

*DAVIDSON LANDS CONSERVANCY, INC.*

*FINANCIAL STATEMENTS*  
*DECEMBER 31, 2020*

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***Davidson Lands Conservancy, Inc.***

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**December 31, 2020**

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# C. DEWITT FOARD & COMPANY, P.A.

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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, 2020, 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, 2020 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.

### Report on Summarized Comparative Information

We have previously audited the Conservancy's 2019 financial statements, and our report dated July 16, 2020, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*C. Dewitt Foard & Company, P.A.*  
May 3, 2021

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**Davidson Lands Conservancy, Inc.****Statement of Financial Position****December 31, 2020, with prior year comparative totals**

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	December 31,	
	2020	2019
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 914,010	\$ 587,802
Receivables:		
Pledges, current (net)	37,216	44,603
Grants	-	10,000
Sales tax	54	54
Prepaid expense	100	-
Investments	76,771	66,862
Total Current Assets	1,028,151	709,321
Fixed assets (net)	5,090	92,264
Other Assets:		
Pledges receivable, long-term	28,264	74,814
Property held for preservation	40,990	40,990
Total Other Assets	69,254	115,804
<b>TOTAL ASSETS</b>	<b>\$ 1,102,495</b>	<b>\$ 917,389</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities:		
Accrued expenses	\$ 4,906	\$ 1,120
Total Current Liabilities	4,906	1,120
Without Donor Restrictions:		
Undesignated	401,881	213,069
Designated - land	40,990	40,990
Designated - other	90,000	90,000
Total Net Assets Without Donor Restrictions	532,871	344,059
With Donor Restrictions	564,718	572,210
Total Net Assets	1,097,589	916,269
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,102,495</b>	<b>\$ 917,389</b>

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**Davidson Lands Conservancy, Inc.****Statement of Activities****Year Ended December 31, 2020, with prior year comparative totals**

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	Year ended December 31, 2020			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<b><u>SUPPORT AND REVENUE</u></b>				
Grants and contributions	\$ 112,975	\$ 28,650	\$ 141,625	\$ 112,980
Contributions of property to be preserved	-	-	-	1,040,990
Special events (net of \$2,338 direct benefit)	14,753	-	14,753	44,127
Investment earnings	9,948	-	9,948	11,458
In-kind services	2,950	-	2,950	6,000
Program revenue	5,387	-	5,387	480
Gain on sale of land	152,992	-	152,992	-
Other income	2,483	-	2,483	-
Net assets released by:				
Payment	36,142	(36,142)	-	-
<b><i>Total Support, Revenue, and Reclassifications</i></b>	<b>337,630</b>	<b>(7,492)</b>	<b>330,138</b>	<b>1,216,035</b>
<b><u>EXPENSES</u></b>				
Program services	93,687	-	93,687	1,072,216
Management and general	39,288	-	39,288	27,739
Fundraising	15,843	-	15,843	20,881
<b><i>Total Expenses</i></b>	<b>148,818</b>	<b>-</b>	<b>148,818</b>	<b>1,120,836</b>
<b><i>CHANGE IN NET ASSETS</i></b>	<b>188,812</b>	<b>(7,492)</b>	<b>181,320</b>	<b>95,199</b>
<b><i>NET ASSETS, BEGINNING</i></b>	<b>344,059</b>	<b>572,210</b>	<b>916,269</b>	<b>821,070</b>
<b><i>NET ASSETS, ENDING</i></b>	<b>\$ 532,871</b>	<b>\$ 564,718</b>	<b>\$ 1,097,589</b>	<b>\$ 916,269</b>

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**Davidson Lands Conservancy, Inc.****Statement of Functional Expenses****Year Ended December 31, 2020, with prior year comparative totals**

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	Year Ended December 31, 2020				Prior Year Comparative Totals
	Program Services	Management and General	Fundraising	Totals	
<b><u>SALARIES AND BENEFITS</u></b>					
Salaries	\$ 36,432	\$ 8,408	\$ 11,210	\$ 56,050	\$ 51,731
Payroll taxes	2,693	622	829	4,144	3,951
<b><i>Total</i></b>	<b><i>39,125</i></b>	<b><i>9,030</i></b>	<b><i>12,039</i></b>	<b><i>60,194</i></b>	<b><i>55,682</i></b>
<b><u>OTHER EXPENSES</u></b>					
Easement write-down	-	-	-	-	1,000,000
Advertising	1,267	-	1,901	3,168	4,750
Bank fees	-	2,518	-	2,518	624
Depreciation	-	2,705	-	2,705	565
Dues and subscriptions	-	2,640	-	2,640	2,494
Education	-	-	-	-	4,764
Event costs	2,338	-	2,338	4,676	15,497
Insurance	-	2,036	-	2,036	2,719
Miscellaneous	-	-	-	-	2,381
Occupancy	1,699	2,338	213	4,250	7,500
Office expense	8,675	5,912	815	15,402	5,446
Professional services	1,937	9,549	-	11,486	3,018
Stewardship	36,142	-	-	36,142	18,261
Supplies	1,800	1,592	787	4,179	10,178
Telephone	704	968	88	1,760	1,537
Volunteer	-	-	-	-	917
<b><i>Total</i></b>	<b><i>54,562</i></b>	<b><i>30,258</i></b>	<b><i>6,142</i></b>	<b><i>90,962</i></b>	<b><i>1,080,651</i></b>
<b><i>TOTAL EXPENSES</i></b>	<b><i>93,687</i></b>	<b><i>39,288</i></b>	<b><i>18,181</i></b>	<b><i>151,156</i></b>	<b><i>1,136,333</i></b>
Less - amounts deducted directly against expenses	-	-	2,338	2,338	15,497
<b><i>TOTAL EXPENSES</i></b>	<b><i>\$ 93,687</i></b>	<b><i>\$ 39,288</i></b>	<b><i>\$ 15,843</i></b>	<b><i>\$ 148,818</i></b>	<b><i>\$ 1,120,836</i></b>

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**Davidson Lands Conservancy, Inc.****Statement of Cash Flows****Year Ended December 31, 2020, with prior year comparative totals**

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	December 31,	
	2020	2019
<b><u>OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 181,320	\$ 95,199
Adjustments to reconcile changes in net assets to cash flows from operating activities:		
Depreciation expense	2,705	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	(8,197)	(9,522)
Gain on sale of land	(152,992)	-
Decrease (increase) in operating assets:		
Receivables	63,937	290,359
Prepaid	(100)	-
(Decrease) increase in operating liabilities:		
Accrued expenses	3,786	(173)
<b><u>Cash Flows from Operating Activities</u></b>	<b><u>90,459</u></b>	<b><u>326,190</u></b>
<b><u>INVESTING ACTIVITIES</u></b>		
Purchase of property and equipment	-	(8,308)
Proceeds from sale of land	237,462	-
Purchase of investments	(1,713)	(1,934)
<b><u>Cash Flows from Investing Activities</u></b>	<b><u>235,749</u></b>	<b><u>(10,242)</u></b>
<b><u>FINANCING ACTIVITIES</u></b>		
Contributions restricted for long-term purposes	-	9,248
<b><u>Cash Flows from Financing Activities</u></b>	<b><u>-</u></b>	<b><u>9,248</u></b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>326,208</b>	<b>325,196</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>587,802</b>	<b>262,606</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>\$ 914,010</b>	<b>\$ 587,802</b>

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# ***Davidson Lands Conservancy, Inc.***

## **Notes to Financial Statements**

**December 31, 2020**

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### **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**

#### *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.

*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, 2020, 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 support without donor restrictions unless the donor has restricted the use of the donated asset to a specific purpose. The Conservancy did not receive any donated property during the year ended December 31, 2020.



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## ***Davidson Lands Conservancy, Inc.***

### **Notes to Financial Statements**

**December 31, 2020**

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#### *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 did not receive any conservation easements during the year ended December 31, 2020.

#### *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. However, the Conservancy did receive donated advertising services, which had an estimated value of \$2,950, and is recorded as in-kind donations in the accompanying financial statements.

#### *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.

#### *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.

#### *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.

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## ***Davidson Lands Conservancy, Inc.***

### **Notes to Financial Statements**

**December 31, 2020**

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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 estimates if an appraisal is not available.

#### *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.

#### *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.

#### *Prior-year comparative totals*

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with the Conservancy's 2019 financial statements, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to the current year presentation.

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**Davidson Lands Conservancy, Inc.****Notes to Financial Statements****December 31, 2020**

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**NOTE 3 – PLEDGES RECEIVABLE**

Pledges receivable consist of unconditional promises to give for the Forever Fund, which are restricted for future land projects. 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 \$3,446 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.

2021	\$	39,174
2022		25,152
2023		<u>4,600</u>
Total Promises to Give		68,926
Deduct:		
Allowance for doubtful accounts		<u>3,446</u>
NET PLEDGES RECEIVABLE	\$	<u><u>65,480</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	\$	63,500
Bonds		<u>13,271</u>
TOTAL	\$	<u><u>76,771</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.

***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.

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**Davidson Lands Conservancy, Inc.****Notes to Financial Statements****December 31, 2020**

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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, 2020, are classified as Level 1 assets.

**NOTE 5 – PROPERTY AND EQUIPMENT**

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

Furniture and fixtures	\$ 9,513
Computer and software	<u>5,500</u>
Total Property and Equipment	15,013
Less - accumulated depreciation	<u>9,923</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 5,090</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, 2020.

The Board of Directors has also set aside land for its conservation efforts. At December 31, 2020, 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, 2020 are detailed as follows:

## Unutilized Funds:

Forever fund	\$ 498,564
Land stewardship	38,910
Greenways	5,504
Town of Davidson	10,960
Funds \$5,000 or less	<u>10,780</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 564,718</u>

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***Davidson Lands Conservancy, Inc.*****Notes to Financial Statements****December 31, 2020**

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**NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Conservancy has \$1,028,051 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$914,010, investments of \$76,771, and pledges, grant and sales tax receivables of \$37,270, which are expected to be collected during the year. Of this total, \$564,718 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 RISK*****Geographic area***

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

***Cash in excess of insured limits***

The Conservancy occasionally maintains cash balances in excess of insured limits. At December 31, 2020, the uninsured balance of cash was \$663,868. However, management believes that the risk related to the accounts is minimal because of the creditworthiness of the financial institutions.

**NOTE 9 - UNCERTAINTIES**

The COVID-19 pandemic has resulted in major changes in the local economy and has resulted in the Conservancy suspending certain operations. At this point, the full impact of this pandemic on the Conservancy is unknown, but management believes that it could negatively impact its support and revenue for the foreseeable future.

**NOTE 10 – 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.