

NORTH CAROLINA CONSERVATION NETWORK

FINANCIAL STATEMENTS

for the year ended December 31, 2021

NORTH CAROLINA CONSERVATION NETWORK

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Langdon & Company ^{LLP}
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
North Carolina Conservation Network

Opinion

We have audited the accompanying financial statements of North Carolina Conservation Network (the "Network"), 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 North Carolina Conservation Network 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 the Network 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 the Network's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

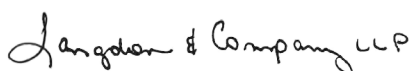
In performing an audit in accordance with generally accepted auditing standards, we:

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

Summarized Comparative Information

We have previously audited the North Carolina Conservation Network's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 6, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Garner, North Carolina
May 11, 2022

NORTH CAROLINA CONSERVATION NETWORK

STATEMENT OF FINANCIAL POSITION

as of December 31, 2021
with comparative totals as of December 31, 2020

	ASSETS		LIABILITIES AND NET ASSETS	
	2021	2020	2021	2020
Current assets:				
Cash and cash equivalents	\$ 2,622,163	\$ 3,372,745	\$ 490	\$ 5,585
Certificates of deposit	3,046,679	1,037,719	47,943	44,397
Contributions receivable	34,409	26,926	7,300	12,150
Grants receivable	162,500	100,000		
Prepaid expenses	28,405	55,198	-	72,540
Total current assets	5,894,156	4,592,588	55,733	134,672
Property and equipment:				
Furniture and equipment	103,787	103,787		
Website	15,510	15,510		
	119,297	119,297		
Less accumulated depreciation and amortization	78,832	63,325		
Net property and equipment	40,465	55,972		
Other assets:				
Grants receivable in one to five years	300,000	-		
Security deposit	15,000	15,000		
Total other assets	315,000	15,000		
Total assets	\$ 6,249,621	\$ 4,663,560		
Current liabilities:				
Accounts payable				
Accrued liabilities				
Deferred membership dues				
Current installments of Paycheck Protection Program (PPP) loan				
Total current liabilities				
Noncurrent liabilities:				
Paycheck Protection Program (PPP) loan, less current maturities			-	151,859
Total noncurrent liabilities			-	151,859
Total liabilities			55,733	286,531
Net assets:				
Without donor restrictions:				
Undesignated			2,375,651	1,152,705
Board-designated contingency fund			3,235,891	2,876,783
With donor restrictions			582,346	347,541
Total net assets			6,193,888	4,377,029
Total liabilities and net assets			\$ 6,249,621	\$ 4,663,560

The accompanying notes are an integral part of the financial statements.

NORTH CAROLINA CONSERVATION NETWORK

STATEMENT OF ACTIVITIES

**for the year ended December 31, 2021
with comparative totals for 2020**

	2021		2020	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Public support and revenue				
Public support:				
Grants	\$ 65,000	\$ 1,044,300	\$ 1,109,300	\$ 643,900
Contributions	2,248,347	50,000	2,298,347	2,133,378
Total public support	2,313,347	1,094,300	3,407,647	2,777,278
Revenue:				
Membership dues	50,025	-	50,025	46,930
Interest	13,859	-	13,859	31,947
Gain on extinguishment of debt (PPP - Note 1)	224,399	-	224,399	-
Miscellaneous	656	-	656	7,644
Total revenue	288,939	-	288,939	86,521
Net assets released from restrictions	859,495	(859,495)	-	-
Total public support and revenue	3,461,781	234,805	3,696,586	2,863,799
Expenses				
Program services	1,547,807	-	1,547,807	2,175,048
Management and general	245,690	-	245,690	350,135
Fundraising	86,230	-	86,230	119,361
Total expenses	1,879,727	-	1,879,727	2,644,544
Change in net assets	1,582,054	234,805	1,816,859	219,255
Net assets, beginning of year	4,029,488	347,541	4,377,029	4,157,774
Net assets, end of year	\$ 5,611,542	\$ 582,346	\$ 6,193,888	\$ 4,377,029

*The accompanying notes are an integral
part of the financial statements.*

NORTH CAROLINA CONSERVATION NETWORK

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 2021
with comparative totals for 2020

	2021			2020	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>	<u>Grand Total</u>
Salaries and benefits	\$ 1,170,344	\$ 174,482	\$ 72,571	\$ 1,417,397	\$ 1,364,431
Projects	97,766	2,220	923	100,909	729,645
Rent	106,036	15,808	6,575	128,419	127,782
Organizing	135,547	9,399	3,909	148,855	239,201
Professional services	-	21,827	-	21,827	103,839
Contracts and maintenance	1,743	380	108	2,231	1,541
Board and staff development	1,803	1,803	-	3,606	10,704
Printing	2,684	400	166	3,250	3,767
Communication	7,324	1,092	454	8,870	8,368
Insurance	-	4,497	-	4,497	4,356
Depreciation and amortization	12,804	1,909	794	15,507	14,391
Dues and subscriptions	-	10,121	-	10,121	9,785
Travel, meals, and lodging	1,310	195	81	1,586	3,891
Meetings	4,498	671	279	5,448	12,239
Supplies & Other Expenses	5,948	886	370	7,204	10,604
Total expenses	\$ 1,547,807	\$ 245,690	\$ 86,230	\$ 1,879,727	\$ 2,644,544

*The accompanying notes are an integral
part of the financial statements.*

NORTH CAROLINA CONSERVATION NETWORK

STATEMENT OF CASH FLOWS

for the year ended December 31, 2021
with comparative totals for 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from contributors, grantors and programs	\$ 3,083,495	\$ 3,043,276
Cash paid to employees and suppliers	(1,838,976)	(2,658,243)
Interest and dividends received	13,859	31,947
Net cash provided by operating activities	<u>1,258,378</u>	<u>416,980</u>
Cash flows from investing activities:		
Purchases of certificates of deposit	(2,008,960)	(16,383)
Purchases of property and equipment	-	(24,898)
Net cash used in investing activities	<u>(2,008,960)</u>	<u>(41,281)</u>
Cash flows from financing activities:		
PPP loan proceeds	-	224,399
Net cash provided by financing activities	<u>-</u>	<u>224,399</u>
Net (decrease) increase in cash	(750,582)	600,098
Cash at beginning of year	<u>3,372,745</u>	<u>2,772,647</u>
Cash at end of year	<u>\$ 2,622,163</u>	<u>\$ 3,372,745</u>
Supplemental disclosure of noncash investing and financing activities:		
Non-cash financing activities - PPP forgiveness	<u>\$ 224,399</u>	<u>\$ -</u>

*The accompanying notes are an integral
part of the financial statements.*

NORTH CAROLINA CONSERVATION NETWORK

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The North Carolina Conservation Network (the "Network") is a not-for-profit organization organized under the General Statutes of North Carolina. The Network was organized through a collaborative effort of North Carolina conservation, environmental justice, and community groups.

The Network supports, trains, and coordinates diverse groups and directly advocates to achieve equitable and sustainable solutions for the environment. Through the efforts of the Network, diverse groups engage in environmental policy decision-making at all levels of government. The result: a North Carolina committed to improving and protecting the state's vast natural resources; fostering environmental justice; and ensuring healthy, sustainable communities with a high quality of life. The Network is the catalyst for active environmental collaboration that ensures state and local officials regularly adopt strong environmental policies and programs. The majority of the Network's revenue is grants and contributions from foundations, corporations, and individuals.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. As discussed in Note 5, the governing board has designated, from net assets without donor restrictions, net assets for a contingency fund.

Net Assets With Donor Restrictions – Net assets subject to donor-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. 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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Network considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Network maintains its cash and cash equivalents and certificates of deposit in various bank deposit accounts which, at times, may exceed federally insured limits of \$250,000. The Network has not experienced any losses in such accounts.

NORTH CAROLINA CONSERVATION NETWORK

NOTES TO FINANCIAL STATEMENTS

1. **OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Certificates of Deposit

The Network held certificates of deposit totaling \$3,046,679 and \$1,037,719 as of December 31, 2021 and 2020, respectively. The certificates of deposit bear interest at 0.40% and have maturity dates ranging from March through December 2022.

Property and Equipment

Property and equipment are recorded at cost on the date of acquisition. Maintenance, repairs, and minor improvements are expensed as incurred. Gains or losses on dispositions are included in the statement of activities. Depreciation and amortization are computed using the straight line method over the estimated useful life of the respective assets. Purchases of \$1,000 or more are capitalized and depreciated. Rates of depreciation are based on estimated useful lives of 4 to 7 years.

Receivables and Revenue

Contributions and Grants

Contributions and grants are recorded as revenue without donor restrictions or revenue with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in the next year, are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value using a risk adjusted discount rate. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions and grants receivable consist of unconditional promises to give and are stated at unpaid balances, less an allowance for doubtful accounts. All are expected to be collected; thus, no allowance for doubtful accounts is necessary. Contributions and grants receivable, due in subsequent years, are reported at the present value of their net realizable value using a risk adjusted discount rate. One hundred percent of grants receivable was due from one grantor at December 31, 2021 and 2020.

Donated Assets and Services

In-kind contributions of services, materials, or facilities that meet the recording criteria as defined by accounting guidance are recorded at their estimated fair market value on the date of the donation. Such contributions are recorded as in-kind contributions and a corresponding expense on the statement of activities. The Network recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals

NORTH CAROLINA CONSERVATION NETWORK

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Revenue (Continued)

Donated Assets and Services (Continued)

possessing those skills and would typically need to be purchased if not contributed. Volunteers and members of the community perform various services for the Network, and these services are significant and form an integral part of the efforts of the Network. The Network does not control the activities of the volunteers as it would paid employees, and there is not a clearly measurable basis for an amount of contributed services to be recorded. Therefore, the Network does not record the amount of volunteer services rendered as a contribution and a corresponding amount as an expense.

Revenue from Contracts with Customers

Revenue from contracts with customers is disaggregated by type on the Statement of Activities for the year ended December 31, 2021 and 2020.

Membership Dues

The Network recognizes membership dues at a point in time when performance obligations are met for related benefits. The performance obligations consist of providing members coalition building, one-on-one consultations, job postings, weekly alerts, webinars, event postings, a news digest, and legislative updates. Revenue recognized for membership dues totaled \$50,025 and \$46,930 as of December 31, 2021 and 2020, respectively.

The Network assesses certain economic factors and the potential for significant changes in those economic factors and its impact on the nature, amount, timing and uncertainty of revenue and cash flows. These factors have been assessed and management feels they have limited impact on the performance of the Network.

Deferred Revenue

Dues paid in advance are deferred to the membership period to which they relate. Due to the nature and timing of performance and/or transfer of services and products, substantially all contract liabilities at December 31 of each year are recognized in the following year.

Income Taxes

The Network is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. There is no unrelated business income tax for the years ending December 31, 2021 and 2020.

NORTH CAROLINA CONSERVATION NETWORK

NOTES TO FINANCIAL STATEMENTS

1. **OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Income Taxes *(Continued)*

The Network evaluates any uncertain tax positions. Accordingly, the Network's policy is to record a liability for any tax position taken that is beneficial to the Network, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2021 or 2020.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets 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 vary from the estimates that were assumed in preparing the financial statements.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. 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.

Expenses that are allocated include salaries and benefits, projects, rent, organizing, contracts and maintenance, printing, communication, depreciation and amortization, travel, meals, and lodging, meetings, and supplies and other expenses, which are all allocated on the basis of estimates of time and effort.

Comparative Totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Network's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

NORTH CAROLINA CONSERVATION NETWORK

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Paycheck Protection Program (“PPP”)

Funds received pursuant to PPP under Division A, Title I of the CARES Act, enacted March 27, 2020 have been recorded as debt. Interest will be recorded at the stated interest rate of 1%. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The loan was forgiven, and the Network was legally released in April 2021. The Network has recognized gain on extinguishment of debt of \$224,399 in the accompanying statement of activities.

2. LIQUIDITY AND AVAILABILITY

The Network is substantially supported by restricted contributions and grants. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Network must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Network’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Network invests cash in excess of daily requirements in short-term investments. In accordance with the Network’s fund management policy, the board designates a portion of any operating surplus to its contingency fund, which may be drawn upon in the event of an immediate liquidity need.

The following reflects the Network’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include the board-designated contingency fund, which could be drawn upon if the governing board approves that action.

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,622,163	\$ 3,372,745
Certificates of deposit	3,046,679	1,037,719
Contributions receivable	34,409	26,926
Grants receivable	162,500	100,000
	<u>5,865,751</u>	<u>4,537,390</u>
Less amounts not available to be used within one year, due to:		
Donor-imposed restrictions	(419,846)	(347,541)
Board-designated contingency fund	(3,235,891)	(2,876,783)
	<u>(3,655,737)</u>	<u>(3,224,324)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,210,014</u>	<u>\$ 1,313,066</u>

NORTH CAROLINA CONSERVATION NETWORK

NOTES TO FINANCIAL STATEMENTS

3. DEFINED CONTRIBUTION PLAN

Regular full-time employees become eligible for establishing a SIMPLE IRA retirement plan on the first day of their employment with the Network. Employees have the option to make their own pre-tax contributions to their SIMPLE IRA accounts each pay period. The Network matches three percent of the employee's compensation. In the case of financial hardship and in accordance with federal law, the Network has the ability to reduce the match to not less than one percent of employees' compensation for two out of every five years. The Network will give sixty days' notice before the new calendar year begins on January 1 before making a change in matching requirements. Total employer contributions were \$31,772 and \$30,033 for the year ended December 31, 2021 and 2020, respectively.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of December 31:

	<u>2021</u>	<u>2020</u>
Subject to the passage of time	\$ 462,500	\$ 198,905
Clean energy	114,471	89,669
Environmental Justice Project	-	53,960
Public education & engagement	-	5,007
Communications	5,375	-
Total	<u>\$ 582,346</u>	<u>\$ 347,541</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specific by the donors as follows for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subject to the passage of time	\$ 198,905	\$ 871,096
Subject to expenditure for specified purpose:		
Water resources	12,000	14,857
Clean energy	475,197	396,035
Brain trust	-	10,000
PFAS cleanup	5,007	24,993
Virtual event	-	10,000
Environmental justice project	158,761	61,846
Civic engagement	-	50,000
Communications	9,625	15,000
Total	<u>\$ 859,495</u>	<u>\$ 1,453,827</u>

5. GOVERNING BOARD DESIGNATIONS

The Network's governing board has designated, from net assets without donor restrictions, \$3,235,891 and \$2,876,783 for a contingency fund at December 31, 2021 and 2020, respectively.

NORTH CAROLINA CONSERVATION NETWORK

NOTES TO FINANCIAL STATEMENTS

6. OPERATING LEASES

The Network is committed under a non-cancelable operating lease expiring in August 2022 for office space in a building owned by an unrelated third party. The lessor provided office space to the Network based on an escalating rent payment schedule. Additionally, the Network is committed under a non-cancelable operating lease expiring in April 2024 for a copier.

Future minimum lease payments for the years ended December 31 are as follows:

2022	\$	82,341
2023		1,904
2024		555
Total	\$	<u>84,800</u>

The foregoing rentals exclude monthly charges by the lessor for the Network's portion of real estate taxes and certain lessor operating expenses. Rental expense for the years ended December 31, 2021 and 2020 was \$128,419 and \$127,782, respectively.

Subsequent to year end, the Network entered into a one-year renewal of the office lease referenced above, with an effective date of September 1, 2022 and a monthly rent amount of \$10,318 for a total of \$123,816 over the term of the agreement.

7. CONTINGENCY

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Network is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Network's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Network's contributors, affiliates, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Network's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 11, 2022, the date which the financial statements are available for issue.