

THREE RIVERS LAND TRUST, INC.

FINANCIAL STATEMENTS

December 31, 2020 and 2019

THREE RIVERS LAND TRUST, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Three Rivers Land Trust, Inc.
Salisbury, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of Three Rivers Land Trust, Inc., North Carolina, as of and for the year ended December 31, 2020; and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of Three Rivers Land Trust, Inc., North Carolina, as of December 31, 2020, and the respective changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Three Rivers Land Trust, Inc., North Carolina's basic financial statements. The Schedule of federal and State Financial Assistance is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of federal and State Financial Assistance is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, based on my audit, The Schedule of federal and State Financial Assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 8, 2021, on my consideration of the Three Rivers Land Trust, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Three Rivers Land Trust, Inc.'s internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 13 to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. My opinion is not modified with respect to this matter.

Eddie Carrick, CPA

Lexington, North Carolina

July 8, 2021

THREE RIVERS LAND TRUST, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Assets		
Cash and cash equivalents	\$ 1,454,344	\$ 185,750
Cash and cash equivalents - restricted	2,372,888	2,550,152
Investments	1,849,531	1,596,606
Grants and other receivables	4,229	2,811
Property and equipment, net	110,586	79,536
Land & mineral rights	22,879,664	21,997,416
Beneficial interest in assets held by others	65,710	50,747
Total Assets	<u>\$ 28,736,952</u>	<u>\$ 26,463,018</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 19,863	\$ 15,534
Total Liabilities	<u>19,863</u>	<u>15,534</u>
 Net Assets		
Without donor restrictions		
Board designated - Conservation/Stewardship funds	2,343,763	1,628,870
Undesignated	24,000,438	22,268,462
	<u>26,344,201</u>	<u>23,897,332</u>
With donor restrictions	2,372,888	2,550,152
	<u>28,717,089</u>	<u>26,447,484</u>
Total Liabilities and Net Assets	<u>\$ 28,736,952</u>	<u>\$ 26,463,018</u>

See accompanying notes and independent auditor's report.

THREE RIVERS LAND TRUST, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUES, AND GAINS			
Contributions and grants	\$ 4,438,137	\$ -	\$ 4,438,137
Special events, net	10,667	-	10,667
Investment income (loss)	285,613	-	285,613
Land management income	151,311	-	151,311
Sale of land and easements, net			
Proceeds	278,180	-	278,180
Carrying values	(271,513)	-	(271,513)
Net assets released from restrictions	177,264	(177,264)	-
Total support, revenues and gains	5,069,659	(177,264)	4,892,395
EXPENSES, DISTRIBUTIONS, AND LOSSES			
Program services			
Land Conservation	2,300,464	-	2,300,464
Land protection transfers	38,345	-	38,345
	2,338,809		2,338,809
Supporting services			
Management and General	161,917	-	161,917
Fundraising services	122,064	-	122,064
Total expenses, distributions, and losses	2,622,790	-	2,622,790
Change in net assets	2,446,869	(177,264)	2,269,605
Net assets at beginning of year	23,897,332	2,550,152	26,447,484
Net assets at end of year	\$ 26,344,201	\$ 2,372,888	\$ 28,717,089

See accompanying notes and independent auditor's report.

THREE RIVERS LAND TRUST, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUES, AND GAINS			
Contributions and grants	\$ 5,256,742	\$ 1,053,030	\$ 6,309,772
Special events, net	8,111	-	8,111
Investment income (loss)	224,708	-	224,708
Land management income	223,703	-	223,703
Sale of land and easements, net			
Proceeds	-	-	-
Carrying values	-	-	-
Net assets released from restrictions	-	-	-
	<u>5,713,264</u>	<u>1,053,030</u>	<u>6,766,294</u>
EXPENSES, DISTRIBUTIONS, AND LOSSES			
Program services			
Land Conservation	2,706,363	-	2,706,363
Land protection transfers	1,527,530	-	1,527,530
	<u>4,233,893</u>	<u>-</u>	<u>4,233,893</u>
Supporting services			
Management and General	179,023	-	179,023
Fundraising services	88,264	-	88,264
	<u>4,501,180</u>	<u>-</u>	<u>4,501,180</u>
Change in net assets	1,212,084	1,053,030	2,265,114
Net assets at beginning of year	8,588,879	1,497,122	10,086,001
Merger with Sandhill Area Land Trust	14,096,369	-	14,096,369
Net assets at end of year	<u>\$ 23,897,332</u>	<u>\$ 2,550,152</u>	<u>\$ 26,447,484</u>

See accompanying notes and independent auditor's report.

THREE RIVERS LAND TRUST, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Depreciation	\$ 14,531	\$ 4,844	\$ -	\$ 19,374
Dues and subscriptions	4,208	1,403	-	5,610
Insurance	10,823	3,608	-	14,431
Insurance - health	32,709	10,903	-	43,612
Land Stewardship				
Easement expenses	1,525,843	-	-	1,525,843
Land protection	145,156	-	-	145,156
Property taxes	15,550	-	-	15,550
Site assessments	3,985	-	-	3,985
Surveys and appraisals	60,062	-	-	60,062
Loss on fixed asset disposal	-	9,187	-	9,187
Miscellaneous	14,508	4,836	-	19,344
Newsletters	17,928	-	-	17,928
Office supplies	15,824	5,275	-	21,098
Postage	3,500	1,167	-	4,667
Professional fees	25,820	8,607	-	34,427
Promotions and marketing	19,576	6,525	-	26,101
Rent	14,033	4,678	-	18,711
Salaries and payroll taxes	361,938	96,063	122,064	580,065
Telephone	2,728	909	-	3,637
Travel	10,821	3,607	-	14,428
Utilities	922	307	-	1,229
	<u>2,300,464</u>	<u>161,917</u>	<u>122,064</u>	<u>2,584,445</u>
Land protection transfers	38,345	-	-	38,345
	<u>\$ 2,338,809</u>	<u>\$ 161,917</u>	<u>\$ 122,064</u>	<u>\$ 2,622,790</u>

See accompanying notes and independent auditor's report.

THREE RIVERS LAND TRUST, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Program Services	Supporting Services Management and General	Fundraising	Total
Depreciation	\$ 12,045	\$ 4,015	\$ -	\$ 16,060
Dues and subscriptions	3,663	1,221	-	4,884
Insurance	13,346	4,449	-	17,794
Insurance - health	28,502	9,501	-	38,002
Land Stewardship				
Easement expenses	2,027,820	-	-	2,027,820
Land protection	53,798	-	-	53,798
Property taxes	8,818	-	-	8,818
Site assessments	1,500	-	-	1,500
Surveys and appraisals	105,490	-	-	105,490
Loss on fixed asset disposal	-	-	-	-
Miscellaneous	15,050	5,017	-	20,067
Newsletters	14,664	-	-	14,664
Office supplies	9,258	3,086	-	12,344
Postage	1,722	574	-	2,296
Professional fees	62,137	20,712	-	82,849
Promotions and marketing	16,417	5,472	-	21,889
Rent	18,356	6,119	-	24,475
Salaries and payroll taxes	296,049	112,948	88,264	497,261
Telephone	3,431	1,144	-	4,574
Travel	14,299	4,766	-	19,065
Utilities	-	-	-	-
	<u>2,706,363</u>	<u>179,023</u>	<u>88,264</u>	<u>2,973,650</u>
Land protection transfers	<u>1,527,530</u>	<u>-</u>	<u>-</u>	<u>1,527,530</u>
	<u>\$ 4,233,893</u>	<u>\$ 179,023</u>	<u>\$ 88,264</u>	<u>\$ 4,501,180</u>

See accompanying notes and independent auditor's report.

THREE RIVERS LAND TRUST, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,269,605	\$ 2,265,114
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	19,374	16,060
In kind donation of land	(1,108,000)	(284,452)
(Gain) loss on sale of equipment	9,187	-
(Gain) loss on sale of land	(6,667)	-
(Gain) loss on investments	(233,052)	(191,817)
Beneficial interest in assets held by others	(14,963)	-
(Increase) decrease in operating assets:		
Grants and other receivables	(1,418)	(185)
Increase (decrease) in operating liabilities:		
Accounts payable	4,327	5,361
Net cash provided (used) by operating activities	<u>938,393</u>	<u>1,810,081</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,522,218	1,274,824
Purchase of investments	(1,524,046)	(1,197,020)
Purchase of equipment/vehicle	(59,609)	(27,446)
Proceeds from sale of land	278,180	-
Purchase of land and options	(63,806)	(500,000)
Cash received in merger	-	466,745
Net cash provided (used) by investing activities	<u>152,937</u>	<u>17,103</u>
Net increase (decrease) in cash	1,091,330	1,827,184
Cash and Cash Equivalents at beginning of year	<u>2,735,902</u>	<u>908,718</u>
Cash and Cash Equivalents at end of year	<u>\$ 3,827,232</u>	<u>\$ 2,735,902</u>

See accompanying notes and independent auditor's report.

THREE RIVERS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note 1 – Organization and Nature of Business

The Three Rivers Land Trust, Inc (the Organization) was established in 1995 to preserve the rural landscapes of the South-Central Piedmont (consists of ten contiguous counties) by working with private and public landowners to fund and preserve the agricultural and natural lands, historic sites and open space that define the region's character. The Organization is supported primarily through contributions from individuals, corporations and foundations and grants. On July 12, 2019, Sandhills Area Land Trust, Inc. merged with the Organization which expanded the organization's outreach to six additional counties in the Sandhills region of North Carolina.

Note 2 – Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Codification of Financial Accounting Standards ASC 958, as amended by ASU 2016-14. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of twelve months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchases of property and equipment, payment of long-term debt, or endowment.

Concentration of Contributions or Grants

Approximately 45% of the Organization's contributions and grants support were concentrated among one donor and three government grants for the year ended December 31, 2020.

Approximately 80% of the Organization's contributions and grants support were concentrated among four donors and one government grant for the year ended December 31, 2019.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2 – Significant Accounting Policies (continued)

Conservation Easements (“Zero Value” Assets)

The Organization receives donations of conservation easements from landowners. Occasionally the easements received may be partially or entirely paid for by the LandTrust. Conservation easements typically assign the development rights of land to the LandTrust, thereby protecting it from development by current or future landowners. Although the removal of development rights of land has a measurable devaluation to the landowner (who surrenders its rights), they have no attainable value to the LandTrust. There is no market or market value for the easements in the hands of the LandTrust and the easements in fact impose a financial burden on the Organization. Easement donors, while helping the LandTrust satisfy conservation objectives, actually impose financial responsibilities on the Organization through their ongoing monitoring requirements. Therefore, easements acquired by the LandTrust (whether purchased or donated) are accounted as “zero value” assets and are, therefore, not reflected in the Organization’s financial statements.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Services

A substantial number of people have contributed significant amounts of time to the activities of the Organization without compensation. The financial statements do not reflect the value of those contributed services because, although clearly substantial, no reliable basis exists for determining an appropriate amount.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2 – Significant Accounting Policies (Continued)

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. In addition, the Organization 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).

Investments

The Organization accounts for investments in accordance with FASB ASC 958-320. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statements of Financial Position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the Statement of Activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for major renewals and betterments are capitalized. Depreciation is provided on the straight-line method over the following estimated useful lives:

Office Furniture and Equipment	5 to 7 years
Vehicles	5 years

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Salary Deferral Plan

The Organization sponsors a Section 403(b) salary reduction plan (the Plan) covering all full-time employees with at least 6 months of service who agree to make contributions to the Plan. The Organization does not match or contribute employer funds to the Plan.

Note 3 – Concentration of Credit Risk

The Organization maintains its cash and cash equivalents at several financial institutions. Accounts at each financial institution are insured up to \$250,000. At December 31, 2020 and 2019, the Organization's cash balances exceeded federally insured limits by \$2,432,160 and \$1,819,624, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4 – Investments

Investments consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Equity securities	-	
Mutual funds	\$ 36,249	\$ 31,292
Exchange-Traded funds	1,813,282	1,565,314
	<u>\$ 1,849,531</u>	<u>\$ 1,596,606</u>

Note 5 - Beneficial Interest in Assets Held by Others

On August 28, 2001, the Organization made an irrevocable contribution to the Cumberland Community Foundation, Inc. in exchange for future distributions of income and principal. This fund is for the benefit of the Organization and is restricted for various purposes. The Foundation has authority and discretion as to the investment and distribution of the assets of the fund. Distributions are made yearly on the recommendations of the Board of Directors of the Organization and are subject to final approval by the Board of Directors of the Foundation. Based on criteria established in ASC 958-205, the fund represents a beneficial interest in the assets held by the Foundation. As of December 31, 2020 and 2019, the total of the Organization's beneficial interest in investments held by the Foundation was \$65,710 and \$50,747, respectively.

Note 6 – Property and Equipment

Property and equipment consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ -	\$ 11,000
Vehicles	123,063	63,453
Office furniture and equipment	61,632	91,162
	184,695	165,615
Less accumulated depreciation	<u>(74,109)</u>	<u>(86,079)</u>
	110,586	79,536
Land & mineral rights	22,879,664	21,997,416
	<u>\$ 22,990,250</u>	<u>\$ 22,076,952</u>

Depreciation expense at December 31, 2020 and 2019 was \$19,374 and \$16,060, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 7 – Land protection transfers

Periodically the Organization identifies key governmental agencies or non-profit organizations and transfers restricted cash and land ownership to them in an effort to continue the long-term preservation of certain properties. In 2020 land containing a conservation easement having a carrying value of \$38,345 was transferred. In 2019 land containing a conservation easement having a carrying value of \$1,527,530 was transferred.

Note 8 – Notes payable

On April 17th, 2020, the Organization received an unsecured loan in the amount of \$86,877 under the Paycheck Protection Program. The Paycheck Protection Program was established as part of the Coronavirus Aid, Relief and Economic Security Act. The loan is repayable in eighteen equal payments including interest at 1% per annum. Repayment is deferred for six months from the origination date. The loan and accrued interest are forgivable after twenty-four weeks, if the borrower uses the funds for eligible expenses, including payroll, benefits, rent and utilities. The Organization applied for loan forgiveness in 2020 and the loan and accrued interest were forgiven in 2020.

Note 9 – Net Assets - With Donor Restrictions

Net Assets – With donor restrictions at December 31 consisted of the following:

	2020	2019
Cash and cash equivalents	\$ 2,372,888	\$ 2,550,152
	<u>\$ 2,372,888</u>	<u>\$ 2,550,152</u>

Net Assets – With donor restrictions at December 31 were restricted for the following uses:

	2020	2019
ACUB	\$ 265,960	\$ 465,081
Alocoa Land Purchase	2,030,609	2,020,857
Leopold Society	43,436	30,566
Pea Patch	32,883	33,648
Total Restricted Net Assets	<u>\$ 2,372,888</u>	<u>\$ 2,550,152</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 10 – Leases

The Organization has monthly operating leases for two office spaces with payments totaling \$2,820 per month. Rent expense for office leases totaled \$18,711 and \$24,475 for the years ended December 31, 2020 and 2019.

Note 11 – Special events - net

Special events net income (loss), excluding event sponsorships reported as contributions of \$7,000 and \$92,202 for December 31, 2020 and 2019 respectively, consisted of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Income	\$ 32,942	\$ 48,910
Expenses	<u>(22,275)</u>	<u>(40,799)</u>
Total Restricted Net Assets	<u>\$ 10,667</u>	<u>\$ 8,111</u>

Note 12 – Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets, at year-end	\$ 5,680,992
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Cash & cash equivalents - restricted	(2,372,888)
Accounts payable	<u>(19,863)</u>
Financial assets available to meet cash needs for general expenditures within one year.	<u>\$ 3,288,241</u>

A portion of the Organization's support comes from restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization 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 Organization'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 the event of an unanticipated liquidity need, the Organization relies on its ability to finance liquidity needs through financing of local banks as well as draws upon available lines of credit.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 13 – Subsequent events

Subsequent events occurring after the statement of financial position date have been evaluated through July 8, 2021 which is the date the financial statements were available to be issued.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern”, which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. The Organization was not deemed an essential business and its employees were subject to the NC Governor’s stay in place order earlier this year. The Organization received Paycheck Protection Program funding in anticipation of the slowdown it has experienced. The outbreak presents uncertainty and risk with respect to the Organization and its ability to carry out its activities which could impact its financial results.

**Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance;
With OMB Uniform Guidance and the State Single Audit Implementation Act**

Independent Auditor's Report

To the Board of Directors
Three Rivers Land Trust, Inc.
Salisbury, North Carolina

Report on Compliance for Each Major State Program

I have audited the Three Rivers Land Trust, Inc. compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Three Rivers Land Trust, Inc.' major state programs for the year ended December 31, 2020. The Three Rivers Land Trust, Inc.' major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Three Rivers Land Trust, Inc.' major state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of State Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for State Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Three Rivers Land Trust, Inc. compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major state program. However, my audit does not provide a legal determination of the Three Rivers Land Trust, Inc. compliance.

Opinion on Each Major State Program

In my opinion, the Three Rivers Land Trust, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the Three Rivers Land Trust, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Three Rivers Land Trust, Inc. internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the trust's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eddie Carrick, CPA, PC

Lexington, North Carolina
July 8, 2021

Three Rivers Land Trust, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

I. Summary of Auditor's Results

Financial statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

* Material weakness(es) identified? _____ yes X no

* Significant Deficiency(s) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted _____ yes X no

Federal and state awards

* Material weakness(es) identified? _____ yes X no

* Significant Deficiency(s) identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major federal programs: unqualified

Any audit findings disclosed that are required to be accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal and state programs:

Program Name	CFDA #
NC Department of Cultural and natural Resources	NA
NC Land and Water Fund	

Dollar threshold to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low risk auditee? _____ yes X no

Three Rivers Land Trust, Inc.
Financial Statement Findings
For the Year Ended June 30, 2020

II Financial Statement Findings

Material weakness

None reported

III Federal Award Findings and Questioned Costs

None reported

IV State Award Findings and Questioned Costs

None reported

Three Rivers Land Trust, Inc.
Schedule of Federal and State Financial Expenditures
For the year ended December 31, 2020

GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	FEDERAL (DIRECT) PASS-THROUGH EXPENDITURES	STATE EXPENDITURES
FEDERAL LOANS AND GRANTS				
<u>US Department of Agriculture</u> Environmental Quality Incentives Program	10.912		\$ 270,383	
<u>US Army Research and Development and Environmental Command</u> Army Compatible Use Buffer around the Fort Bragg Military Installation	None		365,922	
STATE GRANTS				
<u>NC Department of Agriculture</u> NCADFP				\$ 126,500
<u>NC Department of Cultural and Natural Resources</u> NC Land and Water Fund				1,257,897 **
			<u>\$ 636,305</u>	<u>\$ 1,384,397</u>

**** Major programs**

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Three Rivers Land Trust, Inc. under the programs of the federal government and the State of North Carolina for the year ended December 31, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Three Rivers Land Trust, Inc., it is not intended to and does not present the financial position, changes in net position, or cash flows of the Three Rivers Land Trust, Inc..

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Three Rivers Land Trust, Inc. has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.