

AUDITED FINANCIAL STATEMENTS

**PEE DEE LAND TRUST
Florence, South Carolina**

June 30, 2019

CONTENTS

Audited Financial Statements

Independent Auditors' Report	Page	3
Statements of Financial Position.....		4
Statement of Activities -- 2019		5
Statement of Activities -- 2018.....		6
Statements of Cash Flows		7
Statement of Functional Expenses -- 2019		8
Statement of Functional Expenses -- 2018.....		9
Notes to Financial Statements.....		10

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CERTIFIED PUBLIC ACCOUNTANTS
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AMERICAN INSTITUTE OF
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S.C. ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS
DIVISION FOR CPA FIRMS
AMERICAN INSTITUTE OF CPAS

1341 W. ALICE DRIVE, 29505
P.O. DRAWER 4707
FLORENCE, SC 29502
TELEPHONE (843) 669-3142
TELECOPIER (843) 662-9255

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pee Dee Land Trust
Florence, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Pee Dee Land Trust (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pee Dee Land Trust, as of June 30, 2019 and 2018, 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.



Florence, South Carolina

November 5, 2019

Pee Dee Land Trust

Statements of Financial Position

	June 30,	
	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 327,750	\$ 236,670
Pledges receivable	7,559	-
Other receivables	11,223	1,664
Prepaid assets	16,448	7,903
Nonrecourse bridge loan	20,000	-
Investments, at fair value--Note B	<u>2,783,407</u>	<u>2,521,037</u>
TOTAL CURRENT ASSETS	<u>3,166,387</u>	<u>2,767,274</u>
NONCURRENT ASSETS		
Property and equipment, net--Note C	12,654	10,835
Donated land--Note I	406,000	406,000
Remainder interest in land--Notes B & H	<u>9,328</u>	<u>8,937</u>
	<u>427,982</u>	<u>425,772</u>
TOTAL ASSETS	<u>\$ 3,594,369</u>	<u>\$ 3,193,046</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 5,972	\$ 9,695
Deferred revenues	<u>1,500</u>	<u>55,449</u>
TOTAL CURRENT LIABILITIES	<u>7,472</u>	<u>65,144</u>
NET ASSETS		
NET ASSETS		
Without donor restrictions		
General operations	264,848	298,102
Board designated fund--Note N	1,182,677	1,079,350
With donor restrictions		
Temporary in nature--Note F	938,079	692,095
Perpetual in nature--Note E	<u>1,201,293</u>	<u>1,058,355</u>
TOTAL NET ASSETS	<u>3,586,897</u>	<u>3,127,902</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,594,369</u>	<u>\$ 3,193,046</u>

See accompanying notes to financial statements.

Pee Dee Land Trust
Statement of Activities
Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and other revenues:			
Pledges, gifts and contributions	\$ 451,940	\$ 290,086	\$ 742,026
Grants	-	329,830	329,830
Program revenue	54,826	-	54,826
Other revenue	1,686	2,915	4,601
Remainder interest in real estate	391	-	391
Investment income, net	<u>26,742</u>	<u>109,514</u>	<u>136,256</u>
Total support and other revenues	<u>535,585</u>	<u>732,345</u>	<u>1,267,930</u>
Net assets released from restrictions	<u>343,423</u>	<u>(343,423)</u>	<u>-</u>
Total support and other revenues and net assets released from restriction	<u>879,008</u>	<u>388,922</u>	<u>1,267,930</u>
Expenses:			
Program services			
Conservation activities and actions	623,768	-	623,768
Supporting services			
Fundraising	98,188	-	98,188
Management and general	<u>86,979</u>	<u>-</u>	<u>86,979</u>
Total expenses	<u>808,935</u>	<u>-</u>	<u>808,935</u>
Change in net assets	70,073	388,922	458,995
Beginning net assets	<u>1,377,452</u>	<u>1,750,450</u>	<u>3,127,902</u>
Ending Net Assets	<u>\$ 1,447,525</u>	<u>\$ 2,139,372</u>	<u>\$ 3,586,897</u>

See accompanying notes to financial statements.

Pee Dee Land Trust
Statement of Activities
Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and other revenues:			
Pledges, gifts and contributions	\$ 334,314	\$ 260,482	\$ 594,796
Grants	-	70,640	70,640
Program revenue	51,944	-	51,944
Other revenue	263	-	263
Remainder interest in real estate	(214,262)	-	(214,262)
Investment income, net	<u>5,075</u>	<u>79,936</u>	<u>85,011</u>
Total support and other revenues	<u>177,334</u>	<u>411,058</u>	<u>588,392</u>
Net assets released from restrictions	<u>211,625</u>	<u>(211,625)</u>	<u>-</u>
Total support and other revenues and net assets released from restriction	<u>388,959</u>	<u>199,433</u>	<u>588,392</u>
Expenses:			
Program services			
Conservation activities and actions	354,530	-	354,530
Supporting services			
Fundraising	92,265	-	92,265
Management and general	<u>81,471</u>	<u>-</u>	<u>81,471</u>
Total expenses	<u>528,266</u>	<u>-</u>	<u>528,266</u>
Change in net assets	(139,307)	199,433	60,126
Beginning net assets	<u>1,516,759</u>	<u>1,551,017</u>	<u>3,067,776</u>
Ending Net Assets	<u>\$ 1,377,452</u>	<u>\$ 1,750,450</u>	<u>\$ 3,127,902</u>

See accompanying notes to financial statements.

Pee Dee Land Trust

Statements of Cash Flows

	Year Ended June 30,	
	<u>2019</u>	<u>2018</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 458,995	\$ 60,126
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,337	3,172
Beneficial interest in real estate	(391)	1,285,220
Contributed property	-	(140,000)
Net realized and unrealized gain on investments	(78,276)	(73,682)
Change in assets and liabilities:		
(Increase) decrease in pledges receivable	(7,559)	25,625
Increase in nonrecourse bridge loan	(20,000)	-
(Increase) decrease in other receivables	(9,559)	929
Increase in prepaid assets	(8,545)	(185)
Decrease in accounts payable	(3,723)	(9,201)
Decrease in accrued expenses	-	(6,487)
Decrease in deferred revenues	(53,949)	(25,072)
	<u>281,330</u>	<u>1,120,445</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	3,319,107	1,723,924
Purchases of investments	(3,503,201)	(2,861,700)
Purchases of property and equipment	(6,156)	(4,700)
	<u>(190,250)</u>	<u>(1,142,476)</u>
NET CASH USED BY INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	91,080	(22,031)
Beginning cash and cash equivalents	<u>236,670</u>	<u>258,701</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 327,750</u></u>	<u><u>\$ 236,670</u></u>
Supplemental Data:		
Interest paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

Pee Dee Land Trust
Statement of Functional Expenses
Year Ended June 30, 2019

	<u>Supporting Services</u>			Total Program and Supporting Services
	Program Services	Fundraising	Management and General	
Salaries	\$ 176,083	\$ 54,179	\$ 40,635	\$ 270,897
Payroll taxes	13,466	4,143	3,107	20,716
TOTAL SALARIES AND RELATED EXPENSES	189,549	58,322	43,742	291,613
Accounting	22,929	6,551	3,276	32,756
Attorney fees	9,005	-	3,001	12,006
Bank charges	68	68	203	339
Computer service	4,459	2,230	2,230	8,919
Conferences, conventions & meetings	3,506	-	3,505	7,011
Consultants	6,254	-	695	6,949
Contributions and donations	100	-	-	100
Depreciation	-	-	4,337	4,337
Dues and subscriptions	3,031	2,121	909	6,061
Event expense	22,703	5,239	6,986	34,928
Food, Catering, etc.	24,140	5,571	7,428	37,139
Gift expense	100	-	-	100
Grant expense	275,000	-	-	275,000
Insurance	20,069	2,676	4,014	26,759
Land management expenses	4,511	-	-	4,511
Mailing prep	90	65	8	163
Marketing media	2,870	2,087	261	5,218
Meals, travel and entertainment	7,578	947	947	9,472
Miscellaneous	-	-	853	853
Office supplies	5,979	1,380	1,840	9,199
PDLT paraphernalia	716	477	-	1,193
Postage	1,908	1,388	173	3,469
Printing	5,696	4,142	518	10,356
Property tax	(51)	-	-	(51)
Rent	5,020	2,510	836	8,366
Telephone	4,268	1,219	610	6,097
Utilities	4,110	1,175	587	5,872
Website	160	20	20	200
TOTAL FUNCTIONAL EXPENSES	\$ 623,768	\$ 98,188	\$ 86,979	\$ 808,935

See accompanying notes to financial statements.

Pee Dee Land Trust
Statement of Functional Expenses
Year Ended June 30, 2018

	<u>Supporting Services</u>			Total Program and Supporting Services
	Program Services	Fundraising	Management and General	
Salaries	\$ 159,521	\$ 49,083	\$ 36,813	\$ 245,417
Payroll taxes	12,510	3,849	2,887	19,246
TOTAL SALARIES AND RELATED EXPENSES	172,031	52,932	39,700	264,663
Accounting	21,627	6,179	3,090	30,896
Attorney fees	10,079	-	3,360	13,439
Bank charges	92	92	275	459
Computer service	4,469	2,235	2,235	8,939
Conferences, conventions & meetings	1,684	-	1,684	3,368
Consultants	15,210	-	1,690	16,900
Depreciation	-	-	3,172	3,172
Dues and subscriptions	1,985	1,390	596	3,971
Event expense	27,295	6,299	8,398	41,992
Food, Catering, etc.	22,902	5,285	7,047	35,234
Gift expense	212	-	-	212
Grant expense	10,000	-	-	10,000
Insurance	18,059	2,408	3,612	24,079
Land management expenses	9,038	-	-	9,038
Mailing prep	31	23	3	57
Marketing media	4,547	3,307	413	8,267
Meals, travel and entertainment	7,166	896	896	8,958
Miscellaneous	-	-	596	596
Office supplies	6,947	1,603	2,137	10,687
PDLT paraphernalia	233	155	-	388
Postage	2,077	1,510	189	3,776
Printing	4,317	3,140	392	7,849
Property tax	1,469	-	-	1,469
Rent	5,045	2,523	841	8,409
Telephone	4,136	1,182	591	5,909
Utilities	3,863	1,104	552	5,519
Website	16	2	2	20
TOTAL FUNCTIONAL EXPENSES	\$ 354,530	\$ 92,265	\$ 81,471	\$ 528,266

See accompanying notes to financial statements.

Pee Dee Land Trust

Notes to Financial Statements

June 30, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operation

Pee Dee Land Trust (the Organization) is a nonprofit organization founded in 1998 to protect and to promote an appreciation of the natural, agricultural, and historical areas of the Pee Dee region of South Carolina. The Organization receives third-party donations, grants from foundations and governments and private industry, and investment income.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenue and related assets are recognized when earned, and expenses are recognized when the obligation is incurred.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. A description of the two net asset categories follows:

- Without donor restrictions net assets - net assets that are not subject to donor-imposed restrictions, as well as funds designated for specific purposes by action of the Board of Directors.
- With donor restrictions net assets - net assets subject to donor-imposed restrictions, including underwater endowments that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The actual outcome of the estimates could differ from the estimates made in the preparation of the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank demand deposits and short-term, highly liquid investments which are readily convertible to cash within ninety days of purchase. For the statement of cash flows, the Organization considers all unrestricted with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are carried at estimated fair value on the statement of financial position. Fair values of investments are estimated based on quoted market prices where available. Investments consist of shares of registered investment companies (mutual funds). Realized gains and losses on dispositions are based on the net proceeds and the adjusted cost of the investments sold using the average cost of the investments sold. Unrealized gains and losses are included in the change in net assets in the statements of activities.

Land and Land Interests

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.

Pee Dee Land Trust

Notes to Financial Statements--Continued

June 30, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred.

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 recorded 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 as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Conservation Easements

A conservation easement is an agreement between a landowner and the Organization in which the landowner relinquishes some or all of the rights to develop the property for commercial, residential or industrial use in order to protect specific conservation values for the public good. The easement is publicly recorded and is binding on all future owners of the property. The Organization's principle responsibility is to ensure compliance with the terms of the easement. It meets this responsibility by periodically inspecting the property and, if necessary, taking appropriate action to enforce this easement. Associated costs of monitoring this easement are expensed as incurred.

The estimated value of easements is not recorded on the statement of financial position because the easements do not represent a future economic benefit to the Organization. As of June 30, 2019 the Organization has 75 easements totaling 29,721 acres, compared to 70 easements totaling 27,792 acres as of June 30, 2018.

Contributions

Unconditional donor promises to give cash and other assets are reported at fair value at the date there is sufficient verifiable evidence documenting that a promise was made by the donor and received by the Organization. The promises are reported as either restricted support if received with donor stipulations that sufficiently limit the use of the donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported on the statement of activities as net assets released from restrictions.

Grants and Contracts

The Organization receives grants and contracts from federal, state and local agencies, as well as from private organizations, to be used for specific programs or land purchases. For government grants and contracts, the excess of reimbursable expenditures over cash receipts is included in government grant receivable and any excess of cash receipts over reimbursable expenditures is included in deferred revenue. For private grants and contracts, any excess of cash receipts over reimbursable expenditures is included in deferred revenue.

Pee Dee Land Trust

Notes to Financial Statements--Continued

June 30, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Grants and Contracts -- Continued

The Organization's costs incurred under its government grants and contracts are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not be material to the financial position of changes in net assets of the Organization.

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. The Organization incurred no unrelated business income for the years ended June 30, 2019 and 2018.

The Organization files income tax returns in the U.S. federal jurisdiction and the state of South Carolina. The Organization is no longer subject to U.S. federal, state and local, tax examinations by tax authorities for years before 2015.

Because the Organization is exempt from taxation under Internal Revenue Code 501(c)(3), the Organization is generally not exposed to interest and penalties related to income taxes. When applicable, the Organization recognizes interest and penalties paid related to tax obligations and benefits in management and general expenses.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. The Organization accounts for its contributions per Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 720-25. In accordance with FASB ASC 720-25, contributions received are recorded as without donor restrictions or with donor restrictions support depending on the existence and/or nature of any donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Concentration of Credit Risk

The Organization currently maintains checking, money market, and certificate of deposit accounts at various banks in South Carolina. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Company had \$0 of uninsured cash at June 30, 2019 and 2018.

Pee Dee Land Trust

Notes to Financial Statements--Continued

June 30, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Planned Major Equipment Maintenance Activities

The Organization uses the direct expensing method to account for its major equipment maintenance activities. The method has been used historically, and no costs have been accrued in advance.

NOTE B - FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting principles generally accepted in the United States of America provide a framework for measuring fair value (FASB ASC 820). The framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted 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 under FASB ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- 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 specific (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.

Following is a description of the valuation methodologies used for assets measured at fair value:

- *Remainder interest in land:* Valued using the income approach based on calculating the present value of the future distribution expected to be received, using published life expectancy tables and an applicable discount rate.
- *Shares of registered investment companies:* Valued at daily closing price as reported by the fund. Mutual funds held by the Company are open-end mutual funds that are registered with the Securities and Exchange Commission.

Pee Dee Land Trust

Notes to Financial Statements--Continued

June 30, 2019 and 2018

NOTE B - FAIR VALUE OF FINANCIAL INSTRUMENTS--Continued

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2019 and 2018:

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Equities:				
Aerospace products/parts	\$ 30,941	\$ -	\$ -	\$ 30,941
Basic materials/resources	23,393	-	-	23,393
Business/consumer services	40,156	-	-	40,156
Energy services	142,835	-	-	142,835
Consumer goods	135,414	-	-	135,414
Financial services	330,820	-	-	330,820
Healthcare/life sciences	229,685	-	-	229,685
Industrial goods	148,144	-	-	148,144
Leisure/arts/hospitality	63,328	-	-	63,328
Media/entertainment	78,887	-	-	78,887
Real estate/construction	32,392	-	-	32,392
Retail wholesale	167,364	-	-	167,364
Technology	358,544	-	-	358,544
Telecommunication services	32,850	-	-	32,850
Fixed income:				
US Treasuries	125,006	-	-	125,006
Agency securities	256,497	-	-	256,497
Corporate bonds	587,151	-	-	587,151
	<u>2,783,407</u>	-	-	<u>2,783,407</u>
Beneficial interest in real estate	-	-	9,328	9,328
Total assets at fair value	<u>\$ 2,783,407</u>	<u>\$ -</u>	<u>\$ 9,328</u>	<u>\$ 2,792,735</u>

Pee Dee Land Trust
Notes to Financial Statements--Continued
June 30, 2019 and 2018

NOTE B - FAIR VALUE OF FINANCIAL INSTRUMENTS--Continued

	<u>Assets at Fair Value as of June 30, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Shares of registered investment companies:				
Large value funds	\$ 272,680	\$ -	\$ -	\$ 272,680
Inflation protected bonds	614,955	-	-	614,955
Diversified emerging markets	144,745	-	-	144,745
Energy Limited Partnership	29,396	-	-	29,396
Foreign large blend	346,845	-	-	346,845
Foreign large growth	58,196	-	-	58,196
Foreign small/mid growth	7,073	-	-	7,073
Foreign small/mid value	22,921	-	-	22,921
Global real estate	20,320	-	-	20,320
Large growth	345,677	-	-	345,677
Mid-Cap growth	101,830	-	-	101,830
Mid-Cap value	154,495	-	-	154,495
Real estate	30,085	-	-	30,085
Small blend	61,032	-	-	61,032
Small growth	19,397	-	-	19,397
High yield bond	18,341	-	-	18,341
Ultrashort bond	239,440	-	-	239,440
Emerging markets bond	33,609	-	-	33,609
	<u>2,521,037</u>	-	-	<u>2,521,037</u>
Beneficial interest in real estate	<u>-</u>	<u>-</u>	<u>8,937</u>	<u>8,937</u>
Total assets at fair value	<u>\$ 2,521,037</u>	<u>\$ -</u>	<u>\$ 8,937</u>	<u>\$ 2,529,974</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Beneficial interest in donated land

June 30, 2017	\$ 1,294,157
Decrease in value of beneficial interest	(214,262)
Beneficial interest received upon sale of donated land	<u>(1,070,958)</u>
June 30, 2018	8,937
Increase in value of beneficial interest	<u>391</u>
June 30, 2019	<u>\$ 9,328</u>

Pee Dee Land Trust
Notes to Financial Statements--Continued
June 30, 2019 and 2018

NOTE C - PROPERTY AND EQUIPMENT

	June 30,	
	<u>2019</u>	<u>2018</u>
Computer hardware	\$ 31,132	\$ 27,384
Furniture, fixtures and equipment	<u>27,841</u>	<u>25,433</u>
	58,973	52,817
Less: accumulated depreciation	<u>46,319</u>	<u>41,982</u>
	<u><u>\$ 12,654</u></u>	<u><u>\$ 10,835</u></u>

NOTE D - LEASE OBLIGATIONS

Effective January 1, 2012, the Organization began renting office space in a building from a third party. Under the terms of the lease agreement, the Organization is required to pay monthly rent equal to one-half of the common area maintenance expenses of the building. The original lease terminated on December 31, 2013, and the Organization exercised the third of three renewal options for an additional two-year period. Estimated future minimum lease payments under this lease as of June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	
2020	<u><u>\$ 3,750</u></u>

Total rent expense during the years ended June 30, 2019 was \$8,366 and June 30, 2018 was \$8,409.

NOTE E - NET ASSETS - ENDOWMENT

Effective July 1, 2008, the Organization adopted the FASB's guidance regarding Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for all Endowment Funds.

UPMIFA, as enacted by the General Assembly of South Carolina, under which laws the Organization is incorporated, and is interpreted by the Organization, requires the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. In addition net appreciation on donor-restricted endowment funds is required to be classified and reported as net assets with donor restrictions

The Organization's Endowment (Endowment) provides stable financial support to a variety of programs and activities in perpetuity, playing a critical role in enabling the Organization to achieve its mission of protecting and promoting an appreciation of the natural, agricultural, and historical areas of the Pee Dee region of South Carolina. The Endowment is made up of donor-restricted endowment funds. As required by Generally Accepted Accounting Principals (GAAP), net assets associated with endowment funds, including Board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Pee Dee Land Trust

Notes to Financial Statements--Continued

June 30, 2019 and 2018

NOTE E - NET ASSETS - ENDOWMENT--Continued

Interpretation of Relevant Law – The State of South Carolina adopted UPMIFA effective July 1, 2008. The Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (1) the original value of the gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instruments at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund;
- The purposes of the organization and the endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and appreciation of investments;
- Other resources of the organization; and
- The investment policy of the organization.

At June 30, 2019, the Organization had the following endowment net assets composition by type of Fund:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,201,293	\$ 1,201,293
Total funds	\$ -	\$ 1,201,293	\$ 1,201,293

At June 30, 2018, the Organization had the following endowment net assets composition by type of Fund:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,058,355	\$ 1,058,355
Total funds	\$ -	\$ 1,058,355	\$ 1,058,355

Pee Dee Land Trust

Notes to Financial Statements--Continued

June 30, 2019 and 2018

NOTE E - NET ASSETS - ENDOWMENT--Continued

Changes in endowment fund net asset classification for the year ended June 30, 2019 is summarized as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, July 1, 2018	\$ -	\$ 1,058,355	\$ 1,058,355
Contributions	-	139,324	139,324
Investment return:			
Investment income	26,135	-	26,135
Net appreciation (realized and unrealized)	-	45,948	45,948
Appropriation of endowment assets for expenditure	<u>(26,135)</u>	<u>(42,334)</u>	<u>(68,469)</u>
Endowment Net Assets, June 30, 2019	<u>\$ -</u>	<u>\$ 1,201,293</u>	<u>\$ 1,201,293</u>

Changes in endowment fund net asset classification for the year ended June 30, 2018 is summarized as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, July 1, 2017	\$ -	\$ 898,039	\$ 898,039
Contributions	-	146,202	146,202
Investment return:			
Investment income	13,223	-	13,223
Net appreciation (realized and unrealized)	-	34,023	34,023
Appropriation of endowment assets for expenditure	<u>(13,223)</u>	<u>(19,909)</u>	<u>(33,132)</u>
Endowment Net Assets, June 30, 2018	<u>\$ -</u>	<u>\$ 1,058,355</u>	<u>\$ 1,058,355</u>

Pee Dee Land Trust

Notes to Financial Statements--Continued

June 30, 2019 and 2018

NOTE E - NET ASSETS - ENDOWMENT--Continued

Return Objectives and Risk Parameters – The Organization has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs supported by the Organization. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor specified period. Under this policy, as adopted by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve and grow capital, strive for consistent absolute returns, preserve purchasing power by striving for long-term returns which either match or exceed the set payout, fees and inflation without putting the principal value at imprudent risk, and diversify investments consistent with commonly accepted industry standards to minimize the risk of large losses.

Strategies Employed by Achieving Objectives – To satisfy long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that meets the Organization’s long-term rate of return objectives while avoiding undue risk from imprudent concentration in any single asset class or investment vehicle.

Spending Policy and How the Investment Objectives Relate to the Spending Policy – The Organization’s spending policy is consistent with its objective or preservation of the fair value of the original gift of the endowment assets held in perpetuity as well as to provide additional real growth through investment returns. Only the interest income can be appropriated by the board for expenditure from the endowment fund.

NOTE F - CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS – TEMPORARY IN NATURE

Changes in net assets with donor restrictions - temporary in nature at June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year - July 1	\$ 692,095	\$ 652,978
Support	520,984	230,833
Net assets released from restrictions	<u>(275,000)</u>	<u>(191,716)</u>
Balance at end of year - June 30	<u>\$ 938,079</u>	<u>\$ 692,095</u>

The following amounts remain as net assets with donor restrictions – temporary in nature at June 30, 2019 and 2018:

	June 30,	
	<u>2019</u>	<u>2018</u>
To conserve, and to promote an appreciation of, the significant natural, agricultural, and historical resources of the Pee Dee Watershed of South Carolina	<u>\$ 938,079</u>	<u>\$ 692,095</u>

Pee Dee Land Trust

Notes to Financial Statements--Continued

June 30, 2019 and 2018

NOTE G - CONTINGENCIES

The Organization is dependent on grants and contributions. The Organization must apply for renewals of grants. Funding is subject to increases or decreases at the discretion of the grantors or donors.

NOTE H - REMAINDER INTEREST IN REAL ESTATE

A remainder interest in a parcel of real estate was donated to the Organization in October 2008. The land is held by the beneficiary. The Organization's beneficial interest in the remainder interest attributable to the expiring life estate of the beneficiary was \$9,328 as of June 30, 2019, and is reported as a noncurrent asset. The increase in the beneficial interest of \$391 is recorded in revenue for the year ended June 30, 2019. As of June 30, 2018, the Organization's beneficial interest was \$8,937 and was reported as a noncurrent asset, with a decrease in beneficial interest of \$1,285,220 recorded in revenue for the year ended June 30, 2018. A portion of the land was sold during June 30, 2018.

NOTE I - DONATED LAND

The Organization received donated property from Black Creek Land Trust and Woodfield Land and Timber, LLC in December 2014 and June 2018, respectively. The donation was reported as an increase in revenue from contributed property of \$140,000 for the year ended June 30, 2018. In connection with the donation from Black Creek Land Trust, the Organization is required to preserve the property in its natural state.

NOTE J - SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date these financial statements were available to be issued November 5, 2019.

NOTE K - LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of June 30, 2019:

Cash and cash equivalents	\$ 327,750
Other receivables	11,223
Investments	2,783,407
Pledges receivable	<u>7,559</u>
Financial assets available at year end	3,129,939
Donor restricted funds – endowment	(1,201,293)
Donor restricted funds – monitoring and defending	
Conservation easement	<u>(938,079)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 990,567</u>

As part of the Organization's liquidity management plan, the Board of Directors invests cash in excess of daily requirements in short-term investments and money market funds.

Pee Dee Land Trust

Notes to Financial Statements--Continued

June 30, 2019 and 2018

NOTE L - PENDING FINANCIAL ACCOUNTING STANDARDS BOARD STANDARDS UPDATES

Recently Implemented Accounting Standards

Contributions and Grants

The FASB issued ASU *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, that clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The ASU provides guidance for distinguishing between contributions and exchange transactions which then determines which guidance for recognition is applied. The guidance also requires an entity to determine whether a transaction is conditional which affects the timing of the revenue recognized. The standard will be effective for annual financial statements issued for fiscal years beginning after December 15, 2018. The Organization plans to comply with the standard when it becomes effective.

Revenue Recognition

The FASB issued an ASU and subsequent amendments that eliminates the transaction and industry-specific revenue recognition guidance and replaces it with a principle-based approach for determining revenue recognition. The ASU regarding revenue recognition will be effective for annual reporting periods beginning after December 15, 2018. The Organization plans to comply with the standard when it becomes effective.

Leases

The FASB issued an ASU requiring organizations that lease assets to recognize on the balance sheet (statement of financial position) the assets and liabilities for the rights and obligations created by those leases. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with terms of more than 12 months. Additional disclosure will also be required. The accounting standards update on leases will be effective for fiscal years beginning after December 15, 2019. The Organization plans to comply with the standard when it becomes effective.

NOTE M - CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Pee Dee Land Trust
Notes to Financial Statements--Continued
June 30, 2019 and 2018

NOTE M - CHANGE IN ACCOUNTING PRINCIPLE - Continued

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. Organization’s net assets previously reported as temporarily restricted and permanently restricted are now reported as net assets with donor restrictions. Likewise, Organization’s net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

Change in Accounting Principle

The changes had the following effect on net assets at June 30, 2018:

Net Asset Class	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted - general operations	\$ 298,102	\$ -
Unrestricted - Board designated	1,079,350	-
Temporarily restricted	692,095	-
Permanently restricted	1,058,355	-
With donor restrictions - temporary in nature	-	692,095
With donor restrictions - perpetual in nature	-	1,058,355
Without donor restrictions - general operations	-	298,102
Without donor restrictions - board designated	-	1,079,350
Total net assets	<u>\$ 3,127,902</u>	<u>\$ 3,127,902</u>

NOTE N - BOARD DESIGNATED FUNDS – SCARBOROUGH OPPORTUNITY FUND

The Scarborough Opportunity Fund’s purpose is to generate income for operations expenses of Pee Dee Land Trust, to provide financial assistance on land protection projects, and other opportunities as deemed appropriate by the Board of Directors; includes the former Revolving Land Fund for Land Protection.

The authorized expenditures are up to 4% of the value of this fund at the end of the prior fiscal year and may be spent to meet ongoing operational needs. Requests for up to \$5,000 are to be approved by the Executive Committee and the full Board’s majority vote’s needed for approval over \$5,000 in addition to the 4% expenditure. Funds may be transferred to the General Fund for this purpose. Principal may be drawn down to a minimum of \$25,000. Override of the floor may only be made by 75% majority vote of the board of directors.

As of June 30, 2019, and 2018, the board designated funds for Scarborough Opportunity Funds were \$1,182,677 and \$1,079,350.