

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

Financial Statements

December 31, 2020

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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

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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, a prior period adjustment has been made in the 2020 financial statements related to the Association for the Preservation of the Eno River Valley, Inc.'s land easements jointly held with Orange County and the net asset classification of board designated net assets. As a result, 2020 beginning of year net assets without donor restrictions and beginning of year net assets with donor restrictions have been restated to correct material misstatements in prior years. Our opinion is not modified with respect to these matters.

Steward Ingram + Cooper PLLC

Raleigh, North Carolina
September 17, 2021

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

Statement of Financial Position

December 31, 2020

<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 471,385
Accounts receivable	8,024
Prepaid expenses	8,217
Total current assets	<u>487,626</u>
Properties and equipment, net of accumulated depreciation	<u>487,483</u>
Other assets:	
Designated cash	71,505
Designated investments	1,495
Restricted cash	2,414,236
Restricted investments	314,905
Conservancy land and easements	7,723,055
Total other assets	<u>10,525,196</u>
Total assets	<u><u>\$ 11,500,305</u></u>
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable	\$ 10,098
Accrued salaries	9,375
Accrued expenses	854
Note payable - Payroll Protection Program	72,300
Total liabilities (all current)	<u>92,627</u>
<u>Net assets</u>	
Net assets without donor restrictions:	
Board designated	73,000
Undesignated net assets	8,605,537
Total net assets without donor restrictions	<u>8,678,537</u>
Net assets with donor restrictions	<u>2,729,141</u>
Total net assets	<u>11,407,678</u>
Total liabilities and net assets	<u><u>\$ 11,500,305</u></u>

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

Statements of Activities

For the year ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 294,437	\$ 2,400,928	\$ 2,695,365
Grants	100,189	-	100,189
In-kind contributions - land easements	416,725	-	416,725
In-kind contributions - other	12,743	-	12,743
Membership dues	3,655	-	3,655
Festival income	112,838	-	112,838
Merchandise sales	13,239	-	13,239
Rental income	74,418	-	74,418
Land program	7,081	-	7,081
Other program revenue	195,107	-	195,107
Net investment return	1,976	58,627	60,603
Total support and revenue	<u>1,232,408</u>	<u>2,459,555</u>	<u>3,691,963</u>
Net assets released from restrictions	75,000	(75,000)	-
Total support and revenue and reclassifications	<u>1,307,408</u>	<u>2,384,555</u>	<u>3,691,963</u>
Expenses:			
Program Services:			
Festival for the Eno	123,153	-	123,153
Outreach and communications	93,850	-	93,850
Environmental education	84,641	-	84,641
Land protection	166,264	-	166,264
Total program services	<u>467,908</u>	<u>-</u>	<u>467,908</u>
Supporting Services:			
Rental	39,051	-	39,051
Management and general	77,195	-	77,195
Fundraising	174,107	-	174,107
Total supporting services	<u>290,353</u>	<u>-</u>	<u>290,353</u>
Total expenses	<u>758,261</u>	<u>-</u>	<u>758,261</u>
Increase in net assets	549,147	2,384,555	2,933,702
Net assets at beginning of year	8,419,098	429,586	8,848,684
Prior period adjustment (Note 19)	<u>(289,708)</u>	<u>(85,000)</u>	<u>(374,708)</u>
Net assets beginning of year, as restated	8,129,390	344,586	8,473,976
Net assets at end of year	<u>\$ 8,678,537</u>	<u>\$ 2,729,141</u>	<u>\$ 11,407,678</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, 2020

	Program Services					Supporting				
	Festival For the Eno	Outreach and Communication	Environmental Education and Other programs	Land Protection	Total Program Expense	Rental	Management & General	Fundraising	Total Supporting Expense	Total Expenses
Salaries	\$ 68,798	\$ 44,440	\$ 45,710	\$ 122,233	\$ 281,181	\$ -	\$ 17,248	\$ 128,075	\$ 145,323	\$ 426,504
Payroll taxes	5,656	3,734	2,383	9,009	20,782	-	290	10,885	11,175	31,957
Employee benefits	360	232	240	640	1,472	-	92	670	762	2,234
Retirement expense	2,051	1,325	1,362	3,643	8,381	-	514	3,818	4,332	12,713
Occupancy	1,510	976	1,003	2,683	6,172	14,849	379	2,812	18,040	24,212
Depreciation	2,483	1,604	1,650	4,411	10,148	12,963	622	4,622	18,207	28,355
Professional fees	19,814	4,057	7,240	-	31,111	3,564	14,438	7,723	25,725	56,836
Promotions and exhibits	16,208	1,820	-	-	18,028	-	-	-	-	18,028
Other program expenses	274	1,587	-	850	2,711	-	-	-	-	2,711
Insurance	3,635	-	8,576	1,046	13,257	3,630	3,654	-	7,284	20,541
Supplies and materials	-	13,801	6,150	2,021	21,972	-	10,873	-	10,873	32,845
Calendars and journals	-	6,267	-	-	6,267	-	-	-	-	6,267
Equipment rental	-	-	1,100	-	1,100	-	-	-	-	1,100
Telephone and utilities	-	-	-	312	312	-	2,532	-	2,532	2,844
Postage	-	1,177	-	-	1,177	-	3,909	-	3,909	5,086
Printing	-	6,415	-	-	6,415	-	121	-	121	6,536
Office expenses	-	-	-	-	-	-	2,745	15,502	18,247	18,247
Conferences and meetings	-	-	-	-	-	-	4,740	-	4,740	4,740
Repairs and maintenance	-	-	-	-	-	4,045	5,355	-	9,400	9,400
Advertising	-	6,415	1,520	-	7,935	-	-	-	-	7,935
Travel and transportation	-	-	4,311	-	4,311	-	881	-	881	5,192
Meals	-	-	3,396	-	3,396	-	-	-	-	3,396
Land protection	-	-	-	19,166	19,166	-	-	-	-	19,166
Property taxes	-	-	-	142	142	-	125	-	125	267
License and fees	2,364	-	-	108	2,472	-	4,307	-	4,307	6,779
Dues	-	-	-	-	-	-	4,370	-	4,370	4,370
	<u>\$ 123,153</u>	<u>\$ 93,850</u>	<u>\$ 84,641</u>	<u>\$ 166,264</u>	<u>\$ 467,908</u>	<u>\$ 39,051</u>	<u>\$ 77,195</u>	<u>\$ 174,107</u>	<u>\$ 290,353</u>	<u>\$ 758,261</u>

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

Statements of Cash Flows

For the year ended December 31, 2020

Cash flows from operating activities:	
Support from contributions and grants	\$ 3,225,022
Program service revenue	400,530
Employee compensation paid	(416,780)
Other operating expenses paid	(307,435)
Purchases of conservation land and easements	(559,875)
Interest and other income collected	1,976
	<hr/>
Net cash provided by operating activities	2,343,438
Cash flows from investing activities:	
Purchases of properties and equipment	(1,662)
Interest income	1,763
Dividends reinvested	4,135
	<hr/>
Net cash provided by investing activities	4,236
Cash flows from financing activities:	
Proceeds received from Paycheck Protection Loan	72,300
	<hr/>
Net cash provided by financing activities	72,300
Net change in cash, cash equivalents, designated, and restricted cash	
	2,419,974
Cash, cash equivalents, designated, and restricted cash beginning of year	
	<hr/> 537,152
Cash, cash equivalents, designated, and restricted cash end of year	
	<hr/> <hr/> \$ 2,957,126
<u>Reconciliation of cash, cash equivalents, designated, and restricted cash to amounts reported in the statement of financial position:</u>	
Cash and cash equivalents	\$ 471,385
Designated cash	71,505
Restricted cash	2,414,236
Total cash, cash equivalents, designated, and restricted cash	<hr/> <hr/> \$ 2,957,126

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2020

Note 1 – Summary of Significant Accounting Policies

This summary of significant accounting policies of Association for the Preservation of the Eno 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 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. The festival was cancelled in 2020 due to the COVID-19 pandemic. 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, 2020, the Association had a balance in excess of the federally insured limit of \$2,457,125.

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

Notes to Financial Statements

December 31, 2020

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 that an allowance for doubtful accounts was not necessary as of December 31, 2020.

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.

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.

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

Notes to Financial Statements

December 31, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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.

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

Notes to Financial Statements

December 31, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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

Paycheck 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"). On May 28, 2021, the Association received forgiveness of this loan in full.

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

Notes to Financial Statements

December 31, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Subsequent Events (continued)

Other

The Organization has evaluated all subsequent events through September 17, 2021, the date the financial statements were available to be issued.

Note 2 - Recent Accounting Pronouncements

Adoption of New Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). This update has been further amended and clarified by ASU No.'s 2015-14, 2016-08, 2016-10 and 2016-12. These updates require revenue recognition to be more closely aligned with the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to receive in exchange for those goods or services. The updates also require additional disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, along with any significant judgments and assets recognized from costs incurred to obtain or fulfill a contract.

On January 1, 2020, the Association adopted ASU 2014-09, *Revenue from Contracts with Customers ("Topic 606")*. The Association adopted this standard and all related amendments using the modified retrospective method. The modified retrospective transition method is applied on a prospective basis from the adoption date and does not restate information reported in prior years. Any contracts with customers that were not complete as of the adoption date are reviewed and the Association recognizes the cumulative effect of initially applying the new standard as an adjustment to the opening balance of net assets without donor restrictions. The Association evaluated all contracts outstanding as of January 1, 2020, and did not identify any required adjustments as a result of adopting ASU 2014-09.

In June 2018, the FASB issued ASU 2018-08, *Not-for Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update clarifies how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred.

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

Notes to Financial Statements

December 31, 2020

Note 2 - Recent Accounting Pronouncements (continued)

Adoption of New Accounting Standards

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”). The FASB issued ASU 2016-15 to improve U.S. GAAP by providing guidance on the cash flow statement classification of eight specific areas where there is existing diversity in practice. The FASB expects that the guidance in this ASU will reduce the current and potential future diversity in practice in such areas.

On January 1, 2020, the Association adopted ASU’s 2018-08, and 2016-15, as management believes these standards improve the usefulness and understandability of the Association’s financial reporting. The adoption of these standards did not have a material impact on the Association’s financial statements.

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 associations 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.

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.

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

Notes to Financial Statements

December 31, 2020

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, 2020 is as follows:

Board designated for stewardship fund	\$ <u>71,505</u>
Margaret Nygard fund	63,575
Allen Lloyd fund	3,145
Confluence fund	3,997
Roberta and Herman Brown fund	<u>2,343,519</u>
Total restricted cash	<u>2,414,236</u>
Total designated and restricted cash	\$ <u>2,485,741</u>
Board designated investments held with TIAA-CREF	\$ 1,495
Restricted investments held with TIAA-CREF	<u>314,905</u>
Total designated and restricted investments	\$ <u>316,400</u>

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	\$ 471,385
Accounts receivable	<u>8,024</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>479,409</u>

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

Notes to Financial Statements

December 31, 2020

Note 4 – Liquidity and Availability (continued)

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	2,414,236
Restricted investments	<u>314,905</u>
Total financial assets not available to meet general expenditures within one year due to certain restrictions	\$ <u>2,802,141</u>

Note 5 - Accounts Receivable

Accounts receivable consist of sales tax refunds receivable in the amount of \$1,216 and rental income receivable in the amount of \$6,808 as of December 31, 2020.

Note 6 – 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.

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

Notes to Financial Statements

December 31, 2020

Note 6 – Fair Value Measurements and Disclosures (continued)

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

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, 2020:

Asset Type and Class	Level 1	Level 2	Level 3	Totals
TIAA-CREF Social Choice Equity Fund - RTL (Endowment)	\$ 316,400	\$ -	\$ -	\$ 316,400

Note 7 - Properties and Equipment

The Association’s properties and equipment consisted of the following at December 31, 2020:

Description	Cost	Accumulated Depreciation	Net Book Value
Buildings and improvements	\$ 930,323	454,354	\$ 475,969
Equipment	36,514	27,695	8,819
Vehicles	15,021	12,326	2,695
Totals	\$ 981,858	\$ 494,375	\$ 487,483

Depreciation expense for the year ended December 31, 2020 amounted to \$28,354.

Note 8 - 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.

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

Notes to Financial Statements

December 31, 2020

Note 8 - Conservancy Land and Easements (continued)

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, 2020.

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Notes to Financial Statements

December 31, 2020

Note 9 - Note Payable - 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.

Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Association has met conditions of forgiveness of this loan, and subsequently received forgiveness on May 28, 2021. Because the loan was forgiven in 2021, the entire amount of the loan is presented in current liabilities on the Statement of Financial Position.

Note 10 - Net Assets with Donor Restrictions

The Organization’s net assets with donor restrictions are restricted for the following purposes as of December 31, 2020:

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.

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

Notes to Financial Statements

December 31, 2020

Note 10 - Net Assets with Donor Restrictions (continued)

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, 2020:

Margaret C. Nygard Fund	\$ 63,575
Allen Lloyd Fund	3,145
Stewardship Fund	314,905
Confluence Fund	3,997
Roberta and Herman Brown Fund	<u>2,343,519</u>
Total donor restricted net assets	\$ <u>2,729,141</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors in the amount of \$75,000 for the year ended December 31, 2020.

Note 11 – 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.

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

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

Notes to Financial Statements

December 31, 2020

Note 11 – Endowment (continued)

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, 2020, 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, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 73,000	\$ 242,927	\$ 315,927
Investment return, net	-	52,729	52,729
Contributions	-	19,249	19,249
Distribution of endowment assets pursuant to donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	\$ <u>73,000</u>	\$ <u>314,905</u>	\$ <u>387,905</u>

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

Notes to Financial Statements

December 31, 2020

Note 12 – Net Investment Return

The following schedule summarizes net investment return for the year ended December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 1,976	\$ 10,032	\$ 12,008
Unrealized gains	—	<u>48,595</u>	<u>48,595</u>
Net investment return	\$ <u>1,976</u>	\$ <u>58,627</u>	\$ <u>60,603</u>

Note 13 - 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, 2020. 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, 2017.

Note 14 – 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. Due to the COVID-19 pandemic, the event did not take place in 2020, however, the Association created a virtual event in its place (One Eno). Revenue from sales of merchandise is recognized when the merchandise has been delivered to the customer. For the year ended December 31, 2020, revenue from contracts with customers consisted of the following:

	<u>Amount</u>
Festival income (One Eno)	\$ 112,838
Merchandise sales	<u>13,239</u>
Total	\$ <u>126,077</u>

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

Notes to Financial Statements

December 31, 2020

Note 15 – Contributed Assets

The Organization 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 \$12,743 for the year ended December 31, 2020. These items were subsequently sold at auction for \$10,739.

Note 16 – 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 17 – Retirement Plan

The Organization 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 Organization made contributions to the plan in the amount of \$12,713 for the year ended December 31, 2020.

Note 18 – 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 operating performance.

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 2021.

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

Notes to Financial Statements

December 31, 2020

Note 19 - Prior Period Adjustment

The statement of financial position and statement of activities have been restated to correct an error related to land easements jointly held with Orange County, North Carolina. In financial statements issued prior to 2020, the Association recorded the entire interest in conservation easements owned together with Orange County as conservancy land and easements on the statement of financial position. Orange County's portion of the easement was incorrectly reported as contribution revenue. Correcting this error decreased conservancy land and easements and decreased net assets without donor restrictions by \$374,708.

The statement of activities has been restated to correct an error in net asset classification of board designated net assets. In prior financial statements, board designated net assets were incorrectly classified as net assets with restrictions. As of January 1, 2020, \$85,000 has been reclassified as net assets without donor restrictions.