

DAVIDSON LANDS CONSERVANCY, INC.

*FINANCIAL STATEMENTS
DECEMBER 31, 2021*

Davidson Lands Conservancy, Inc.

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December 31, 2021

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

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 Davidson Lands Conservancy, Inc. 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 Davidson Lands Conservancy, Inc.'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.

Davidson Lands Conservancy, Inc.
Davidson, North Carolina

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of Davidson Lands Conservancy, Inc.'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 Davidson Lands Conservancy, Inc.'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.

Report on Summarized Comparative Information

We have previously audited the Conservancy's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Ford & Company, P.A.
June 20, 2022

Davidson Lands Conservancy, Inc.**Statement of Financial Position****December 31, 2021, with prior year comparative totals**

| | December 31, | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 129,579 | \$ 914,010 |
| Receivables: | | |
| Pledges, current (net) | 21,804 | 37,216 |
| Sales tax | 54 | 54 |
| Prepaid expense | - | 100 |
| Investments | 925,763 | 76,771 |
| Total Current Assets | 1,077,200 | 1,028,151 |
| Fixed assets (net) | 2,462 | 5,090 |
| Other Assets: | | |
| Pledges receivable, long-term | 3,420 | 28,264 |
| Property held for preservation | 40,990 | 40,990 |
| Total Other Assets | 44,410 | 69,254 |
| TOTAL ASSETS | \$ 1,124,072 | \$ 1,102,495 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| Accrued expenses | \$ 1,894 | \$ 4,906 |
| Total Current Liabilities | 1,894 | 4,906 |
| Without Donor Restrictions: | | |
| Undesignated | 392,172 | 401,881 |
| Designated - land | 40,990 | 40,990 |
| Designated - other | 152,218 | 90,000 |
| Total Net Assets Without Donor Restrictions | 585,380 | 532,871 |
| With Donor Restrictions | 536,798 | 564,718 |
| Total Net Assets | 1,122,178 | 1,097,589 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,124,072 | \$ 1,102,495 |

Davidson Lands Conservancy, Inc.**Statement of Activities****Year Ended December 31, 2021, with prior year comparative totals**

| | Year ended December 31, 2021 | | | Prior Year Comparative Totals |
|---|-------------------------------|----------------------------|----------------------------|-------------------------------------|
| | Without Donor Restrictions | With Donor Restrictions | TOTALS | |
| <u>SUPPORT AND REVENUE</u> | | | | |
| Grants and contributions | \$ 71,369 | \$ 19,587 | \$ 90,956 | \$ 141,625 |
| Contributions of property to be preserved | 806,680 | - | 806,680 | - |
| Special events (net of \$12,974 direct benefit) | 55,917 | - | 55,917 | 14,753 |
| Investment earnings | 16,842 | 22,057 | 38,899 | 9,948 |
| In-kind services | - | - | - | 2,950 |
| Program revenue | 6,333 | - | 6,333 | 5,387 |
| Gain on sale of land | - | - | - | 152,992 |
| Other income | - | - | - | 2,483 |
| Net assets released by: | | | | |
| Payment | 69,564 | (69,564) | - | - |
| <i>Total Support, Revenue, and Reclassifications</i> | <i>1,026,705</i> | <i>(27,920)</i> | <i>998,785</i> | <i>330,138</i> |
| <u>EXPENSES</u> | | | | |
| Program services | 921,819 | - | 921,819 | 93,687 |
| Management and general | 37,411 | - | 37,411 | 39,288 |
| Fundraising | 14,966 | - | 14,966 | 15,843 |
| <i>Total Expenses</i> | <i>974,196</i> | <i>-</i> | <i>974,196</i> | <i>148,818</i> |
| <i>CHANGE IN NET ASSETS</i> | <i>52,509</i> | <i>(27,920)</i> | <i>24,589</i> | <i>181,320</i> |
| <i>NET ASSETS, BEGINNING</i> | <i>532,871</i> | <i>564,718</i> | <i>1,097,589</i> | <i>916,269</i> |
| <i>NET ASSETS, ENDING</i> | <i>\$ 585,380</i> | <i>\$ 536,798</i> | <i>\$ 1,122,178</i> | <i>\$ 1,097,589</i> |

Davidson Lands Conservancy, Inc.**Statement of Functional Expenses****Year Ended December 31, 2021, with prior year comparative totals**

| | Year Ended December 31, 2021 | | | | Prior Year Comparative Totals |
|--|------------------------------|---------------------------|----------------------|-----------------------|-------------------------------------|
| | Program Services | Management and General | Fundraising | Totals | |
| <u>SALARIES AND BENEFITS</u> | | | | | |
| Salaries | \$ 28,764 | \$ 6,638 | \$ 8,850 | \$ 44,252 | \$ 56,050 |
| Payroll taxes | 2,175 | 502 | 669 | 3,346 | 4,144 |
| <i>Total</i> | <i>30,939</i> | <i>7,140</i> | <i>9,519</i> | <i>47,598</i> | <i>60,194</i> |
| <u>OTHER EXPENSES</u> | | | | | |
| Easement write-down | 806,680 | - | - | 806,680 | - |
| Advertising | 233 | - | 350 | 583 | 3,168 |
| Bank fees | - | - | 902 | 902 | 2,518 |
| Depreciation | - | 2,627 | - | 2,627 | 2,705 |
| Dues and subscriptions | - | 2,667 | - | 2,667 | 2,640 |
| Education | 414 | - | - | 414 | - |
| Event costs | 5,560 | - | 10,032 | 15,592 | 4,676 |
| Insurance | - | 5,755 | - | 5,755 | 2,036 |
| Miscellaneous | 1,398 | - | 1,585 | 2,983 | - |
| Occupancy | - | - | 1,357 | 1,357 | 4,250 |
| Office expense | 14,317 | 8,190 | 434 | 22,941 | 15,402 |
| Professional services | 39,708 | 8,513 | - | 48,221 | 11,486 |
| Stewardship | 2,196 | - | - | 2,196 | 36,142 |
| Urban forestry | 13,808 | - | - | 13,808 | - |
| Memorial expense | 2,500 | - | - | 2,500 | - |
| Supplies | 3,895 | 2,284 | 3,740 | 9,919 | 4,179 |
| Telephone | 171 | 235 | 21 | 427 | 1,760 |
| <i>Total</i> | <i>890,880</i> | <i>30,271</i> | <i>18,421</i> | <i>939,572</i> | <i>90,962</i> |
| TOTAL EXPENSES | <i>921,819</i> | <i>37,411</i> | <i>27,940</i> | <i>987,170</i> | <i>151,156</i> |
| Less - amounts deducted directly against expenses | - | - | 12,974 | 12,974 | 2,338 |
| TOTAL EXPENSES | \$ 921,819 | \$ 37,411 | \$ 14,966 | \$ 974,196 | \$ 148,818 |

Davidson Lands Conservancy, Inc.**Statement of Cash Flows****Year Ended December 31, 2021, with prior year comparative totals**

| | December 31, | |
|---|--------------------------|--------------------------|
| | 2021 | 2020 |
| <u>OPERATING ACTIVITIES</u> | | |
| Change in net assets | \$ 24,589 | \$ 181,320 |
| Adjustments to reconcile changes in net assets to cash flows from operating activities: | | |
| Depreciation expense | 2,627 | 2,705 |
| Net realized and unrealized (gains) losses on investments | (21,052) | (8,197) |
| Gain on sale of land | - | (152,992) |
| Decrease (increase) in operating assets: | | |
| Receivables | 40,256 | 63,937 |
| Prepaid | 100 | (100) |
| (Decrease) increase in operating liabilities: | | |
| Accrued expenses | (3,012) | 3,786 |
| <i>Cash Flows from Operating Activities</i> | <i>43,508</i> | <i>90,459</i> |
| <u>INVESTING ACTIVITIES</u> | | |
| Proceeds from sale of land | - | 237,462 |
| Purchase of investments | (917,352) | (1,713) |
| Sale of investments | 89,413 | - |
| <i>Cash Flows from Investing Activities</i> | <i>(827,939)</i> | <i>235,749</i> |
| <i>NET CHANGE IN CASH AND CASH EQUIVALENTS</i> | <i>(784,431)</i> | <i>326,208</i> |
| <i>CASH AND CASH EQUIVALENTS, BEGINNING</i> | <i>914,010</i> | <i>587,802</i> |
| <i>CASH AND CASH EQUIVALENTS, ENDING</i> | <i>\$ 129,579</i> | <i>\$ 914,010</i> |

Davidson Lands Conservancy, Inc.

Notes to Financial Statements

December 31, 2021

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 temporary in nature, which are subject to donor-imposed stipulations that may or will be met either by actions of the Conservancy or the passage of time. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets that are perpetual in nature, are subject to donor-imposed stipulations that they be maintained in perpetuity. At December 31, 2021, the Conservancy had no net assets that were perpetual in nature.

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, 2021.

Davidson Lands Conservancy, Inc.

Notes to Financial Statements

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 \$806,680 for the year ended December 31, 2021.

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.

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 statement 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.

Davidson Lands Conservancy, Inc.

Notes to Financial Statements

December 31, 2021

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.

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 2020 financial statements, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to the current year presentation.

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 \$1,328 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.

| | | |
|---------------------------------|----|---------------|
| 2022 | \$ | 22,952 |
| 2023 | | 3,400 |
| 2024 | | 200 |
| Total Promises to Give | | 26,552 |
| Deduct: | | |
| Allowance for doubtful accounts | | 1,328 |
| NET PLEDGES RECEIVABLE | \$ | <u>25,224</u> |

Davidson Lands Conservancy, Inc.**Notes to Financial Statements****December 31, 2021**

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:

| | | |
|--------------------------|----|----------------|
| Mutual Funds | \$ | 411,059 |
| Exchange Traded Products | | <u>514,704</u> |
| TOTAL | \$ | <u>925,763</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.

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, 2021, 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>12,551</u> |
| PROPERTY AND EQUIPMENT, NET | \$ | <u>2,462</u> |

Davidson Lands Conservancy, Inc.

Notes to Financial Statements

December 31, 2021

NOTE 6 – NET ASSETS

Board designated net assets without donor restrictions

The Board of Directors of the Conservancy has elected to set aside \$46,934 for the legal defense fund, \$60,220 for land stewardship, and \$45,064 for an operating reserve. The funds are held in cash and investments at December 31, 2021.

The Board of Directors has also set aside land for its conservation efforts. At December 31, 2021, this land is carried on the financial statements at \$40,990.

Net assets with donor restrictions

Funds that have been received by the Conservancy for a particular purpose that have remaining restrictions at December 31, 2021, are detailed as follows:

Unutilized Funds:

| | |
|---|--------------------------|
| Forever fund | \$ 491,503 |
| Land stewardship | 40,748 |
| Greenways | 2,740 |
| Town of Davidson | 1,369 |
| Funds \$5,000 or less | 438 |
| TOTAL NET ASSETS WITH DONOR RESTRICTIONS | <u>\$ 536,798</u> |

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Conservancy has \$1,077,200 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$129,579, investments of \$925,763, and pledges and sales tax receivables of \$21,858, which are expected to be collected during the year. Of this total, \$536,798 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.

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, no material recognizable subsequent events were identified.