

THREE RIVERS LAND TRUST, INC.

FINANCIAL STATEMENTS

December 31, 2021 and 2020

THREE RIVERS LAND TRUST, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
Three Rivers Land Trust, Inc.

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Three Rivers Land Trust, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Three Rivers Land Trust, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Three Rivers Land Trust, Inc. and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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 Three Rivers Land Trust, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives is 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 my 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 and *Government 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 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 and *Government Auditing Standards*, I:

- 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 Three Rivers Land Trust, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Three Rivers Land Trust, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Findings and Questioned Costs, Financial Statement Findings, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Findings and Questioned Costs, Financial Statement Findings, and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Matters

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 18, 2022, on my consideration of 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 solely 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 the effectiveness of Three Rivers Land Trust, Inc.'s 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 Three Rivers Land Trust, Inc.'s internal control over financial reporting and compliance.

 ACE CPA

Lexington, North Carolina
July 18, 2022

THREE RIVERS LAND TRUST, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Assets		
Cash and cash equivalents	\$ 1,376,893	\$ 1,454,344
Cash and cash equivalents - restricted	815,232	2,372,888
Investments	2,121,722	1,849,531
Grants and other receivables	6,055	4,229
Property and equipment, net	98,651	110,586
Land & mineral rights	23,629,476	22,879,664
Beneficial interest in assets held by others	70,137	65,710
Total Assets	<u>\$ 28,118,166</u>	<u>\$ 28,736,952</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 16,308	\$ 19,863
Total Liabilities	<u>16,308</u>	<u>19,863</u>
Net Assets		
Without donor restrictions		
Board designated - Conservation/Stewardship funds	2,991,584	2,343,763
Undesignated	24,295,042	24,000,438
	<u>27,286,626</u>	<u>26,344,201</u>
With donor restrictions	815,232	2,372,888
	<u>28,101,858</u>	<u>28,717,089</u>
Total Liabilities and Net Assets	<u>\$ 28,118,166</u>	<u>\$ 28,736,952</u>

See accompanying notes and independent auditor's report.

THREE RIVERS LAND TRUST, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUES, AND GAINS			
Contributions and grants	\$ 2,906,229	\$ -	\$ 2,906,229
Special events, net	61,825	-	61,825
Investment income (loss)	313,539	-	313,539
Land management income	148,958	-	148,958
Sale of land and easements, net			
Proceeds	165,925	-	165,925
Carrying values	(316,088)	-	(316,088)
Net assets released from restrictions	<u>1,557,656</u>	<u>(1,557,656)</u>	<u>-</u>
 Total support, revenues and gains	<u>4,838,044</u>	<u>(1,557,656)</u>	<u>3,280,388</u>
 EXPENSES, DISTRIBUTIONS, AND LOSSES			
Program services			
Land Conservation	2,101,406	-	2,101,406
Land protection transfers	<u>1,525,330</u>	<u>-</u>	<u>1,525,330</u>
	3,626,736	-	3,626,736
Supporting services			
Management and General	184,012	-	184,012
Fundraising services	<u>84,871</u>	<u>-</u>	<u>84,871</u>
 Total expenses, distributions, and losses	<u>3,895,619</u>	<u>-</u>	<u>3,895,619</u>
 Change in net assets	942,425	(1,557,656)	(615,231)
Net assets at beginning of year	<u>26,344,201</u>	<u>2,372,888</u>	<u>28,717,089</u>
Net assets at end of year	<u>\$ 27,286,626</u>	<u>\$ 815,232</u>	<u>\$ 28,101,858</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 FUNCTIONAL EXPENSES

Year Ended December 31, 2021

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Depreciation	\$ 24,353	\$ 8,118	\$ -	\$ 32,471
Dues and subscriptions	6,036	2,012	-	8,048
Insurance	22,300	7,433	-	29,733
Insurance - health	34,026	11,342	-	45,368
Land Stewardship				
Easement expenses	1,294,888	-	-	1,294,888
Land protection	47,585	-	-	47,585
Property taxes	16,720	-	-	16,720
Site assessments	8,700	-	-	8,700
Surveys and appraisals	64,598	-	-	64,598
Loss on fixed asset disposal	-	-	-	-
Miscellaneous	17,704	5,901	-	23,605
Newsletters	22,702	-	-	22,702
Office supplies	21,712	7,237	-	28,949
Postage	3,513	1,171	-	4,684
Professional fees	32,585	10,862	-	43,447
Promotions and marketing	12,877	4,292	-	17,169
Rent	18,346	6,115	-	24,461
Salaries and payroll taxes	429,994	111,939	84,871	626,804
Telephone	2,679	893	-	3,572
Travel	18,863	6,288	-	25,150
Utilities	1,226	409	-	1,635
	<u>2,101,406</u>	<u>184,012</u>	<u>84,871</u>	<u>2,370,289</u>
Land protection transfers	<u>1,525,330</u>	<u>-</u>	<u>-</u>	<u>1,525,330</u>
	<u>\$ 3,626,736</u>	<u>\$ 184,012</u>	<u>\$ 84,871</u>	<u>\$ 3,895,619</u>

See accompanying notes and independent auditor's report.

THREE RIVERS LAND TRUST, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
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	<u>38,345</u>	<u>-</u>	<u>-</u>	<u>38,345</u>
	<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.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (615,231)	\$ 2,269,605
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	32,471	19,374
Land donations received	(54,000)	(1,108,000)
Land transferred to others	407,979	-
(Gain) loss on sale of equipment	-	9,187
(Gain) loss on sale of land	150,164	(6,667)
(Gain) loss on investments	(263,232)	(233,052)
Beneficial interest in assets held by others	(4,427)	(14,963)
(Increase) decrease in operating assets:		
Grants and other receivables	(1,826)	(1,418)
Increase (decrease) in operating liabilities:		
Accounts payable	(3,555)	4,327
Net cash provided (used) by operating activities	<u>(351,657)</u>	<u>938,393</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,171,245	1,522,218
Purchase of investments	(1,183,984)	(1,524,046)
Purchase of property and equipment	(15,590)	(59,609)
Proceeds from sale of land	165,925	278,180
Purchase of land and options	(1,421,046)	(63,806)
Net cash provided (used) by investing activities	<u>(1,283,450)</u>	<u>152,937</u>
Net increase (decrease) in cash	(1,635,107)	1,091,330
Cash and Cash Equivalents at beginning of year	<u>3,827,232</u>	<u>2,735,902</u>
Cash and Cash Equivalents at end of year	<u>\$ 2,192,125</u>	<u>\$ 3,827,232</u>

See accompanying notes and independent auditor's report.

THREE RIVERS LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 55% of the Organization's contributions and grants support were concentrated among one donor and three government grants for the year ended December 31, 2021.

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.

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, 2021 and 2020, the Organization's cash balances exceeded federally insured limits by \$831,551 and \$2,432,160, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4 – Investments

Investments consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Equity securities		
Mutual funds	\$ 22,569	\$ 36,249
Exchange-Traded funds	<u>2,099,153</u>	<u>1,813,282</u>
	<u>\$ 2,121,722</u>	<u>\$ 1,849,531</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, 2021 and 2020, the total of the Organization's beneficial interest in investments held by the Foundation was \$70,137 and \$65,710, respectively.

Note 6 – Property and Equipment

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

	<u>2021</u>	<u>2020</u>
Vehicles	\$ 89,764	\$ 89,764
Equipment	70,950	58,805
Office furniture and equipment	<u>39,571</u>	<u>36,126</u>
	200,285	184,695
Less accumulated depreciation	<u>(101,634)</u>	<u>(74,109)</u>
	98,651	110,586
Land & mineral rights	<u>23,629,476</u>	<u>22,879,664</u>
	<u>\$ 23,728,127</u>	<u>\$ 22,990,250</u>

Depreciation expense at December 31, 2021 and 2020 was \$32,471 and \$19,374, 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 2021, lands containing conservation easements having a carrying value of \$407,979 were transferred in addition to restricted cash of \$1,117,351. In 2020, land containing a conservation easement having a carrying value of \$38,345 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:

	2021	2020
Cash and cash equivalents	\$ 815,232	\$ 2,372,888
	<u>\$ 815,232</u>	<u>\$ 2,372,888</u>

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

	2021	2020
ACUB	\$ 751,596	\$ 265,960
Alcoa Land Purchase	-	2,030,609
Leopold Society	43,436	43,436
Other	20,200	32,883
Total Restricted Net Assets	<u>\$ 815,232</u>	<u>\$ 2,372,888</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 \$24,461 and \$18,711 for the years ended December 31, 2021 and 2020.

Note 11 – Special events - net

Special events net income (loss), excluding event sponsorships reported as contributions of \$16,200 and \$7,000 for December 31, 2021 and 2020 respectively, consisted of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Income	\$ 105,207	\$ 32,942
Expenses	<u>(43,382)</u>	<u>(22,275)</u>
Total Restricted Net Assets	<u>\$ 61,825</u>	<u>\$ 10,667</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	\$ 4,319,902
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions on:	
Restricted by donor with purpose restrictions	<u>(815,232)</u>
Financial assets available to meet cash needs for general expenditures within one year.	<u>\$ 3,504,670</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 18, 2022 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 outbreak presents uncertainty and risk with respect to the Organization and its ability to carry out its activities which could impact its financial results.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors and Management
Three Rivers Land Trust, Inc.

I have audited, in accordance with the 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 the financial statements of Three Rivers Land Trust, Inc. (a nonprofit organization), which comprise the combined statements of financial position as of December 31, 2021, and the related combined statements of activities and functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated July 18, 2022.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Three Rivers Land Trust, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Three Rivers Land Trust, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Three Rivers Land Trust, Inc.'s internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Three Rivers Land Trust, Inc.'s financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "E. C. Calt". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Lexington, North Carolina
July 18, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors and Management
Three Rivers Land Trust, Inc.

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

I have audited Three Rivers Land Trust, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and state compliance supplement that could have a direct and material effect on each of Three Rivers Land Trust, Inc.'s major state programs for the year ended December 31, 2021. Three Rivers Land Trust, Inc.'s major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, 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, 2021.

Basis for Opinion on Each Major State Program

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 Act. My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of Three Rivers Land Trust, Inc. and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major state program. My audit does not provide a legal determination of Three Rivers Land Trust, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Three Rivers Land Trust, Inc.'s state programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Three Rivers Land Trust, Inc.'s compliance based on my audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Three Rivers Land Trust, Inc.'s compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Three Rivers Land Trust, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of Three Rivers Land Trust, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Three Rivers Land Trust, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

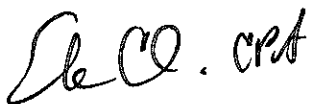
Report on Internal Control over Compliance

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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



Lexington, North Carolina
July 18, 2022

Three Rivers Land Trust, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021

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 Agriculture	NA
NC Agriculture Development and Farmland Preservation	

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, 2021

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, 2021

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	10.931		\$ 25,022	
<u>US Fish and Wildlife Service</u> the Fort Bragg Military Installation	15-663		40,373	
STATE GRANTS				
<u>NC Department of Agriculture</u> NCADFP				\$ 543,624 **
<u>NC Department of Cultural and Natural Resources</u> NC Land and Water Fund				40,373
			<u>\$ 65,395</u>	<u>\$ 583,997</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..

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.