

*Davidson Lands Conservancy, Inc.*

*Financial Statements*

*December 31, 2022*



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

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**December 31, 2022**

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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 comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Davidson Lands Conservancy, Inc. as of December 31, 2022, 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.

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.

Davidson Lands Conservancy, Inc.  
Davidson, North Carolina

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Foard & Company, P.A.*  
May 26, 2023

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**Davidson Lands Conservancy, Inc.****Statement of Financial Position****December 31, 2022, with prior year comparative totals**

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	December 31,	
	2022	2021
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 319,342	\$ 129,579
Receivables:		
Pledges, current (net)	157,867	21,804
Grants	20,000	-
Sales tax	248	54
Investments	836,694	925,763
Total Current Assets	1,334,151	1,077,200
Fixed assets (net)	687	2,462
Other Assets:		
Pledges receivable, long-term	147,458	3,420
Property held for preservation	-	40,990
Total Other Assets	147,458	44,410
<b><u>TOTAL ASSETS</u></b>	<b>\$ 1,482,296</b>	<b>\$ 1,124,072</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities:		
Accrued expenses	\$ 7,687	\$ 1,894
Total Current Liabilities	7,687	1,894
Without Donor Restrictions:		
Undesignated	353,722	392,172
Designated - land	-	40,990
Designated - other	285,988	152,218
Total Net Assets Without Donor Restrictions	639,710	585,380
With Donor Restrictions	834,899	536,798
Total Net Assets	1,474,609	1,122,178
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b>\$ 1,482,296</b>	<b>\$ 1,124,072</b>

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**Davidson Lands Conservancy, Inc.****Statement of Activities****Year Ended December 31, 2022, with prior year comparative totals**

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	Year ended December 31, 2022			Prior Year
	Without Donor	With Donor		Comparative
	Restrictions	Restrictions	TOTALS	Totals
<b><u>SUPPORT AND REVENUE</u></b>				
Grants and contributions	\$ 84,920	\$ 567,728	\$ 652,648	\$ 90,956
Contributions of property to be preserved	-	-	-	806,680
Special events (net of \$28,327 direct benefit)	44,696	-	44,696	55,917
Investment earnings	(83,562)	(77,760)	(161,322)	38,899
Program revenue	9,222	-	9,222	6,333
Other income	521	-	521	-
Net assets released by:				
Time	151,453	(151,453)		
Payment	40,414	(40,414)	-	-
<b><i>Total Support, Revenue, and Reclassifications</i></b>	<b>247,664</b>	<b>298,101</b>	<b>545,765</b>	<b>998,785</b>
<b><u>EXPENSES</u></b>				
Program services	145,020	-	145,020	921,819
Management and general	39,020	-	39,020	37,411
Fundraising	9,294	-	9,294	14,966
<b><i>Total Expenses</i></b>	<b>193,334</b>	<b>-</b>	<b>193,334</b>	<b>974,196</b>
<b><i>CHANGE IN NET ASSETS</i></b>	<b>54,330</b>	<b>298,101</b>	<b>352,431</b>	<b>24,589</b>
<b><i>NET ASSETS, BEGINNING</i></b>	<b>585,380</b>	<b>536,798</b>	<b>1,122,178</b>	<b>1,097,589</b>
<b><i>NET ASSETS, ENDING</i></b>	<b>\$ 639,710</b>	<b>\$ 834,899</b>	<b>\$ 1,474,609</b>	<b>\$ 1,122,178</b>

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**Davidson Lands Conservancy, Inc.****Statement of Functional Expenses****Year Ended December 31, 2022, with prior year comparative totals**

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	Year Ended December 31, 2022				Prior Year Comparative Totals
	Program Services	Management and General	Fundraising	Totals	
<b><u>SALARIES AND BENEFITS</u></b>					
Salaries	\$ 30,166	\$ 6,961	\$ 9,282	\$ 46,409	\$ 44,252
Payroll taxes	2,279	526	701	3,506	3,346
<b><i>Total</i></b>	<b>32,445</b>	<b>7,487</b>	<b>9,983</b>	<b>49,915</b>	<b>47,598</b>
<b><u>OTHER EXPENSES</u></b>					
Easement write-down	-	-	-	-	806,680
Advertising	-	-	-	-	583
Bank fees	-	-	-	-	902
Depreciation	-	1,775	-	1,775	2,627
Dues and subscriptions	-	3,800	-	3,800	2,667
Education	-	-	-	-	414
Event costs	3,479	-	6,230	9,709	15,592
Insurance	-	5,619	300	5,919	5,755
Miscellaneous	-	1,237	1,605	2,842	2,983
Land donation	40,990	-	-	40,990	-
Occupancy	-	-	-	-	1,357
Office expense	16,322	6,544	5,058	27,924	22,941
Professional services	-	9,202	1,544	10,746	48,221
Stewardship	5,487	-	-	5,487	2,196
Urban forestry	21,780	-	-	21,780	13,808
Memorial expense	17,959	-	-	17,959	2,500
Supplies	6,371	3,099	12,878	22,348	9,919
Telephone	187	257	23	467	427
<b><i>Total</i></b>	<b>112,575</b>	<b>31,533</b>	<b>27,638</b>	<b>171,746</b>	<b>939,572</b>
<b><i>TOTAL EXPENSES</i></b>	<b>145,020</b>	<b>39,020</b>	<b>37,621</b>	<b>221,661</b>	<b>987,170</b>
Less - amounts deducted directly against expenses	-	-	28,327	28,327	12,974
<b><i>TOTAL EXPENSES</i></b>	<b>\$ 145,020</b>	<b>\$ 39,020</b>	<b>\$ 9,294</b>	<b>\$ 193,334</b>	<b>\$ 974,196</b>

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**Davidson Lands Conservancy, Inc.****Statement of Cash Flows****Year Ended December 31, 2022, with prior year comparative totals**

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	December 31,	
	2022	2021
<b><u>OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 352,431	\$ 24,589
Adjustments to reconcile changes in net assets to cash flows from operating activities:		
Depreciation expense	1,775	2,627
Net realized and unrealized (gains) losses on investments	181,202	(21,052)
Land contribution	40,990	-
Decrease (increase) in operating assets:		
Receivables	(300,295)	40,256
Prepaid	-	100
(Decrease) increase in operating liabilities:		
Accrued expenses	5,793	(3,012)
<b><i>Cash Flows from Operating Activities</i></b>	<b>281,896</b>	<b>43,508</b>
<b><u>INVESTING ACTIVITIES</u></b>		
Purchase of investments	(98,426)	(917,352)
Sale of investments	6,293	89,413
<b><i>Cash Flows from Investing Activities</i></b>	<b>(92,133)</b>	<b>(827,939)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>189,763</b>	<b>(784,431)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>129,579</b>	<b>914,010</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>\$ 319,342</b>	<b>\$ 129,579</b>



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

### **Notes to Financial Statements**

**December 31, 2022**

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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 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, 2022, 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, 2022.

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

### **Notes to Financial Statements**

**December 31, 2022**

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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 donated conservation easements for the year ended December 31, 2022.

#### *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.

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

### **Notes to Financial Statements**

**December 31, 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 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.

#### *New Accounting Pronouncement*

The Conservancy adopted ASU 2016-02, Leases (Topic 842) during the year. 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 are classified as either financing or operating, with classifications affecting the pattern of expense recognition in the statement of activities. The Conservancy determined that its leases in place during the year were immaterial to present under the new standard.

#### *Prior-year comparative totals*

The financial statements include certain prior-year summarized information in total, but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Conservancy's 2021 financial statements, from which the summarized information was derived.

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**Davidson Lands Conservancy, Inc.****Notes to Financial Statements****December 31, 2022**

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**NOTE 3 – RECEIVABLES***Pledges receivable – Now and Forever*

Pledges receivable consist of unconditional promises to give for the Now and Forever Fund, which are considered for operational use. A discount for the present value computed at a risk-free interest rate was recorded at \$14,448. Management has recorded an allowance for doubtful accounts of \$16,398 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.

2023	\$	161,092
2024		156,321
2025		<u>14,000</u>
Total Promises to Give		331,413
Deduct:		
Allowance for doubtful accounts		16,398
Present value discount		<u>14,448</u>
NET PLEDGES RECEIVABLE	\$	<u>300,567</u>

*Pledges receivable – Forever Fund*

Pledges receivable consist of unconditional promises to give for the Forever Fund, which are restricted for future land projects. The balance at year-end was \$4,758. No discount for the present value was not recorded due to being immaterial to the financial statements. No allowance for doubtful accounts was recorded 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 ending December 31, 2023.

*Grants receivable*

Grants receivable are presented at net realizable value. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. Based on the underlying nature of the receivable at December 31, 2022, no allowance for doubtful accounts was recorded.

*Conditional promises to give*

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, 2022:

Mutual Funds	\$	365,163
Exchange Traded Products		<u>471,531</u>
TOTAL	\$	<u>836,694</u>

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**Davidson Lands Conservancy, Inc.****Notes to Financial Statements****December 31, 2022**

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**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, 2022, are classified as Level 1 assets.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31, 2022:

Furniture and fixtures	\$ 9,513
Computer and software	<u>5,500</u>
Total Property and Equipment	15,013
Less - accumulated depreciation	<u>14,326</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 687</u>

**NOTE 6 – NET ASSETS****Board designated net assets without donor restrictions**

The Board of Directors of the Conservancy has elected to set aside \$39,426 for the legal defense fund, \$50,045 for land stewardship, \$45,064 for an operating reserve, and \$151,453 from the collections of the Now and Forever campaign. The funds are held in cash and investments at December 31, 2022.

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

### **Notes to Financial Statements**

**December 31, 2022**

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#### *Net assets with donor restrictions*

Funds that have been received by the Conservancy for a particular purpose that have remaining restrictions at December 31, 2022, are detailed as follows:

#### Time Restricted Funds:

Now and Forever pledges	\$ 301,448
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#### Unutilized Funds:

Forever fund	445,148
Trees Davidson	46,857
Land stewardship	32,336
Funds \$5,000 or less	<u>9,110</u>

TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 834,899</u>
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### **NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Conservancy has \$1,334,151 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$319,342, investments of \$836,694, and pledges and sales tax receivables of \$178,115, which are expected to be collected during the year. Of this total, \$533,451 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**

#### *Cash*

Cash held in bank accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Conservancy holds cash in excess of the insured limits covered by the FDIC; however, the Conservancy believes it is not exposed to any significant credit risk related to these accounts.

#### *Credit risk*

Investments held in financial institutions are insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC); however, this insurance does not cover the loss of value of the underlying assets. As disclosed in Note 4 above, the Conservancy maintains a variety of investments which are subject to fluctuations in market values and expose the Conservancy to a certain degree of investment risk.

#### *Geographic area*

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

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***Davidson Lands Conservancy, Inc.*****Notes to Financial Statements****December 31, 2022**

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**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.