

BLUE RIDGE CONSERVANCY

Financial Statements

For the Years Ended December 31, 2022 & 2021

COMBS, 
TENNANT & CARPENTER, P.C.
Certified Public Accountants

BLUE RIDGE CONSERVANCY
Boone, NC

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Blue Ridge Conservancy
Boone, North Carolina

Opinion

We have audited the accompanying financial statements of Blue Ridge Conservancy (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 present fairly, in all material respects, the financial position of Blue Ridge Conservancy as of December 31, 2022, 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.

Report on Summarized Comparative Information

We have previously audited Blue Ridge Conservancy's 2021 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated July 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Basis for Opinion

We conducted our 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. 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 Blue Ridge Conservancy and to meet our other ethical responsibilities, in accordance with 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 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 Blue Ridge Conservancy'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 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*, 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 Blue Ridge Conservancy'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 Blue Ridge Conservancy'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of Federal and State 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 and the State Single Audit Implementation Act, is presented for purposes of additional analysis and is 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 our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2023, on our consideration of Blue Ridge Conservancy's internal control over financial reporting and on our 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 our 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 Blue Ridge Conservancy's internal control over financial reporting.

COMBS, TENNANT & CARPENTER, P.C.

COMBS, TENNANT & CARPENTER, P.C.

Boone, NC
July 21, 2023

BLUE RIDGE CONSERVANCY
 Statements of Financial Position
 December 31, 2022 and 2021

<u>Assets:</u>	<u>2022</u>	<u>2021</u>
Cash		
Operations	\$ 1,548,639	\$ 1,054,430
Restricted for Conservation campus	213,222	198,242
Restricted for program services & stewardship	201,583	123,960
Total cash	<u>1,963,444</u>	<u>1,376,632</u>
Investments	<u>238,184</u>	<u>279,368</u>
Accounts receivable		
Without restrictions	6,558	4,175
With restrictions	5,996	26,821
Total accounts receivable	<u>12,554</u>	<u>30,996</u>
Prepaid expenses	<u>11,161</u>	<u>9,536</u>
Pledges receivable		
Without donor restrictions	229,593	182,579
Restricted for land program services	-	212,000
Total pledges receivable	<u>229,593</u>	<u>394,579</u>
Land		
Land held for sale	394,000	1,428,900
Restricted land held for transfer	10,012,734	9,123,636
Restricted conservation land	2,106,791	2,106,791
Total land	<u>12,513,525</u>	<u>12,659,327</u>
Cash restricted for Middle Fork Greenway (MFG) capital	2,186,585	1,340,051
Cash restricted for Northern Peaks Trail (NPT) capital	103,363	-
Cash restricted for land programs	639,355	293,612
Total other restricted cash	<u>2,929,303</u>	<u>1,633,663</u>
Investments restricted for stewardship & sustainability	<u>1,344,582</u>	<u>1,520,627</u>
Pledges receivable restricted for MFG	3,500	24,500
Pledges receivable restricted for sustainability	-	-
Total restricted pledges receivable	<u>3,500</u>	<u>24,500</u>
Property and equipment		
Unrestricted property and equipment-net	1,034,603	739,931
Restricted property and equipment-net	370,000	370,000
Total restricted and unrestricted property and equipment-net	<u>1,404,603</u>	<u>1,109,931</u>
Total assets	<u>\$ 20,650,449</u>	<u>\$ 19,039,159</u>
 <u>Liabilities and Net Assets:</u>		
Liabilities:		
Accounts payable		
Payable with unrestricted funds	\$ 3,844	\$ 3,250
Payable with restricted funds	900	9,500
Total accounts payable	<u>4,744</u>	<u>12,750</u>
Accrued payroll	<u>29,753</u>	<u>27,502</u>
Accrued vacation	<u>34,070</u>	<u>23,523</u>
PPP loan	<u>-</u>	<u>102,908</u>
Notes payable from restricted assets		
Notes payable	1,000,000	1,229,000
Less imputed interest	(19,785)	(39,179)
Total notes payable from restricted assets	<u>980,215</u>	<u>1,189,821</u>
Total liabilities	<u>1,048,782</u>	<u>1,356,504</u>
 Net assets:		
Without donor restrictions	3,395,071	3,541,736
With donor restrictions	16,206,596	14,140,919
Total net assets	<u>19,601,667</u>	<u>17,682,655</u>
Total liabilities and net assets	<u>\$ 20,650,449</u>	<u>\$ 19,039,159</u>

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

BLUE RIDGE CONSERVANCY
 Statements of Activities
 For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Changes in Net Assets without donor restrictions:		
Revenue, Gains and Other Support:		
Contributions	\$ 493,805	\$ 800,293
Grants	105,615	102,952
Gifts in kind - operations	1,962,006	1,454,993
Interest and dividends	4,432	8,586
Unrealized gain/(loss) on land held for sale	-	27,040
Unrealized gain/(loss) on investments	(60,691)	12,143
Other	-	-
	<hr/>	<hr/>
Total revenues and gains without donor restrictions	2,505,167	2,406,007
Net assets (added to) released from restrictions	1,999,373	3,590,342
	<hr/>	<hr/>
Total revenues, gains, and other support without donor restrictions	4,504,540	5,996,349
Expenses:		
Program services	4,336,308	3,779,458
Management and general	200,257	157,783
Fundraising	114,640	102,691
	<hr/>	<hr/>
Total expenses	4,651,205	4,039,932
	<hr/>	<hr/>
Increase (decrease) in net assets without donor restrictions	(146,665)	1,956,417
Changes in net assets with donor restrictions:		
Contributions	1,510,013	2,382,495
Grants	2,774,907	926,681
Gifts in kind- MFG capital	-	248
Gifts in kind - land protection	-	275,400
Unrealized gain/(loss) on investments	(226,165)	152,554
Interest and dividends	6,295	1,785
Net assets released from restrictions	(1,999,373)	(3,590,342)
	<hr/>	<hr/>
Increase (decrease) in net assets with donor restrictions	2,065,677	148,821
	<hr/>	<hr/>
Increase (decrease) in net assets	1,919,012	2,105,238
Net assets at beginning of year	17,682,655	15,577,417
	<hr/>	<hr/>
Net assets at end of year	<u>\$ 19,601,667</u>	<u>\$ 17,682,655</u>

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

BLUE RIDGE CONSERVANCY
 Statements of Activities
 For the Years Ended December 31, 2022 and 2021

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

BLUE RIDGE CONSERVANCY
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services					Supporting Services			Totals 2022
	Stewardship	Middle Fork Greenway	Northern Peaks Trail	Land Protection	Total Program Services	General and Administrative	Fund Raising	Total Supporting Services	
Advertising	\$ -	\$ 520	\$ -	\$ 1,916	\$ 2,436	\$ -	\$ 25	\$ 25	\$ 2,461
Bank & advisory fees	-	-	-	-	-	445	-	445	445
Conferences and meetings	2,139	526	561	11,412	14,638	-	-	-	14,638
Depreciation	4,266	4,266	4,266	4,266	17,064	4,266	4,266	8,532	25,596
Dues & subscriptions	-	-	-	8,520	8,520	-	3,105	3,105	11,625
Easement expenses	-	-	-	-	-	-	-	-	-
Fundraising expenses	50	-	-	1,091	1,141	161	16,161	16,322	17,463
Gifts in kind expense	-	150,000	-	1,773,894	1,923,894	31,862	6,250	38,112	1,962,006
Insurance	874	-	-	20,627	21,501	2,815	-	2,815	24,316
Interest expense	-	-	-	21,605	21,605	101	-	101	21,706
Program expense	8,671	726,816	-	573,115	1,308,602	-	864	864	1,309,466
License & fees	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Office expense	4,068	221	30	2,039	6,358	16,118	87	16,205	22,563
Other taxes	-	-	-	-	-	-	-	-	-
Salaries, taxes, and benefits	59,794	102,500	5,624	242,695	410,613	119,814	64,122	183,936	594,549
Printing & postage	122	35	-	6,446	6,603	1,267	9,855	11,122	17,725
Processing fees	-	-	-	-	-	10	6,964	6,974	6,974
Professional fees	-	800	-	9,365	10,165	18,600	-	18,600	28,765
Rent	-	-	-	-	-	-	-	-	-
Repairs & maintenance	1,099	1,099	1,099	1,099	4,396	1,099	1,099	2,198	6,594
Supplies	962	962	962	962	3,848	962	962	1,924	5,772
Special events expense	-	-	-	-	-	-	-	-	-
Telephone	1,086	464	464	499	2,513	463	462	925	3,438
Training and education	95	125	185	1,884	2,289	400	-	400	2,689
Travel	1,717	-	68	757	2,542	1,456	-	1,456	3,998
Utilities	418	418	418	418	1,672	418	418	836	2,508
Land acquisition	85,361	988,752	13,677	2,682,610	3,770,400	200,257	114,640	314,897	4,085,297
	-	-	-	565,908	565,908	-	-	-	565,908
Total expenses	\$ 85,361	\$ 988,752	\$ 13,677	\$ 3,248,518	\$ 4,336,308	\$ 200,257	\$ 114,640	\$ 314,897	\$ 4,651,205

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

BLUE RIDGE CONSERVANCY
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services				Supporting Services			Totals 2021
	Stewardship	Middle Fork Greenway	Land Protection	Total Program Services	General and Administrative	Fund Raising	Total Supporting Services	
Advertising	\$ -	\$ -	\$ 1,377	\$ 1,377	\$ -	\$ -	\$ -	\$ 1,377
Bad debt expense	-	-	-	-	-	-	-	-
Bank & advisory fees	-	-	-	-	290	-	290	290
Conferences and meetings	-	-	-	-	-	-	-	-
Depreciation	2,184	2,182	2,182	6,548	2,182	2,182	4,364	10,912
Dues & subscriptions	-	-	5,760	5,760	-	3,139	3,139	8,899
Easement expenses	250	-	4,919	5,169	-	-	-	5,169
Fundraising expenses	-	-	-	-	-	-	-	-
Gifts in kind expense	5,474	5,474	159,717	170,665	5,474	15,354	20,828	191,493
Insurance	-	-	18,622	18,622	1,974	-	1,974	20,596
Interest expense	-	-	20,229	20,229	905	-	905	21,134
Program expense	21,138	71,531	494,421	587,090	-	-	-	587,090
License & fees	5,730	40	1,572	7,342	7,618	1,735	9,353	16,695
Miscellaneous	-	-	-	-	-	-	-	-
Office expense	1,468	1,305	2,974	5,747	6,404	3,386	9,790	15,537
Other taxes	-	-	-	-	112	-	112	112
Salaries, taxes, and benefits	56,238	96,919	204,200	357,357	109,543	56,913	166,456	523,813
Printing & postage	-	40	7,201	7,241	764	6,664	7,428	14,669
Processing fees	-	-	-	-	-	6,775	6,775	6,775
Professional fees	-	7,076	12,499	19,575	9,000	-	9,000	28,575
Rent	425	425	425	1,275	425	425	850	2,125
Repairs & maintenance	660	660	660	1,980	4,999	660	5,659	7,639
Supplies	1,246	1,246	1,246	3,738	1,246	1,247	2,493	6,231
Special events expense	-	200	552	752	80	3,175	3,255	4,007
Telephone	608	-	15	623	3,018	-	3,018	3,641
Training and education	-	-	444	444	550	-	550	994
Travel	2,755	757	6,124	9,636	2,856	694	3,550	13,186
Utilities	342	342	342	1,026	343	342	685	1,711
	98,518	188,197	945,481	1,232,196	157,783	102,691	260,474	1,492,670
Land acquisition	-	-	2,547,262	2,547,262	-	-	-	2,547,262
Total expenses	\$ 98,518	\$ 188,197	\$ 3,492,743	\$ 3,779,458	\$ 157,783	\$ 102,691	\$ 260,474	\$ 4,039,932

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

BLUE RIDGE CONSERVANCY
 Statements of Cash Flows
 For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from revenues and gains	\$ 6,570,217	\$ 6,145,170
Cash paid to/for employees, suppliers and land acquisition	<u>(3,370,979)</u>	<u>(3,490,380)</u>
Net cash provided (used) by operating activities	<u>3,199,238</u>	<u>2,654,790</u>
Cash flows from investing activities:		
(Purchase)/Sale of investments	(58,900)	43,628
(Purchase)/Sale of property and equipment	(320,269)	(130,994)
(Purchase)/Sale of land	<u>(708,617)</u>	<u>(1,901,270)</u>
Net cash provided (used) by investing activities	<u>(1,087,786)</u>	<u>(1,988,636)</u>
Cash flows from financing activities:		
Proceeds from issuance of debt	-	331,908
Payments on long-term debt	<u>(229,000)</u>	<u>(146,506)</u>
Net cash provided (used) by financing activities	<u>(229,000)</u>	<u>185,402</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	1,882,452	851,556
Beginning cash, cash equivalents, and restricted cash	<u>3,010,295</u>	<u>2,158,739</u>
Ending cash, cash equivalents, and restricted cash	<u>\$ 4,892,747</u>	<u>\$ 3,010,295</u>
Reconciliation of change in net assets to net cash used by operating activities:		
Change in net assets	<u>\$ 1,919,012</u>	<u>\$ 2,105,238</u>
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	25,596	10,912
Dividend and interest income	(10,727)	(10,371)
Noncash PPP loan forgiveness	(102,908)	(90,800)
Gifts in kind-land protection	-	(1,538,900)
Net realized and unrealized (gains) losses on investments	286,856	(164,697)
Net realized and unrealized (gains) losses on sale of land	288,512	(27,040)
Donation of land	565,908	2,547,263
(Increase) decrease in pledges receivable	185,986	(182,073)
(Increase) decrease in prepaid expenses	(1,625)	(2,174)
(Increase) decrease in other receivable	18,442	(26,448)
Increase (decrease) in accounts payable	(8,006)	10,186
Increase (decrease) in accrued payroll	2,251	1,927
Increase (decrease) in accrued vacation	10,547	2,758
(Increase) decrease in imputed interest payable	<u>19,394</u>	<u>19,009</u>
Total adjustments	<u>1,280,226</u>	<u>549,552</u>
Cash flows provided (used) by operating activities	<u>\$ 3,199,238</u>	<u>\$ 2,654,790</u>

Cash paid for interest totaled \$0 for the year ended December 31, 2022 and \$1,219 for December 31, 2021.

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

BLUE RIDGE CONSERVANCY

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 1 – Summary of Significant Accounting Policies:

ORGANIZATION – Blue Ridge Conservancy, Boone, North Carolina, is organized and operated exclusively for charitable purposes in accordance with Section 501(c)(3) of the Internal Revenue Code. More specifically, the Organization is a land trust serving a seven-county area of northwestern North Carolina. Our mission is to preserve rural communities and culture in northwestern North Carolina through the preservation of the land resource upon which they depend. The primary tools for this preservation are easements- legal recorded agreements to permanently restrict land use. Although the landowner retains ownership of the land and is responsible for its ongoing maintenance, the Organization holds the conservation easement and accepts responsibility for monitoring compliance with the terms of the easement and for defending the easement should the terms be threatened or violated. The Organization refers to this ongoing responsibility as stewardship. Funding for the Organization is primarily from donor contributions and grants.

BASIS OF ACCOUNTING - The financial statements of Blue Ridge Conservancy have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

BASIS OF PRESENTATION – The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: with donor restrictions and without donor restrictions.

Net assets without donor restrictions are resources available to support operations and are not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Contributions of property or cash restricted to acquisition of property are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. If donors specify a length of time over which the property must be used, the restrictions expire evenly over the required period. Absent that type of restriction for use, the Organization considers the restriction met when the assets are placed in service.

CASH AND EQUIVALENTS – For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for use with an initial maturity of three months or less to be cash equivalents.

INVESTMENTS – Investments in equity securities with readily determinable market values and all investments in debt securities are measured at fair value in the statement of financial position. The Organization’s investments include various types of investment securities which are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks in the near term could materially affect the amounts reported in the financial statements. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

DONATED ASSETS – Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

DONATED PROPERTY – Donations of property are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support 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 are reported as restricted support. 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 as instructed by the donor. The organization reclassifies restricted net assets to unrestricted net assets at that time.

DONATED SERVICES – Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A substantial number of volunteers also donated a significant amount of time to the Organization's operations and program services throughout the year that are not recognized as contributions in the financial statements since the recognition criterion was not met.

CONTRIBUTED NONFINANCIAL ASSETS – In September 2020, the Financial Accounting Standards Board (“FASB”) issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The Organization adopted and implemented this pronouncement on January 1, 2022 using the prospective method of application.

Donated nonfinancial assets consist of conservation easements, land, and materials and supplies. In order to be recorded in the financial statements, donated land and conservation easements require an independent appraisal at the time of donation. Donated materials and supplies are recognized at their fair market value.

SUPPORT AND REVENUES - Certain revenues received under government grant programs are subject to audit by the providing agency. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor or the Board of Trustees.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost as of the date of acquisition or fair value at the date of donation. Depreciation is provided over the estimated life of each asset on the straight-line method. Asset lives range from seven to forty years for buildings and improvements, and three to seven years for computers, office equipment, and furniture and fixtures.

INCOME TAXES – The Organization is an exempt organization for Federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code. The Organization is a public charity and contributions to it qualify as a charitable tax deduction for the contributors. The Organization’s Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2022, 2021 and 2019 are subject to examination by the IRS, generally for three years after they were filed.

ALLOCATION OF FUNCTIONAL EXPENSES - Costs of providing programs and supporting service activities have been summarized on a functional basis in the Statements of Functional Expenses. Salaries are allocated between the program and supporting service categories based upon the actual time expended by the employees in those categories. Other costs are allocated according to management’s estimates or on a direct basis.

ACCOUNTING 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 differ from those estimates.

LAND HELD FOR SALE – Land held for sale represents land owned by the Organization that does not have conservation value to the Organization and is held at net realizable value for future sale. The Organization records land and land interests held for sale at cost if purchased or at fair value at the date of acquisition, if all or part of the land was received as a donation. Fair value is generally determined by appraisal at the time of acquisition.

LAND HELD FOR TRANSFER – Land in this category has a requirement or intention to transfer title to a third party in the future. Often, the donor will advance funds for the purchase with a condition to reimburse the donor to the extent funds are paid by the third party. The third party is usually a governmental entity like a park service or the state. The purchase price or donated fair value is expensed when transferred to a third party.

CONSERVATION LAND – Conservation land is real property with significant ecological value. These properties are either managed in an effort to protect the natural biological diversity of the property, or transferred to other organizations who will manage the lands in a similar fashion. The Organization records land and land interests at cost if purchased or at fair value at the date of acquisition, if all or part of the land was received as a donation. Fair value is generally determined by appraisal at the time of acquisition and is not subsequently adjusted. Upon sale or gift, the carrying value of the land or land interest is reported as a reduction of the land asset.

CONSERVATION EASEMENTS – Conservation easements are comprised of listed rights and/or restrictions over the owned property that are conveyed by a property owner to the Organization, always in perpetuity, in order to protect the owned property as a significant natural area, as defined in federal tax regulations. These intangible assets may be sold or transferred to others so long as the assignee agrees to carry out, in perpetuity, the conservation purposes intended by the original grantor. Conservation easements, by their very nature, do not generate material amounts of cash flows annually. Consistent with other land protection organizations, the Organization does not record assets related to easements owned or improvements thereto. Easements are measured at fair market value and are recorded as income and expense when received by the Organization. Purchased easements are recorded as a program expense in the year of purchase.

NOTE 2 – Cash and Cash Equivalents:

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position which sum to the amounts shown in the statements of cash flows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,548,639	\$ 1,054,430
Cash equivalents restricted to use for the Conservation Campus	213,222	198,242
Cash equivalents restricted to use for program services and stewardship	201,583	123,960
Cash equivalents restricted to use for MFG capital	2,186,585	1,340,051
Cash equivalents restricted to use for the NPT capital	103,363	-
Cash equivalents restricted to use for land programs	639,355	293,612
	<u>\$ 4,892,747</u>	<u>\$ 3,010,295</u>

NOTE 3 – Property and Equipment:

A detail of property and equipment at December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Building & improvements	\$ 603,337	\$ 603,337
Office equipment	5,300	2,408
Furniture & fixtures	35,507	31,028
Land-restricted	370,000	370,000
Vehicles	17,500	-
Construction-in-progress	411,548	116,150
	<u>1,443,192</u>	<u>1,122,923</u>
Less accumulated depreciation	38,589	12,992
	<u>\$ 1,404,603</u>	<u>\$ 1,109,931</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$25,596 and \$10,912, respectively. The Conservancy’s capitalization threshold is \$2,500. The land above is restricted by a conservation easement.

NOTE 4- Restrictions / Limitations on Net Assets :

Restricted net assets are available for the following purposes as of December 31:

	<u>2022</u>	<u>2021</u>
Land programs	\$ 11,765,915	\$ 10,562,492
Conservation campus	584,017	568,900
Stewardship	456,232	411,271
Middle Fork Greenway-operations	136,793	123,960
Middle Fork Greenway-capital	2,194,167	1,364,937
Northern Peaks Trail-operations	64,560	-
Northern Peaks Trail- capital	103,363	-
Endowment assets - sustainability	<u>901,549</u>	<u>1,109,359</u>
	<u>\$ 16,206,596</u>	<u>\$ 14,140,919</u>

At December 31, 2022, the Organization had board designated assets of \$303,529 for future land acquisitions and \$247,160 for the Conservation Campus.

At December 31, 2021, the Organization had board designated assets of \$215,024 for future land acquisitions and \$224,000 for the Conservation Campus.

NOTE 5 – Paid Leave:

Under the Organization's current policy, paid leave is eligible to be taken as vacation days, personal days, sick days, and holidays. Paid leave is awarded throughout the year based on duration of employment with a maximum of 20 days earned annually. A maximum of 20 days can be carried over at year-end. Accumulated paid leave at December 31, 2022 and 2021 was \$34,070 and \$23,523, respectively, all of which is considered to be a current liability.

NOTE 6 – Summary Disclosure of Significant Contingencies:

Federal and State Assisted Programs - The Organization has received proceeds from several Federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

NOTE 7 – Risk Management:

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization carries commercial coverage for risk of loss. Claims did not exceed coverage in the past fiscal year. Cash deposits as of December 31, 2022 and 2021 included balances of \$4,842,998 and \$2,964,802, respectively, of which \$250,000 is insured by the Federal Deposit Insurance Corporation. During the 2023 fiscal year, the Organization initiated a sweep arrangement in its investment accounts to mitigate FDIC related risks while also earning interest.

NOTE 8 – Pledges Receivable:

Contributions are recognized when the donor makes a pledge to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The Organization uses the allowance method to determine uncollectible pledges receivable. The

without donor restrictions. The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Based on management's analysis there was no allowance booked for the year ended December 31, 2022 and 2021. Unconditional promises to give were \$233,093 and \$419,079 at December 31, 2022 and 2021, respectively. There were no conditional promises to give as of December 31, 2022 or 2021. The following tables present the unconditional promises to give based on the expected collection period as of December 31, 2022 and 2021, respectively.

	2022			
	Less than 1 year	1-5 years	Greater than 5 years	Total
Pledges receivable	\$ 138,350	\$ 94,743	\$ -	\$ 233,093
Less: Allowance for uncollectible pledges	-	-	-	-
	<u>\$ 138,350</u>	<u>\$ 94,743</u>	<u>\$ -</u>	<u>\$ 233,093</u>

	2021			
	Less than 1 year	1-5 years	Greater than 5 years	Total
Pledges receivable	\$ 347,579	\$ 71,500	\$ -	\$ 419,079
Less: Allowance for uncollectible pledges	-	-	-	-
	<u>\$ 347,579</u>	<u>\$ 71,500</u>	<u>\$ -</u>	<u>\$ 419,079</u>

NOTE 9 – Investments and Fair Value Measurements:

The carrying value of the Organization's receivables and accounts payable approximate the fair value of these financial instruments at December 31, 2022 and 2021 due to their short maturities.

Fair value measurement rules define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and require the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. In that regard, accounting rules establish a fair value hierarchy for valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Inputs to valuation methodology include significant other observable inputs, other than Level 1 inputs, such as quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

A description of the valuation methodologies used for significant assets measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, are set forth below:

Investments: Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy.

Level 1 securities include short-term investment funds, money market funds, exchange traded equities, and fixed income mutual funds. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices or securities with similar characteristics, or discounted cash flow.

Level 2 securities include alternative investments which are redeemable at net asset value per share within a reasonable time period.

Level 3 securities include funds which are valued at net asset value per share, which are not redeemable in the near term.

The following table summarizes significant assets measured at fair value on a recurring basis as of December 31, 2022, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

Fair Value Measurements at December 31, 2022 Using:				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities/Mutual funds	\$ 1,582,766	\$ 681,217	\$ 901,549	\$ -
Land held for sale	394,000	-	394,000	-
	<u>\$ 1,976,766</u>	<u>\$ 681,217</u>	<u>\$ 1,295,549</u>	<u>\$ -</u>

The following table summarizes significant assets measured at fair value on a recurring basis as of December 31, 2021, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

Fair Value Measurements at December 31, 2021 Using:				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities/Mutual funds	\$ 1,799,995	\$ 690,636	\$ 1,109,359	\$ -
Land held for sale	1,428,900	-	1,428,900	-
	<u>\$ 3,228,895</u>	<u>\$ 690,636</u>	<u>\$ 2,538,259</u>	<u>\$ -</u>

NOTE 10 – Investment Income:

Long-term investments are stated at fair value and consist of money market funds, governmental and corporate bonds, mutual funds and common stocks, and other investments. Investment income (loss), net of investment fees, is composed of the following at December 31, 2022 and 2021:

	2022	2021
Interest and dividends	\$ 10,727	\$ 10,371
Realized and unrealized gains (losses)	(286,856)	164,697
Total investment return	<u>\$ (276,129)</u>	<u>\$ 175,068</u>

NOTE 11 – Long-term Debt

The Organization’s long-term debt consists of the following:

	<u>2022</u>	<u>2021</u>
Note payable, unsecured, interest free, due April 22, 2040.	\$ 1,000,000	\$ 1,000,000
Paycheck Protection Program (PPP) Note payable, unsecured, interest at 1.0%, with monthly payments of \$2,903, commencing March 1, 2021, due March 1, 2023.	-	102,908
Note payable, unsecured, interest at 1.5% , due December 2022.	-	<u>229,000</u>
Total	1,000,000	1,331,908
Less current installments of long-term debt	-	<u>(331,908)</u>
Long-term debt, excluding current installments	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

Future scheduled maturities of long-term debt are as follows:

<u>Year Ending</u>	<u>Amount</u>
2022	\$ -
2023	-
2024	-
2025	-
Thereafter	<u>1,000,000</u>
	<u>\$ 1,000,000</u>

The Organization applied for a second round of funding under the Paycheck Protection Program (PPP) and received a loan in the amount of \$102,908. At December 31, 2021 accrued interest payable on the note totaled \$829. On February 22, 2022, the Organization received forgiveness of principal and interest. As such, the proceeds in the amount of \$102,908 are reported as grants in the current year.

The Organization applied for loan forgiveness of the round one PPP note payable. At December 31, 2021, accrued interest payable on the note totaled \$683. On February 4, 2021, the Small Business Administration (SBA) forgave the accrued interest and note payable completely. As such, the proceeds in the amount of \$90,800 are reported as grants for the year ended December 31, 2021.

The Organization recorded interest expense of \$21,706 and \$21,134 for the years ended December 31, 2022 and 2021, respectively.

NOTE 12 – Endowment Fund:

The Organization's endowment fund was established to support land protection services. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Organization indefinitely, and income from the fund is to be expended for land protection services. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, therefore, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. The Board of Trustees of the Organization has interpreted SPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, the Organization would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the investment policies of the Organization.

The Organization has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk and provide its land protection programs with current income. Endowment assets are invested with Foundation for the Carolinas. The Organization seeks to build endowment assets through additional contributions. The Organization has a policy of appropriating for distribution annually a portion of the endowment fund's investment income from the previous year for stewardship activity expenses. The current spending policy is expected to allow the Organization's endowment fund to grow as a result of investment returns. This is consistent with the Organization's objectives to provide income for its land protection programs, preserve endowment assets without subjecting them to substantial risk, and provide additional real growth through new gifts.

Endowment net asset composition by type of funds at December 31, 2022:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 279,481	\$ 622,068	\$ 901,549
Board-designated endowment funds	-	-	-	-
Total funds	<u>\$ -</u>	<u>\$ 279,481</u>	<u>\$ 622,068</u>	<u>\$ 901,549</u>

Endowment net asset composition by type of funds at December 31, 2021:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 340,891	\$ 768,468	\$ 1,109,359
Board-designated endowment funds	-	-	-	-
Total funds	<u>\$ -</u>	<u>\$ 340,891</u>	<u>\$ 768,468</u>	<u>\$ 1,109,359</u>

The changes in endowment net assets as of December 31, 2022 are as follows:

	<u>2022</u>
Endowment net assets, January 1, 2021	\$ 1,005,877
Contributions	-
Investment return	129,482
Amounts released from permanent restriction	<u>(26,000)</u>
Endowment net assets, December 31, 2021	1,109,359
Contributions	1,592
Investment return	(167,700)
Amounts released from permanent restriction	<u>(41,702)</u>
Endowment net assets, December 31, 2022	<u>\$ 901,549</u>

NOTE 13 – Liquidity and Availability of Financial Assets:

The Organization normally receives contributions with donor restrictions based on time or purpose. The Board has adopted a formal investment policy regarding maintaining reserves for operations, stewardship, and sustainability to comply with these restrictions as well as the desires of the Board. Cash and cash equivalents included in the financial assets mature within one year of the financial statement date and the operating investments have a liquidity horizon of less than one year.

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.

	<u>2022</u>	<u>2021</u>
Financial assets at year-end	\$ 6,721,160	\$ 5,260,365
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted for stewardship	456,234	437,430
Donor-restricted for Conservation campus	214,016	198,900
Donor-restricted for land programs	627,505	505,612
Donor-restricted for Middle Fork Greenway-operations	136,793	123,960
Donor-restricted for Middle Fork Greenway-capital	2,194,167	1,364,552
Donor-restricted for Northern Peaks Trail-operations	64,560	-
Donor-restricted for Northern Peaks Trail-capital	103,362	-
Donor-restricted for sustainability	<u>901,549</u>	<u>1,109,359</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,022,974</u>	<u>\$ 1,520,552</u>

NOTE 14- Nonfinancial Contributions

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities included :

	<u>2022</u>	<u>2021</u>
Land	\$ -	\$ 1,538,900
Conservation easement	1,773,544	150,400
Materials and supplies	<u>188,462</u>	<u>41,641</u>
	<u>\$ 1,962,006</u>	<u>\$ 1,730,941</u>

NOTE 15- Retirement Plan

The Organization provides a SIMPLE retirement plan for its employees and matches 100% of eligible employee contributions up to 3%. Employer contributions for the years ended December 31, 2022 and 2021 were \$15,759 and \$14,003, respectively.

NOTE 16 – Subsequent Events

After the 2022 fiscal year concluded, the Organization vigorously and successfully defended an easement violation through legal action and was awarded a settlement. Management has evaluated subsequent events through July 21, 2023 – the date the financial statements were available to be issued.

COMPLIANCE SECTION

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**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 Trustees of
Blue Ridge Conservancy

We 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 Blue Ridge Conservancy (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 21, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Blue Ridge Conservancy's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Blue Ridge Conservancy's internal control. Accordingly, we do not express an opinion on the effectiveness of Blue Ridge Conservancy'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.

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Blue Ridge Conservancy's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 our 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.

COMBS, TENNANT + CARPENTER, P.C.

COMBS, TENNANT & CARPENTER, P.C.

Boone, NC

July 21, 2023

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Independent Auditors' Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act

To the Board of Trustees
Blue Ridge Conservancy
Boone, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the compliance of Blue Ridge Conservancy with the types of compliance requirements described in 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 Blue Ridge Conservancy's major state programs for the year ended December 31, 2022. Blue Ridge Conservancy's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Blue Ridge Conservancy 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 other major state programs identified in the summary of Auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2022.

Basis for Opinion on Each Major State Program

We conducted our 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 Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Blue Ridge Conservancy and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major state program. Our audit does not provide a legal determination of Blue Ridge Conservancy'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 Blue Ridge Conservancy's state programs.

Auditors' Responsibilities for the Audit of Compliance

Our 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 Blue Ridge Conservancy's compliance based on our 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, and the State Single Audit Implementation Act 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 Blue Ridge Conservancy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance and the State Single Audit Implementation Act, we:

- 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 Blue Ridge Conservancy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Blue Ridge Conservancy'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 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of Blue Ridge Conservancy's internal control over compliance. Accordingly, no such opinion is expressed.

We are 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 we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 federal or 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 federal or 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 federal or 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.

Our 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 our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Our 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we 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 our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

COMBS, TENNANT & CARPENTER, P.C.

COMBS, TENNANT & CARPENTER, P.C.
Boone, North Carolina
July 21, 2023

BLUE RIDGE CONSERVANCY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended December 31, 2022

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
Significant deficiency(s) identified that are not considered to be material weaknesses	_____ yes	_____ <u>X</u> none reported
Noncompliance material to financial statements noted	_____ yes	_____ <u>X</u> no

State Awards

Internal control over major State programs:

Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
Significant deficiency(s) identified that are not considered to be material weaknesses	_____ yes	_____ <u>X</u> none reported
Noncompliance material to state awards	_____ yes	_____ <u>X</u> no

Type of auditor's report issued on compliance for major State programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act

_____ yes	_____ <u>X</u> no
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Identification of major State programs:

Program Name
N.C. Office of State Budget and Management
State Capital & Infrastructure Grant (SCIF)

Section II. Financial Statement Findings

No Findings.

Section III. State Award Findings and Questioned Costs

No Findings.

BLUE RIDGE CONSERVANCY
Corrective Action Plan
For the Fiscal Year Ended December 31, 2022

Section II. Financial Statement Findings

Not Applicable

Section III. State Award Findings and Questioned Costs

Not Applicable

BLUE RIDGE CONSERVANCY
Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2022

Prior Year Audit Findings

None reported.

BLUE RIDGE CONSERVANCY
Schedule of Expenditures of Federal and State Awards
For the Year Ended December 31, 2022

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
Federal Grants:					
Cash Programs:					
<u>Small Business Administration</u>					
Payroll Protection Program	59.073		\$ 102,908	\$ -	\$ -
Total assistance - federal programs			<u>102,908</u>	<u>-</u>	<u>-</u>
State Grants:					
Cash Assistance:					
<u>N.C. Department of Natural and Cultural Resources</u>					
Div. of Parks and Recreation		DNCR-9	-	12,940	-
Div. of Land and Water Stewardship- NC Land and Water Fund		DNCR-5	-	175,745	-
			<u>-</u>	<u>188,685</u>	<u>-</u>
<u>N.C. Office of State Budget and Management</u>					
SCIF Grant 30081			-	18,068	-
SCIF Grant 30082			-	500,000	-
SCIF Grant 30083			-	20,579	-
SCIF Grant 30084			-	-	-
SCIF Grant 30085			-	-	-
			<u>-</u>	<u>-</u>	<u>-</u>
Total assistance - state programs			<u>-</u>	<u>727,332</u>	<u>-</u>
Total assistance			<u>\$ 102,908</u>	<u>\$ 727,332</u>	<u>\$ -</u>

Notes to the Schedule of Expenditures of Federal and State 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 Blue Ridge Conservancy under the programs of the federal government and the State of North Carolina for the year ended December 31, 2022. 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 (Uniform Guidance) and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Blue Ridge Conservancy, it is not intended to and does not present the financial position, changes in net position, or cash flows of Blue Ridge Conservancy.

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.

Blue Ridge Conservancy has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.