

SOUTHERN CONSERVATION TRUST

FINANCIAL STATEMENTS

MARCH 31, 2019

With Independent Auditor's Report Thereon

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Southern Conservation Trust  
Fayetteville, GA

We have audited the accompanying financial statements of the Southern Conservation Trust (the "Trust") (a nonprofit organization), which comprise the statement of financial position as of March 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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

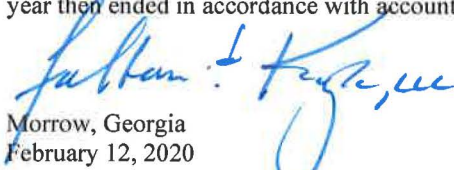
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Southern Conservation Trust as of March 31, 2019, 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.

  
Morrow, Georgia  
February 12, 2020

SOUTHERN CONSERVATION TRUST  
STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2019

ASSETS

CURRENT ASSETS	
Cash	\$ 1,609,400
Cash from investments	47,565
Investments	1,792,524
Accounts receivable	28,805
Prepaid insurance	<u>3,186</u>
TOTAL CURRENT ASSETS	<u>3,481,480</u>
FIXED ASSETS, NET	230,892
CONSERVATION PROPERTY	<u>10,248,681</u>
TOTAL ASSETS	<u>\$13,961,053</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Deferred revenue	\$ <u>2,524</u>
TOTAL CURRENT LIABILITES	<u>2,524</u>
NET ASSETS	
Without donor restrictions	13,860,974
With donor restrictions	<u>97,555</u>
TOTAL NET ASSETS	<u>13,958,529</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$13,961,053</u>

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

SOUTHERN CONSERVATION TRUST  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
REVENUES:			
Donated land	\$ 3,699,263	\$ -	\$ 3,699,263
Conservation contributions	1,590,388	-	1,590,388
Nonprofit grants and contributions	136,400	-	136,400
Investment revenue	55,755	-	55,755
Individual donations	39,008	-	39,008
Special event	34,939	-	34,939
less: Direct benefit to donor	(25,465)	-	(25,465)
In-kind contributions	34,000	-	34,000
Other revenue	22,280	-	22,280
Corporate grants	5,561	-	5,561
Earned income	2,625	-	2,625
Interest income	<u>325</u>	<u>-</u>	<u>325</u>
Public support and revenues	5,595,079	-	5,595,079
Released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>5,595,079</u>	<u>-</u>	<u>5,595,079</u>
EXPENSES:			
Program activities	525,651	-	525,651
Management and general	86,677	-	86,677
Fundraising	<u>35,254</u>	<u>-</u>	<u>35,254</u>
TOTAL EXPENSES	<u>647,582</u>	<u>-</u>	<u>647,582</u>
CHANGE IN NET ASSETS	4,947,497	-	4,947,497
NET ASSETS AT BEGINNING OF PERIOD	<u>8,913,477</u>	<u>97,555</u>	<u>9,011,032</u>
NET ASSETS AT END OF PERIOD	<u>\$ 13,860,974</u>	<u>\$ 97,555</u>	<u>\$ 13,958,529</u>

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

SOUTHERN CONSERVATION TRUST  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2019

	Program Services	Management and General	Fund- raising	Total
Conservation program expenses	\$ 205,549	\$ -	\$ -	\$ 205,549
Salaries and wages	181,030	22,629	22,629	226,288
Service fees	8,501	34,067	1,822	44,390
Employee benefits	20,763	2,596	2,596	25,955
Office expenses	8,937	14,065	-	23,002
Depreciation	21,527	-	-	21,527
Printing and promotion	17,103	1,510	2,265	20,878
Supplies	14,310	1,686	199	16,195
Payroll taxes	12,867	1,608	1,608	16,083
Insurance	8,527	4,589	-	13,116
Personnel	9,899	120	-	10,019
Equipment	7,417	989	1,483	9,889
Information technology	4,811	642	962	6,415
Travel	1,955	1,955	-	3,910
Membership dues	1,247	-	1,248	2,495
Meetings	1,208	221	442	1,871
<b>TOTAL EXPENSES</b>	<b>\$ <u>525,651</u></b>	<b>\$ <u>86,677</u></b>	<b>\$ <u>35,254</u></b>	<b>\$ <u>647,582</u></b>

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

SOUTHERN CONSERVATION TRUST  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 4,947,497
Adjustments to reconcile decrease in net assets to net cash provided by operating activities	
Depreciation	21,527
Unrealized gain on investments	(56,657)
Donations of land improvements	(24,000)
Donations of conservation properties	(3,699,263)
(Increase) in operating assets	
Accounts receivable	(28,805)
Prepaid expenses	(832)
Increase (Decrease) in operating liabilities	
Deferred revenue	2,524
Payroll liabilities	<u>(3,251)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,158,740
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from investments	2,647
Purchases of fixed assets	<u>(116,598)</u>
NET CASH USED IN INVESTMENT ACTIVITIES	(113,951)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>
NET CHANGE IN CASH	1,044,789
CASH AT THE BEGINNING OF PERIOD	<u>612,176</u>
CASH AT THE END OF PERIOD	<u>\$ 1,656,965</u>

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

SOUTHERN CONSERVATION TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2019

**1. ORGANIZATION**

The Southern Conservation Trust is a community land trust founded in 1993 by Fayette County residents eager to preserve green space as the south metro Atlanta area develops. The Trust owns, manages and protects over 16,846 acres, including ten donated preserves in south metro Atlanta and two in Tennessee.

The Trust's programs include:

*Land Conservation*

The Trust conserves the most important and threatened land using all the tools of private, voluntary land conservation. The Trust works exclusively with willing landowners to find ways to conserve, forever, the scenic and natural values of the land and water. Landowners donate or sell a conservation interest in their land, such as development rights or full ownership, to the Trust. The Trust manages the land under a stewardship plan and, if necessary, legally defends its conservation values. The Trust also identifies priority conservation lands to purchase. Further, the Trust conserves working forest and agricultural land for the purpose of keeping the land in resource production.

*Public Outreach*

The Trust increases awareness about the benefits of private land conservation and the mission of the Trust. Methods include focusing education and outreach to support conservation in priority areas, targeting technical advisors to landowners, showcasing successful projects to promote conservation and stewardship, and introducing the general public to land conservation through tours and publications.

*Land Stewardship*

Protecting and enhancing the conservation values of lands acquired by the Trust is some of the most important work in which the Trust is involved. It is the responsibility of the Stewardship Program to protect conservation values and to be a good neighbor and community member for all Trust properties through science-based management. The Trust evaluates every property for its conservation value, the threats to these values, and for opportunities to enhance conservation values through responsible management. A stewardship plan is developed and implemented based on this analysis to include annual monitoring as part of an adaptive management framework. A number of Trust conservation properties currently include significant restoration work to replace lost functions and increase the conservation value of the property. Volunteers are a growing resource for the Stewardship Program with volunteers of all ages participating in planning and implementation. Individuals and groups are providing hundreds of hours of service stewarding conserved lands. A stewardship funding strategy, including gift donations during the acquisition process, is an integral part of every new conservation project. Stewardship funds are used to provide for future expenses of restoration, monitoring, enforcing

SOUTHERN CONSERVATION TRUST  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**1. ORGANIZATION – Continued**

compliance with easement restrictions, and underwriting legal defense of the conservation protections for all Trust properties. The Trust has also established a stewardship endowment to provide permanent support for program activities.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

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

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the organization. These net assets may be used at the discretion of the Trust's management and the board of directors.

Board designated – Assets assigned by the Board to be held for endowment or other specified purposes. The Board can elect to remove these designations in the future.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Trust and/or passage of time. Some donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

SOUTHERN CONSERVATION TRUST  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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 reported.

Cash and cash equivalents

For financial statement purposes, highly liquid investments with original maturities of three months or less when purchased are reported as cash and cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude cash and cash equivalents restricted in perpetuity. For the year ended March 31, 2019, the Trust had no cash equivalents.

Financial instruments

The financial instruments shown as assets and liabilities in the statements of financial position are traditional in nature. The carrying value of cash and cash equivalents and all other financial instruments, including receivables and payables, approximate their fair value.

Fixed assets and property improvements

Fixed assets are stated at cost with the exception of donated items, which are stated at fair market value at the date of donation. Expenditures for renewals and improvements are charged to the property accounts. Expenditures such as maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to operations. The cost and related accumulated depreciation are removed from the accounts for equipment sold or retired. Acquisitions that have an estimated useful life greater than one year are capitalized and are depreciated on the straight-line basis. Items that are considered capital assets are land, land improvements, buildings, leasehold improvements, furniture and equipment, capital leases, computer software and collections. Land improvements over \$5,000 are capitalized as fixed assets. Leasehold improvements over \$10,000 are considered fixed assets. Furniture, fixture, equipment, and computer software are capitalized if they are greater than \$1,000. The cost and related accumulated depreciation are removed from the accounts for items sold or retired. Depreciation is provided on the straight-line basis over the estimated useful lives from 3 to 40 years.

In-kind contributions

The Trust records as support and expenses the fair market value of donated materials and services in accordance with the provisions of ASC 958-605-25-16. This statement requires that contributions of services be recognized if the services create or enhance non-financial assets or require specialized skills that must be purchased if not donated. Such services, when incurred, are included in the accompanying statements of activities based on their estimated fair market value on the date of service.

SOUTHERN CONSERVATION TRUST  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Contributed property, improvements and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

The Trust received donated use of facility of \$10,000 and donated land improvements of \$24,000 for the year ended March 31, 2019.

Volunteers contribute significant amounts of time to our program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Conservation property

Conservation property is reported at cost when purchased and at fair market value on the date received when acquired by gift. Conservation property value is held at a constant value and is not adjusted for depreciation or re-assessment. Also see Note 6 regarding conservation property.

Investments

Investments in equity and debt securities are reported at fair value with realized and unrealized gains and losses included in the statement of activities. Realized and unrealized gains or losses on marketable securities are determined by using specific identification. Investment income is presented in the statements of activities net of investment expense.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ materially from those estimates.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between program activities and management and general expenses. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Indirect expenses have been allocated based primarily on salary expenditures.

SOUTHERN CONSERVATION TRUST  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Income taxes

The Trust qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Trust is only subject to federal or state income taxes on specific types of income from activities that are unrelated to its exempt purpose. The Trust had no income from unrelated activities and has no income taxes due as of March 31, 2019.

The Trust's application of ASC 740 regarding uncertain tax positions had no effect on its financial position as management believes the Trust has no material unrecognized income tax benefits, including any potential risk of loss of its not-for-profit tax status. The Trust would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax benefits as income tax expense. The Trust is no longer subject to examination by federal, state or local tax authorities for periods before 2015.

New accounting pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Trust has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent events

The Trust has evaluated all subsequent events through February 12, 2020, the date the financial statements were available to be issued.

**3. OPERATING LEASE COMMITMENT**

The Trust bought their old copier and entered into a new copier lease in November 2019. The lease has a monthly payment of \$352 that is required through November 2024.

Future minimum lease payments under operating leases are as follows:

Year ended March 31,	Amount
2020	\$ 3,361
2021	4,236
2022	4,236
2023	4,236
2024	4,236
Thereafter	2,471
Total	<u>\$ 22,776</u>

SOUTHERN CONSERVATION TRUST  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**4. AVAILABILITY AND LIQUIDITY**

The following represents the Trust financial assets at March 31, 2019, reduced by amounts not available for expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2019</u>
Financial assets:	
Cash and cash equivalents	\$ 1,609,400
Cash from investments	47,565
Accounts receivable	28,805
Investments	<u>1,792,524</u>
Financial assets at year-end	3,478,294
Less amounts unavailable to be used within one year:	
Perpetual endowments subject to appropriation beyond one year	<u>97,555</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,380,739</u>

The Trust's goal is generally to maintain one month's operating budget in the checking account. As part of its liquidity plan, excess cash is invested in short term investments, including money market accounts.

**5. INVESTMENT REVENUE**

The summary of investment revenue for the year ended March 31, 2019:

Realized loss on investment	\$ (32,547)
Unrealized gain on investment	56,657
Dividend/interest income	44,779
Less: investment fees	<u>(13,134)</u>
Total	<u>\$ 55,755</u>

**6. CONSERVATION PROPERTY**

The Trust accepts fee title to conservation properties that are held by the Trust in furtherance of its mission. All valued properties have been donated free of restriction on their use or disposition. The Trust may also purchase real property for the furtherance of its mission. Such purchased property is recorded at cost. At March 31, 2019 the Trust held 19 properties on 7,758 acres of land of \$10,248,681.

SOUTHERN CONSERVATION TRUST  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**7. FIXED ASSETS, NET**

Fixed assets at March 31, 2019, consisted of the following:

Land/Leasehold improvements	\$ 369,060
Furniture, fixtures and equipment	<u>6,198</u>
Total fixed assets	375,258
Less: accumulated depreciation	<u>(144,366)</u>
Total fixed assets – net	<u>\$ 230,892</u>

*Land/Leasehold improvements* includes improvements made on the owned properties and leased properties of the Trust. The Trust leases 5 properties on 955 acres of land. The lease payments are \$1 annually for each lease.

**8. FAIR VALUE MEASUREMENTS**

Financial Accounting Standards Board (“FASB”) Accounting Standards Codifications 820 (“ASC”) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. Under ASC 820, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest priority to lowest priority, are described as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Unobservable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Inputs are unobservable inputs for the asset that are supported by little or no market activity and that are significant to the fair value of the underlying asset.

The Trust’s financial instruments measured at fair value on a recurring basis in accordance with ASC 820 as of March 31, 2019, are deemed as Level 1.

SOUTHERN CONSERVATION TRUST  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**9. CONSERVATION EASEMENTS**

The Trust has acquired and holds a number of conservation easements, each representing a legal interest in land owned by another person or entity. The easements grant the Trust the right to use, control, and/or protect the land for conservation purposes. Because of the unique nature of these assets, the impracticality of obtaining consistent and reliable estimates of the values ascribed to these interests, and consistent with the practices followed by many environmental land trusts, the accompanying financial statements do not include any amounts for these property interests. At March 31, 2019 the Trust held 101 conservation easements on 24,468 acres of land.

**10. STEWARDSHIP COMMITMENT**

Protecting and enhancing the conservation values of the lands acquired by the Trust, and doing so in perpetuity, is an important aspect of the Trust's work. The Trust evaluates each property it holds for its conservation value, as well as the threats to these values, and develops and implements a stewardship plan based on this analysis. The plan includes detailed monitoring on an annual basis. Current costs associated with the Trust's stewardship efforts are expensed as incurred. The costs of future obligations represent a commitment of the Trust and will be recorded as they are incurred.

**11. NET ASSETS**

Net assets without donor restrictions were as follows for the year ended March 31, 2019:

Undesignated	\$ 10,580,627
Board designated endowment:	
Stewardship and legal defense	2,879,950
Sam's Lake Bird Sanctuary	<u>400,397</u>
Total net assets without donor restrictions	<u>\$ 13,860,974</u>

Net assets with donor restrictions were as follows for the year ended March 31, 2019:

Subject to restriction in perpetuity:	
Endowment for Walden Park	\$ <u>97,555</u>
Total net assets with donor restrictions	<u>\$ 97,555</u>

There were no releases from net assets with donor restrictions for the year ended March 31, 2019.