

**ASSOCIATION FOR THE PRESERVATION
OF THE ENO RIVER VALLEY, INC.**

Financial Statements

December 31, 2021

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Independent Auditor's Report

To The Board of Directors
Association for the Preservation of the Eno River Valley, Inc.
Durham, North Carolina

Opinion

We have audited the accompanying financial statements of Association for the Preservation of the Eno River Valley, Inc. (a nonprofit organization), which comprise 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 Association for the Preservation of the Eno River Valley, 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 for 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 Association for the Preservation of the Eno River Valley, 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 Association for the Preservation of the Eno River Valley, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To The Board of Directors
Association for the Preservation of the Eno River Valley, Inc.
Durham, North Carolina

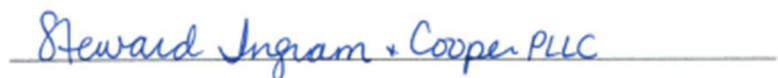
Auditor's Responsibilities for the Audit of the Financial Statements

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 auditor's 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. Misstatement, 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 purpose of expressing an opinion on the effectiveness of Association for the Preservation of the Eno River Valley, 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 Association for the Preservation of the Eno River Valley, 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.

A handwritten signature in blue ink that reads "Steward Ingram + Cooper PLLC". The signature is written in a cursive style and is positioned above a horizontal line.

Raleigh, North Carolina
May 12, 2022

ASSOCIATION FOR THE PRESERVATION OF THE ENO RIVER VALLEY, INC.

Statement of Financial Position

December 31, 2021

<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 601,967
Accounts receivable, net	41,402
Promises to give, net	119,415
Prepaid expenses	8,730
Total current assets	<u>771,514</u>
Properties and equipment, net of accumulated depreciation	<u>465,075</u>
Other assets:	
Designated cash	71,505
Designated investments	1,495
Restricted cash	2,164,825
Restricted investments	397,660
Conservancy land and easements	8,115,204
Total other assets	<u>10,750,689</u>
Total assets	<u><u>\$ 11,987,278</u></u>
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable	\$ 15,164
Accrued salaries	5,624
Accrued expenses	453
Total liabilities (all current)	<u>21,241</u>
<u>Net assets</u>	
Net assets without donor restrictions:	
Board designated	73,000
Undesignated net assets	9,211,137
Total net assets without donor restrictions	<u>9,284,137</u>
Net assets with donor restrictions	<u>2,681,900</u>
Total net assets	<u>11,966,037</u>
Total liabilities and net assets	<u><u>\$ 11,987,278</u></u>

ASSOCIATION FOR THE PRESERVATION OF THE ENO RIVER VALLEY, INC.

Statement of Activities

For the year ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 280,048	\$ 161,809	\$ 441,857
Grants	89,163	282,655	371,818
Government grants	156,612	-	156,612
In-kind contributions - auction items	22,444	-	22,444
In-kind contributions - services	3,150	-	3,150
In-kind contributions - securities	9,679	-	9,679
Membership dues	62,814	-	62,814
Festival income	393,138	-	393,138
Merchandise sales	16,807	-	16,807
Rental income	80,395	-	80,395
Land program	13,815	-	13,815
Other program revenue	74,641	-	74,641
Net investment return	594	87,052	87,646
Total support and revenue	<u>1,203,300</u>	<u>531,516</u>	<u>1,734,816</u>
Net assets released from restrictions	<u>578,757</u>	<u>(578,757)</u>	<u>-</u>
Total support and revenue and reclassifications	<u>1,782,057</u>	<u>(47,241)</u>	<u>1,734,816</u>
Expenses:			
Program Services:			
Festival for the Eno	294,685	-	294,685
Outreach and communications	127,445	-	127,445
Environmental education	120,202	-	120,202
Land protection	360,391	-	360,391
Total program services	<u>902,723</u>	<u>-</u>	<u>902,723</u>
Supporting Services:			
Rental	40,205	-	40,205
Management and general	100,066	-	100,066
Fundraising	133,463	-	133,463
Total supporting services	<u>273,734</u>	<u>-</u>	<u>273,734</u>
Total expenses	<u>1,176,457</u>	<u>-</u>	<u>1,176,457</u>
Increase in net assets	605,600	(47,241)	558,359
Net assets at beginning of year	<u>8,678,537</u>	<u>2,729,141</u>	<u>11,407,678</u>
Net assets at end of year	<u>\$ 9,284,137</u>	<u>\$ 2,681,900</u>	<u>\$ 11,966,037</u>

See accompanying notes to financial statements.

ASSOCIATION FOR THE PRESERVATION OF THE ENO RIVER VALLEY, INC.

Statement of Functional Expenses
For the year ended December 31, 2021

	Program Services					Supporting				Total Expenses
	Festival For the Eno	Outreach and Communication	Environmental Education and Other programs	Land Protection	Total Program Expense	Rental	Management & General	Fundraising	Total Supporting Expense	
Salaries	\$ 75,230	\$ 71,491	\$ 71,172	\$ 131,475	\$ 349,368	\$ -	\$ 17,822	\$ 96,625	\$ 114,447	\$ 463,815
Payroll taxes	6,005	6,376	2,492	10,030	24,903	-	292	10,274	10,566	35,469
Employee benefits	771	731	729	1,346	3,577	-	183	989	1,172	4,749
Retirement expense	2,096	1,991	1,983	3,662	9,732	-	496	2,693	3,189	12,921
Occupancy	34,050	1,362	1,356	2,505	39,273	15,276	340	1,841	17,457	56,730
Depreciation	2,455	2,333	2,323	4,291	11,402	14,155	582	3,153	17,890	29,292
Professional fees	72,696	4,157	13,500	-	90,353	4,090	18,212	8,056	30,358	120,711
Promotions and exhibits	58,483	725	-	-	59,208	-	-	-	-	59,208
Other program expenses	-	197	-	10,400	10,597	-	-	-	-	10,597
Land donation	-	-	-	165,000	165,000	-	-	-	-	165,000
Insurance	7,967	-	488	1,071	9,526	3,836	2,638	-	6,474	16,000
Supplies and materials	11,805	26,376	7,726	9,344	55,251	-	7,430	-	7,430	62,681
Calendars and journals	-	11,702	-	-	11,702	-	-	-	-	11,702
Equipment rental	-	-	2,835	-	2,835	-	-	-	-	2,835
Telephone and utilities	-	-	-	457	457	-	3,275	-	3,275	3,732
Postage	-	-	-	-	-	-	5,757	-	5,757	5,757
Printing	1,972	-	-	-	1,972	-	1,488	-	1,488	3,460
Office expenses	-	-	-	-	-	-	3,901	9,832	13,733	13,733
Conferences and meetings	-	-	-	-	-	-	15,349	-	15,349	15,349
Repairs and maintenance	-	-	-	-	-	2,848	6,991	-	9,839	9,839
Advertising	-	4	320	-	324	-	-	-	-	324
Travel and transportation	19,978	-	4,895	-	24,873	-	1,460	-	1,460	26,333
Meals	-	-	10,383	-	10,383	-	-	-	-	10,383
Land protection	-	-	-	20,810	20,810	-	-	-	-	20,810
Property taxes	-	-	-	-	-	-	169	-	169	169
License and fees	1,177	-	-	-	1,177	-	9,306	-	9,306	10,483
Dues	-	-	-	-	-	-	4,375	-	4,375	4,375
	<u>\$ 294,685</u>	<u>\$ 127,445</u>	<u>\$ 120,202</u>	<u>\$ 360,391</u>	<u>\$ 902,723</u>	<u>\$ 40,205</u>	<u>\$ 100,066</u>	<u>\$ 133,463</u>	<u>\$ 273,734</u>	<u>\$ 1,176,457</u>

ASSOCIATION FOR THE PRESERVATION OF THE ENO RIVER VALLEY, INC.

Statement of Cash Flows

For the year ended December 31, 2021

Cash flows from operating activities:	
Support from contributions and grants	\$ 813,845
Program service revenue	610,939
Employee compensation paid	(467,967)
Other operating expenses paid	(516,504)
Purchases of conservation land and easements	(557,149)
Interest and other income collected	594
	<hr/>
Net cash used in operating activities	(116,242)
Cash flows from investing activities:	
Purchases of properties and equipment	(6,884)
Interest income	4,297
	<hr/>
Net cash used in investing activities	(2,587)
Net change in cash, cash equivalents, designated, and restricted cash	
	(118,829)
Cash, cash equivalents, designated, and restricted cash beginning of year	
	<hr/>
	2,957,126
Cash, cash equivalents, designated, and restricted cash end of year	
	<hr/> <hr/>
	\$ 2,838,297
<u>Reconciliation of cash, cash equivalents, designated, and restricted cash to amounts reported in the statement of financial position:</u>	
Cash and cash equivalents	\$ 601,967
Designated cash	71,505
Restricted cash	2,164,825
Total cash, cash equivalents, designated, and restricted cash	<hr/> <hr/>
	\$ 2,838,297

ASSOCIATION FOR THE PRESERVATION OF THE ENO RIVER VALLEY, INC.

Notes to Financial Statements

December 31, 2021

Note 1 – Summary of Significant Accounting Policies

This summary of significant accounting policies of Association for the Preservation of the Eno River Valley, Inc. (the Association) is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Organization

Association for the Preservation of the Eno River Valley, Inc. is a non-profit organization organized under Chapter 55A of the General Statutes of North Carolina. The Association operates in Durham and Orange County, North Carolina.

The mission of the Association is to conserve and protect the natural, historical, and cultural resources of the Eno River Basin. The Association carries out its mission through a set of program areas, where each program area is served by a committee made up of board members, staff, and Association members.

The main goal of the Association is to conserve lands along the Eno River, and within the entire watershed, concentrating first on completion of the master plan for the Eno River State Park. The Association accomplishes this goal by not only purchasing and accepting donated lands and conservation easements, but also by facilitating the purchase of lands by the State of North Carolina for inclusion in the Eno River State Park.

The Association also works with an advocacy and environmental education focus, where such activities fall within the mission. Annually, the Association sponsors the "Festival for the Eno", a celebration of the Eno River and the environment, accompanied by music, dance, arts and crafts, local and regional foods, and more. In addition, the Association works with government entities as well as other local, state, and national conservation groups to preserve the environment.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all checking accounts, money market accounts, certificates of deposit, and any other highly liquid investments with original maturities of less than three months to be cash equivalents. The Association's checking and money market accounts are held with various financial institutions.

At any given time, amounts in these accounts may exceed the \$250,000 federally insured limit. As of December 31, 2021, the Association had a balance in excess of the federally insured limit of \$2,335,879.

ASSOCIATION FOR THE PRESERVATION OF THE ENO RIVER VALLEY, INC.

Notes to Financial Statements

December 31, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are recorded at net realizable value consisting of the carrying amount, less the allowance for uncollectible accounts, as needed. The Association has determined, based on historical experience, and a review of subsequent collections that an allowance for doubtful accounts was not necessary as of December 31, 2021.

Promises to Give

The Association records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Association determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. The Association reviewed the unconditional promises to give and determined that no allowance for uncollectible promises to give was necessary as of December 31, 2021.

Properties and Equipment

The Association capitalizes all expenditures for property and equipment in excess \$500. Purchased property and equipment are carried at cost. Donated property and equipment are recorded at estimated fair market value at the time of receipt. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Buildings and improvements	15-40 years
Equipment	5-10 years
Vehicles	5 years

When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Association reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset.

ASSOCIATION FOR THE PRESERVATION OF THE ENO RIVER VALLEY, INC.

Notes to Financial Statements

December 31, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Investments

The Association records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Compensated Absences

Employees of the Association are entitled to paid vacation, sick, and personal days. The number of days available to each employee is determined by the length of their employment and other factors. The Association's policy is to recognize the costs of compensated absences when paid to employees.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Board designated net assets - Net assets without donor restrictions that have self-imposed limits. These net assets have been designated by the board of directors for the Stewardship Fund, which is set up to cover costs associated with monitoring properties and conservation easements owned or held by the Association, and legal defense of easements and other property rights should it be necessary.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Association reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

ASSOCIATION FOR THE PRESERVATION OF THE ENO RIVER VALLEY, INC.

Notes to Financial Statements

December 31, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition

The Association recognizes revenue from educational events at the time the event takes place. The Association records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. Revenue from merchandise sales is recognized at the time of purchase. Rental income from operating leases is recognized on a straight-line basis over the lease term.

The Association recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Advertising and Promotion

Advertising and promotion costs are primarily related to the Association's special events and are expensed as incurred. Advertising costs amounted to \$324 for the year ended December 31, 2021.

Donated Services

A number of volunteers have donated significant amounts of time to the Association's program services. Donated services are recognized as contributions if the services 1) create or enhance nonfinancial assets or 2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association. Donated services not meeting these criteria are not reflected in the financial statements.

Functional Allocation of Expenses

The costs of programs and supporting service activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Financial Instruments and Credit Risk

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized.

Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Association.

ASSOCIATION FOR THE PRESERVATION OF THE ENO RIVER VALLEY, INC.

Notes to Financial Statements

December 31, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

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 asset and liabilities and disclosure of contingent 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.

Subsequent Events

Land Purchase

On February 23, 2022, the Association closed on the purchase of a conservation easement for property located in Orange County, North Carolina. The contract sales price was \$848,810.

Other

The Association has evaluated all subsequent events through May 12, 2022, the date the financial statements were available to be issued.

Note 2 - Recent Accounting Pronouncements

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021, with early adoption permitted.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires organizations to present contributed nonfinancial assets as a separate line item in the statement of activities. The ASU also requires that organizations disclose the disaggregated amounts of the contributed nonfinancial assets by category and qualitative information about how the contributed nonfinancial assets are going to be used, a description of any donor restrictions related to the assets, and valuation techniques used to value the contributions. The effective date of this standard is for annual reporting periods beginning after June 15, 2021, with early adoption permitted.

ASSOCIATION FOR THE PRESERVATION OF THE ENO RIVER VALLEY, INC.

Notes to Financial Statements

December 31, 2021

Note 2 - Recent Accounting Pronouncements (continued)

Recently Issued Accounting Standards

Even though these updates allow for early adoption, management does not currently have plans for early adoption.

While the impact of these accounting standards updates has not yet been determined, management does not currently believe that the impact of adopting these updates will have a material impact on the Association's financial statements.

Note 3 - Designated and Restricted Cash and Investments

Designated cash and investments represent funds that have been designated by the board of directors for the stewardship fund. Restricted cash and investments consist of funds that have been restricted by the donor for land protection and conservation efforts.

A summary of designated and restricted cash and investments as of December 31, 2021 is as follows:

Board designated for stewardship fund	\$ <u>71,505</u>
Margaret Nygard fund	199,765
Allen Lloyd fund	3,645
Confluence fund	5,647
Roberta and Herman Brown fund	1,791,687
Stewardship fund	3,341
Education fund	94,500
Land and stewardship fund	16,500
Land stewardship fund	<u>49,740</u>
Total restricted cash	<u>2,164,825</u>
Total designated and restricted cash	\$ <u>2,236,330</u>
Board designated investments held with TIAA-CREF	\$ 1,495
Restricted investments held with TIAA-CREF	<u>397,660</u>
Total designated and restricted investments	\$ <u>399,155</u>

ASSOCIATION FOR THE PRESERVATION OF THE ENO RIVER VALLEY, INC.

Notes to Financial Statements

December 31, 2021

Note 4 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 601,967
Accounts receivable, net	41,402
Promises to give, net	<u>60,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>703,369</u>

Financial assets not available for general expenditure within one year consist of board designated and restricted cash and investments. Designated cash and investments represent funds that have been designated by the board of directors for the Stewardship Fund. Restricted cash and investments consist of funds that have been restricted by the donor for land protection and conservation efforts. Financial assets not available for general expenditure within one year comprise the following:

Designated cash	\$ 71,505
Designated investments	1,495
Restricted cash	2,164,825
Restricted investments	<u>397,660</u>
Total financial assets not available to meet general expenditures within one year due to certain restrictions	\$ <u>2,635,485</u>

Note 5 - Accounts Receivable

Accounts receivable consist of the following as of December 31, 2021:

Sales tax refunds receivable	\$ 3,923
Rental income receivable	7,265
Reimbursements receivable	<u>30,214</u>
Total accounts receivable	\$ <u>41,402</u>

ASSOCIATION FOR THE PRESERVATION OF THE ENO RIVER VALLEY, INC.

Notes to Financial Statements

December 31, 2021

Note 6 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at December 31, 2021:

Within one year	\$ 60,000
In one to five years	<u>60,000</u>
	120,000
Less discount to net present value at rates ranging from .29% to .69%	<u>(585)</u>
Promises to give, net	\$ <u>119,415</u>

As of December 31, 2021, net promises to give totaling \$119,415 were restricted by donors for specified purposes.

Note 7 – Fair Value Measurements and Disclosures

The Association reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous market, at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Association develops inputs using the best information available in the circumstances.

ASSOCIATION FOR THE PRESERVATION OF THE ENO RIVER VALLEY, INC.

Notes to Financial Statements

December 31, 2021

Note 7 – Fair Value Measurements and Disclosures (continued)

In some cases, the inputs used to measure the fair value of an asset, or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Association’s assessment of the quality, risk, or liquidity profile of the asset or liability.

The following table presents assets measured at fair value on a recurring basis as of December 31, 2021:

Asset Type and Class	Level 1	Level 2	Level 3	Totals
TIAA-CREF Social Choice Equity Fund - RTL (Endowment)	\$ 399,155	\$ -	\$ -	\$ 399,155

Note 8 - Properties and Equipment

The Association’s properties and equipment consisted of the following at December 31, 2021:

Description	Cost	Accumulated Depreciation	Net Book Value
Buildings and improvements	\$ 937,206	480,377	\$ 456,829
Equipment	20,489	13,958	6,531
Vehicles	15,021	13,306	1,715
Totals	\$ 972,716	\$ 507,641	\$ 465,075

Depreciation expense for the year ended December 31, 2021 amounted to \$29,292.

ASSOCIATION FOR THE PRESERVATION OF THE ENO RIVER VALLEY, INC.

Notes to Financial Statements

December 31, 2021

Note 9 - Conservancy Land and Easements

Conservation land is real property with significant natural, cultural, and historical value. These properties are either managed in an effort to protect the natural resources along the Eno River and within the entire watershed, concentrating first on completion of the master plan for the Eno River State Park, or transferred to the State of North Carolina for inclusion in the Eno River State Park.

Land and land interests are recorded at cost if purchased or at fair value at the date of acquisition, if all or part of the land was received as a donation. Fair value is generally determined by appraisal at the time of acquisition and is not subsequently adjusted.

Conservation easements are comprised of listed rights and/or restrictions over the property that are conveyed by a property owner to the Association in perpetuity in order to protect the property as a significant natural area as defined in federal tax regulations.

The Association entered into an agreement with Orange County, North Carolina on January 24, 2012 to jointly negotiate to acquire conservation easements on lands that both the Association and Orange County have an interest in protecting. The terms of the agreement are as follows:

Orange County and the Association may undertake and agree to acquire by purchase or donation, conservation easements on lands located within areas both parties have an interest in and desire to protect.

Such conservation easements shall run in favor of both the County and the Association and shall include language protective of the interests of the County and Association as approved by the Board of County Commissioners of Orange County and the Board of Directors of the Association. Such joint easements may be enforced by either or both parties. The County and Association agree to cooperate with each other in activities necessary to assure compliance with, and enforcement of such conservation easements.

Orange County and the Association will share the cost of acquiring such easements as they shall determine on a case by case basis. Each entity shall cooperate fully with the other by all reasonable means to assist in applications for reimbursement of the acquisition costs of such joint conservation easements. Any reports or information required for either entity to seek separate reimbursement for its costs shall be paid by that entity. Each entity shall pay its own attorney fees.

The Association and Orange County hold seven conservation easements jointly under this agreement consisting of approximately 449 acres of land as of December 31, 2021.

ASSOCIATION FOR THE PRESERVATION OF THE ENO RIVER VALLEY, INC.

Notes to Financial Statements

December 31, 2021

Note 10 - Payroll Protection Program

On April 21, 2020, the Association received loan proceeds from Truist Bank in the amount of \$72,300 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provided loans to qualifying businesses for amounts up to 2.5 times their 2019 average monthly payroll expenses. The loan and accrued interest are forgivable after either an eight week or twenty-four week period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its pre-pandemic employee levels. The amount of loan forgiveness may be reduced if the borrower terminates employees or reduces salaries during the covered period.

The Association was notified by Truist Bank on May 28, 2021 that the SBA approved their PPP loan forgiveness application. Therefore, the entire amount of the original loan is presented as an increase to net assets in the Statement of Activities for the year ended December 31, 2021.

Note 11 - Net Assets with Donor Restrictions

The Organization’s net assets with donor restrictions are restricted for the following purposes as of December 31, 2021:

Margaret C. Nygard Land Protection Fund - provides funding for the purchase of conservation lands and easements consistent with the mission and strategic plan of the Association.

Allen Lloyd Fund for the Protection of the Upper Eno - provides funding for the purchase of conservation lands and easements consistent with the mission and strategic plan of the Association in the Upper Eno River watershed upstream of Hillsborough.

Stewardship Fund - provides revenue for ongoing monitoring and insurance related stewardship costs associated with properties and conservation easements owned or held by the Association, and enforcement and legal defense of its conservation easements and other property rights.

Confluence Fund - provides funding for the purchase, maintenance and improvement of the Confluence Property.

Education Fund - provides funding for educational programs for youth and adults to address, prevent, and solve environmental problems.

Land and Stewardship Fund - provides funding for land protection and conservation of the natural areas along the Eno River.

ASSOCIATION FOR THE PRESERVATION OF THE ENO RIVER VALLEY, INC.

Notes to Financial Statements

December 31, 2021

Note 11 - Net Assets with Donor Restrictions (continued)

Land Stewardship Fund - provides funding for the protection of natural ecosystems and conservation lands in the Eno River Basin.

Roberta and Herman Brown Fund - a memorial trust established to provide funds for the express purpose of purchasing land and easements in Orange County, North Carolina consistent with the mission and strategic plan of the Association, and to provide funds for revenue shortfalls or expenses that might impede the Association's normal operations. Acquisitions consistent with the purpose statement are allowed in varying amounts. Funds used towards operating expenses or shortfalls are restricted to \$25,000 in any one calendar year.

Net assets with donor restrictions are as follows for the year ending December 31, 2021:

Margaret C. Nygard Fund	\$ 199,765
Allen Lloyd Fund	3,645
Stewardship Fund	401,001
Confluence Fund	5,647
Education Fund	213,915
Land and Stewardship Fund	16,500
Land Stewardship Fund	49,740
Roberta and Herman Brown Fund	<u>1,791,687</u>
Total donor restricted net assets	\$ <u>2,681,900</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors in the amount of \$578,757 for the year ended December 31, 2021.

Note 12 – Endowment

The Board of Directors has established an endowment (the Stewardship Fund) to assist with funding of monitoring conservation land and easements held by the Association.

In accordance with the provisions of the Board's adopted Investment Policy, which outlines spending policies for the endowment assets, and in compliance with the North Carolina Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective March 2009, the Board considers the original value of gifts to endowments and the original value of subsequent gifts, after administrative fees, to be classified as net assets with donor restrictions.

ASSOCIATION FOR THE PRESERVATION OF THE ENO RIVER VALLEY, INC.

Notes to Financial Statements

December 31, 2021

Note 12 – Endowment (continued)

The Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Association and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Association
- The investment policies of the Association

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of December 31, 2021, the Association did not have any underwater endowment funds.

Investment Policy - The Association has adopted an investment policy for all investments, including its endowment funds that attempts to preserve and grow wealth over time. The policy states that funds may be invested in long-term certificates of deposit, money market funds, mutual funds, and income producing real estate.

Spending Policy - The Association's Board of Directors reviews the endowment balance regularly and approves expenditures from the fund. Funds may be spent according to the Investment Policy to cover ongoing stewardship costs associated with properties and conservation easements owned or held by the Association, and enforcement and legal defense of its conservation easements and other property rights. As stated in the Investment Policy, the Board may allocate the investment income the endowment fund earns to the stewardship program expense. The principal may be used for conservation defense expense.

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 73,000	\$ 314,905	\$ 387,905
Investment return, net	-	82,755	82,755
Contributions	-	12,449	12,449
Distribution of endowment assets pursuant to donor restrictions	-	(9,108)	(9,108)
Endowment net assets, end of year	<u>\$ 73,000</u>	<u>\$ 401,001</u>	<u>\$ 474,001</u>

ASSOCIATION FOR THE PRESERVATION OF THE ENO RIVER VALLEY, INC.

Notes to Financial Statements

December 31, 2021

Note 13 – Net Investment Return

The following schedule summarizes net investment return for the year ended December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 594	\$ 42,488	\$ 43,082
Unrealized gains	—	<u>44,564</u>	<u>44,564</u>
Net investment return	\$ <u>594</u>	\$ <u>87,052</u>	\$ <u>87,646</u>

Note 14 - Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

In the normal course of business, the Association is subject to examination by various taxing authorities. Although the outcome of tax audits is always uncertain, management believes that there are no significant unrecognized tax liabilities as of December 31, 2021. The Association files Form 990 (Return of Organization Exempt from Tax) as required by law. The Association is no longer subject to federal or state tax return examinations for years ending prior to December 31, 2018.

Note 15 – Revenue from Contracts with Customers

The Association receives revenue from contracts with customers primarily through hosting its annual special event “Festival for the Eno”. Revenue from the event is recognized at the time the event takes place. Revenue from sales of merchandise is recognized when the merchandise has been delivered to the customer. Rental income from operating leases is recognized on a straight-line basis over the lease term. For the year ended December 31, 2021, revenue from contracts with customers consisted of the following:

	<u>Amount</u>
Festival income	\$ 393,138
Merchandise sales	16,807
Rental income	<u>80,395</u>
Total	\$ <u>490,340</u>

ASSOCIATION FOR THE PRESERVATION OF THE ENO RIVER VALLEY, INC.

Notes to Financial Statements

December 31, 2021

Note 16 – Contributed Assets

The Association receives support in the form of donated items to be sold at its annual auction. These items typically consist of gift certificates, vacations, experiences, and arts and craft items. These contributions are recorded at their fair value when received in the Statement of Activities. The value of all contributed auction items was \$22,444 for the year ended December 31, 2021.

The Association records gifts of donated securities at their fair value upon receipt in the Statement of Activities. The value of donated securities for the year ended December 31, 2021 amounted to \$9,679.

Note 17 – Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated on the basis of estimates of time and effort.

Note 18 – Retirement Plan

The Association offers a qualified 403(b) retirement plan to all eligible employees. The plan covers full-time employees of the Association who have worked at least 1,000 hours each year. The Association makes a \$300 basic contribution to the plan for each employee per year. Additionally, the Association matches eligible employee contributions to the plan up to 3% of the employees' eligible compensation. The Association made contributions to the plan in the amount of \$12,921 for the year ended December 31, 2021.

Note 19 – Risks and Uncertainties

COVID-19 Pandemic

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (COVID-19). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic. This pandemic has adversely affected global economic activity and has greatly contributed to significant volatility in financial markets throughout the world. Depending on the severity and length of the outbreak, this pandemic could present material uncertainty and risk with respect to the Association including a possible adverse effect on the ability to continue with some of its overall programs.

The rapid development and fluidity of this situation precludes management from making an estimate as to the ultimate adverse impact of the pandemic on the Association's liquidity, financial condition, and results of operations for 2022.