,077</i>	<i>95,199</i>
<i>NET ASSETS, BEGINNING</i>	<i>307,937</i>	<i>513,133</i>	<i>821,070</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 344,059</i>	<i>\$ 572,210</i>	<i>\$ 916,269</i>

Davidson Lands Conservancy, Inc.**Statement of Functional Expenses****Year Ended December 31, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
<u>SALARIES AND BENEFITS</u>				
Salaries	\$ 41,320	\$ 4,213	\$ 6,198	\$ 51,731
Payroll taxes	3,161	316	474	3,951
<i>Total</i>	<i>44,481</i>	<i>4,529</i>	<i>6,672</i>	<i>55,682</i>
<u>OTHER EXPENSES</u>				
Easement write-down	1,000,000	-	-	1,000,000
Advertising	-	-	4,750	4,750
Bank fees	-	389	235	624
Depreciation	-	565	-	565
Dues and subscriptions	-	2,494	-	2,494
Education	4,764	-	-	4,764
Event costs	-	-	15,497	15,497
Insurance	-	2,149	570	2,719
Miscellaneous	-	2,093	288	2,381
Occupancy	3,000	4,125	375	7,500
Office expense	135	5,294	17	5,446
Professional services	-	3,018	-	3,018
Stewardship	18,261	-	-	18,261
Supplies	960	1,321	7,897	10,178
Telephone	615	845	77	1,537
Volunteer	-	917	-	917
<i>Total</i>	<i>1,027,735</i>	<i>23,210</i>	<i>29,706</i>	<i>1,080,651</i>
<i>TOTAL EXPENSES</i>	<i>1,072,216</i>	<i>27,739</i>	<i>36,378</i>	<i>1,136,333</i>
Less - amounts deducted directly against expenses	-	-	15,497	15,497
<i>TOTAL EXPENSES</i>	<i>\$ 1,072,216</i>	<i>\$ 27,739</i>	<i>\$ 20,881</i>	<i>\$ 1,120,836</i>

Davidson Lands Conservancy, Inc.**Statement of Cash Flows****Year Ended December 31, 2019**

OPERATING ACTIVITIES

Change in net assets	\$	95,199
Adjustments to reconcile changes in net assets to cash flows from operating activities:		
Depreciation expense		565
Contributions restricted for long-term purposes		(9,248)
Donated property, net of conservation easements granted		(40,990)
Net realized and unrealized (gains) losses on investments		(9,522)
Decrease in operating assets:		
Receivables		290,359
(Decrease) in operating liabilities:		
Accrued expenses		(173)
<i>Cash Flows from Operating Activities</i>		<i>326,190</i>

INVESTING ACTIVITIES

Purchase of property and equipment		(8,308)
Purchase of investments		(1,934)
<i>Cash Flows from Investing Activities</i>		<i>(10,242)</i>

FINANCING ACTIVITIES

Contributions restricted for long-term purposes		9,248
<i>Cash Flows from Financing Activities</i>		<i>9,248</i>

<i>NET CHANGE IN CASH AND CASH EQUIVALENTS</i>		<i>325,196</i>
<i>CASH AND CASH EQUIVALENTS, BEGINNING</i>		<i>262,606</i>
<i>CASH AND CASH EQUIVALENTS, ENDING</i>	\$	<i>587,802</i>

Davidson Lands Conservancy, Inc.

Notes to Financial Statements

December 31, 2019

NOTE 1 – NATURE OF OPERATIONS

Davidson Lands Conservancy

Davidson Lands Conservancy, Inc. (the Conservancy) is a North Carolina nonprofit organization located in Davidson, North Carolina. The Conservancy was founded on July 21, 2000. It was organized to work with landowners to permanently protect for the general public natural and scenic open spaces, farms, woodlands, lakefront, stream corridors, and wildlife habitats principally in, but not limited to, the Town of Davidson, the Davidson Extraterritorial jurisdiction, and adjacent areas in North Carolina counties including the counties of Mecklenburg, Gaston, Cabarrus, and Iredell. The Conservancy also promotes the appreciation of nature and a conservation ethic through its education and conservation programs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

During the year ended December 31, 2019, the Conservancy adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2014-09, "*Revenue from Contracts with Customers (Topic 606)*" ("*ASU 2014-09*"). The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The implementation of the new accounting standard did not affect the accompanying financial statements.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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.

Davidson Lands Conservancy, Inc.

Notes to Financial Statements

December 31, 2019

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations. These net assets may be temporarily restricted, with the restriction being met either by actions of the Conservancy or the passage of time. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Conservancy. On December 31, 2019, the Conservancy had no permanently restricted net assets.

Donated property

Property received as a gift is recorded at its estimated fair value on the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the use of the donated asset to a specific purpose. Donated property amounted to \$40,990 for the year ended December 31, 2019.

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. The Conservancy received one donated conservation easement and its estimated value before the easement was \$1,000,000 for the year ended December 31, 2019.

Donated services

The Conservancy records donated services as contributions when the services either create or enhance nonfinancial assets or would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. A number of unpaid volunteers, who serve in the capacity of Board members and various other volunteers, have made significant contributions of their time to assist the Conservancy in achieving the goals of its programs. The value of this contributed time is not reflected in these financial statements as it does not meet the above recognition criteria.

Donated facilities

Donated facilities are recorded as contributions at the estimated fair rental value. For the year ended December 31, 2019, the fair value of the donated rent and utilities has been calculated at \$6,000, which is included in occupancy expense.

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.

Davidson Lands Conservancy, Inc.

Notes to Financial Statements

December 31, 2019

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 \$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.

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 estimates 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.

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.

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.

Davidson Lands Conservancy, Inc.

Notes to Financial Statements

December 31, 2019

Functional allocation of expenses

The Conservancy's activities are focused on 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.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable consist of unconditional promises to give for the Forever Fund, which are restricted for future land projects. Unconditional promises to give that are expected to be collected in future years. A discount for the present value computed at a risk-free interest rate was immaterial to the financial statements and was not recorded. Management has recorded an allowance for doubtful accounts of \$6,285 based on an evaluation of the receivables, historical experience, and current and anticipated economic conditions. The Conservancy's pledges are expected to be collected during the year.

2020	\$	46,950
2021		32,700
2022		29,752
2023		12,050
2024		1,250
2025 and thereafter		<u>3,000</u>
Total Promises to Give		125,702
Deduct:		
Allowance for doubtful accounts		<u>6,285</u>
NET PLEDGES RECEIVABLE	\$	<u><u>119,417</u></u>

Conditional promises to give are not included as revenue and support until the conditions are substantially met.

NOTE 4 – INVESTMENTS

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

Equities	\$	54,311
Bonds		<u>12,551</u>
TOTAL	\$	<u><u>66,862</u></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.

Davidson Lands Conservancy, Inc.

Notes to Financial Statements

December 31, 2019

Fair value measurements

Generally accepted accounting principles require fair value of financial instruments to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs, as follows:

Level 1 - Fair value is based on quoted prices in active markets for identical assets or liabilities.

Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Conservancy's investments as of December 31, 2019, are classified as Level 1 assets.

NOTE 5 – PROPERTY AND EQUIPMENT

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

Land	\$ 84,470
Furniture and fixtures	5,524
Computer and software	<u>9,489</u>
Total Property and Equipment	99,483
Less - accumulated depreciation	<u>7,219</u>
PROPERTY AND EQUIPMENT, NET	<u><u>\$ 92,264</u></u>

NOTE 6 – NET ASSETS

Board designated net assets without donor restrictions

The Board of Directors of the Conservancy has elected to set aside \$45,000 for the legal defense fund and \$45,000 for an operating reserve. The funds are held in cash at December 31, 2019.

The Board of Directors has also set aside land for its conservation efforts. At December 31, 2019, this land is carried on the financial statements at \$49,990.

Net assets with donor restrictions

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

Davidson Lands Conservancy, Inc.**Notes to Financial Statements****December 31, 2019**

Unutilized Funds:

Forever fund	\$ 507,710
Land stewardship	35,000
Trees Davidson	10,000
Greenways	10,000
Town of Davidson	<u>9,500</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 572,210</u>

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Conservancy has \$709,321 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$587,802, investments of \$66,862, and pledges, grant and sales tax receivables of \$54,657, which are expected to be collected during the year. Of this total \$497,396 of the financial assets 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 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.

NOTE 8 – CONCENTRATIONS OF RISKGeographic area

The Conservancy operates in a limited geographic area and is therefore sensitive to changes in the local economy.

Cash in excess of insured limits

The Conservancy occasionally maintains cash balances in excess of insured limits. At December 31, 2019, the uninsured balance of cash was \$338,333. However, management believes that the risk related to the accounts is minimal because of the creditworthiness of the financial institutions.

NOTE 9 – SUBSEQUENT EVENTS

The Conservancy has evaluated subsequent events from the date of the statement of financial position through the date of the audit report which is the date the financial statements were available to be issued. During this period, the COVID-19 pandemic has caused operations to be disrupted. At this point, the direct impact of this pandemic is unknown, however, the Conservancy did secure the Paycheck Protection Program (“PPP”) loan from the U.S. Small Business Administration for \$10,700. The Conservancy applied for the loan to help mitigate uncertainty.