

NORTH CAROLINA CONSERVATION NETWORK

FINANCIAL STATEMENTS

for the year ended December 31, 2023

NORTH CAROLINA CONSERVATION NETWORK

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Langdon & Company ^{LLP}
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
North Carolina Conservation Network

Opinion

We have audited the accompanying financial statements of North Carolina Conservation Network (the "Network"), which comprise the statement of financial position as of December 31, 2023, 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 referred to above present fairly, in all material respects, the financial position of North Carolina Conservation Network as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Network and to meet our other ethical responsibilities in accordance with the 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 opinion.

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 the Network'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 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, including omissions, 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.

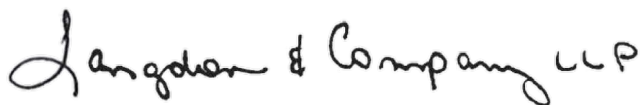
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 the Network'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 the Network'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.

Summarized Comparative Information

We have previously audited the North Carolina Conservation Network's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Garner, North Carolina
May 3, 2024

NORTH CAROLINA CONSERVATION NETWORK

STATEMENT OF FINANCIAL POSITION

as of December 31, 2023
with comparative totals as of December 31, 2022

	ASSETS			LIABILITIES AND NET ASSETS	
	2023	2022		2023	2022
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 2,703,766	\$ 2,752,158	Accounts payable	\$ 5,246	\$ 39,456
Certificates of deposit	4,775,422	3,462,552	Accrued liabilities	78,996	51,738
Contributions receivable	18,545	13,224	Deferred membership dues	426	650
Grants receivable	150,000	150,000	Total current liabilities	84,668	91,844
Prepaid expenses	39,604	28,358			
Total current assets	7,687,337	6,406,292			
Property and equipment:			Net assets:		
Furniture and equipment	116,733	108,358	Without donor restrictions:		
Website	15,510	15,510	Undesignated	1,614,359	1,778,107
	132,243	123,868	Board-designated contingency fund	4,804,638	4,290,023
Less accumulated depreciation and amortization	106,521	93,409		6,418,997	6,068,130
Net property and equipment	25,722	30,459	With donor restrictions	1,224,394	441,777
Other assets:					
Grants receivable in one to five years	-	150,000			
Security deposit	15,000	15,000	Total net assets	7,643,391	6,509,907
Total other assets	15,000	165,000			
Total assets	\$ 7,728,059	\$ 6,601,751	Total liabilities and net assets	\$ 7,728,059	\$ 6,601,751

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

NORTH CAROLINA CONSERVATION NETWORK

STATEMENT OF ACTIVITIES

**for the year ended December 31, 2023
with comparative totals for 2022**

	2023			2022
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Public support and revenue				
Public support:				
Grants	\$ 20,000	\$ 681,000	\$ 701,000	\$ 623,800
Contributions	1,400,389	1,050,000	2,450,389	2,171,139
Total public support	1,420,389	1,731,000	3,151,389	2,794,939
Revenue:				
Membership dues	54,800	-	54,800	50,750
Interest	195,618	-	195,618	33,909
Miscellaneous	8,373	-	8,373	1,052
Total revenue	258,791	-	258,791	85,711
Net assets released from restrictions	948,383	(948,383)	-	-
Total public support and revenue	2,627,563	782,617	3,410,180	2,880,650
Expenses				
Program services	1,852,512	-	1,852,512	2,184,203
Management and general	343,898	-	343,898	315,019
Fundraising	80,286	-	80,286	65,409
Total expenses	2,276,696	-	2,276,696	2,564,631
Change in net assets	350,867	782,617	1,133,484	316,019
Net assets, beginning of year	6,068,130	441,777	6,509,907	6,193,888
Net assets, end of year	\$ 6,418,997	\$ 1,224,394	\$ 7,643,391	\$ 6,509,907

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

NORTH CAROLINA CONSERVATION NETWORK

STATEMENT OF FUNCTIONAL EXPENSES

**for the year ended December 31, 2023
with comparative totals for 2022**

	2023			2022	
	Program Services	Management and General	Fund Raising	Total	Grand Total
Salaries and benefits	\$ 1,442,572	\$ 236,934	\$ 67,795	\$ 1,747,301	\$ 1,544,927
Projects	167,529	4,918	1,407	173,854	585,073
Rent	112,559	18,487	5,290	136,336	132,349
Organizing	44,029	7,232	2,069	53,330	139,671
Professional services	-	39,720	-	39,720	46,382
Contracts and maintenance	4,979	948	234	6,161	1,514
Board and staff development	6,565	6,564	-	13,129	18,368
Internships	4,508	740	212	5,460	-
Printing	2,593	426	122	3,141	3,495
Communication	9,609	1,578	451	11,638	10,699
Insurance	-	5,394	-	5,394	5,014
Depreciation and amortization	10,825	1,778	509	13,112	14,577
Dues and subscriptions	-	11,502	-	11,502	10,826
Travel, meals, and lodging	21,920	3,600	1,030	26,550	15,053
Meetings	20,993	3,448	987	25,428	34,107
Supplies and other expenses	3,831	629	180	4,640	2,576
Total expenses	\$ 1,852,512	\$ 343,898	\$ 80,286	\$ 2,276,696	\$ 2,564,631

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

NORTH CAROLINA CONSERVATION NETWORK

STATEMENT OF CASH FLOWS

for the year ended December 31, 2023
with comparative totals for 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from contributors, grantors and programs	\$ 3,359,017	\$ 3,023,776
Cash paid to employees and suppliers	(2,281,782)	(2,507,246)
Interest and dividends received	95,946	18,573
Net cash provided by operating activities	<u>1,173,181</u>	<u>535,103</u>
Cash flows from investing activities:		
Purchases of certificates of deposit	(4,706,725)	(3,454,149)
Proceeds from redemption of certificates of deposit	3,493,527	3,053,612
Purchases of property and equipment	(8,375)	(4,571)
Net cash used in investing activities	<u>(1,221,573)</u>	<u>(405,108)</u>
Net (decrease) increase in cash	(48,392)	129,995
Cash at beginning of year	2,752,158	2,622,163
Cash at end of year	<u>\$ 2,703,766</u>	<u>\$ 2,752,158</u>

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

NORTH CAROLINA CONSERVATION NETWORK

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The North Carolina Conservation Network (the "Network") is a not-for-profit organization organized under the General Statutes of North Carolina. The Network was organized through a collaborative effort of North Carolina conservation, environmental justice, and community groups.

The Network supports, trains, and coordinates diverse groups and directly advocates to achieve equitable and sustainable solutions for the environment. Through the efforts of the Network, diverse groups engage in environmental policy decision-making at all levels of government. The result: a North Carolina committed to improving and protecting the state's vast natural resources; fostering environmental justice; and ensuring healthy, sustainable communities with a high quality of life. The Network is the catalyst for active environmental collaboration that ensures state and local officials regularly adopt strong environmental policies and programs. The majority of the Network's revenue is grants and contributions from foundations, corporations, and individuals.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. As discussed in Note 5, the governing board has designated, from net assets without donor restrictions, net assets for a contingency fund.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a 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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Network considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Network maintains its cash and cash equivalents and certificates of deposit in various bank deposit accounts which, at times, may exceed federally insured limits of \$250,000. The Network has not experienced any losses in such accounts.

Certificates of Deposit

The Network held certificates of deposit totaling \$4,775,422 and \$3,462,552 as of December 31, 2023, and 2022, respectively. The certificates of deposit bear interest rates ranging from 4.08% to 4.95% and have maturity dates ranging from January through December 2024.

Property and Equipment

Property and equipment are recorded at cost on the date of acquisition. Maintenance, repairs, and minor improvements are expensed as incurred. Gains or losses on dispositions are included in the statement of activities. Depreciation and amortization are computed using the straight-line method over the estimated useful life of the respective assets. Purchases of \$1,000 or more are capitalized and depreciated. Rates of depreciation and amortization are based on estimated useful lives of 4 to 7 years.

NORTH CAROLINA CONSERVATION NETWORK

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

The Network determines if an arrangement is a lease at inception and has determined as of December 31, 2023 and 2022 that there are no right of use assets or liabilities to record.

Receivables and Revenue

Contributions and Grants

Contributions and grants are recorded as revenue without donor restrictions or revenue with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in the next year, are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value using a risk adjusted discount rate. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions and grants receivable consist of unconditional promises to give and are stated at unpaid balances, less an allowance for uncollectible promises to give. All are expected to be collected; thus, no allowance for uncollectible promises to give is necessary. Contributions and grants receivable, due in subsequent years, are reported at the present value of their net realizable value using a risk adjusted discount rate. One hundred percent of grants receivable was due from one grantor at December 31, 2023 and 2022. Additionally, sixty-three percent and thirty-two percent of public support at December 31, 2023 and 2022, respectively, was from one donor.

Donated Assets and Services

In-kind contributions of services, materials, or facilities that meet the recording criteria as defined by accounting guidance are recorded at their estimated fair market value on the date of the donation. Such contributions are recorded as in-kind contributions and a corresponding expense on the statement of activities. The Network recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Volunteers and members of the community perform various services for the Network, and these services are significant and form an integral part of the efforts of the Network. The Network does not control the activities of the volunteers as it would paid employees, and there is not a clearly measurable basis for an amount of contributed services to be recorded. Therefore, the Network does not record the amount of volunteer services rendered as a contribution and a corresponding amount as an expense.

Revenue from Contracts with Customers

Revenue from contracts with customers is disaggregated by type on the Statement of Activities for the year ended December 31, 2023 and 2022.

NORTH CAROLINA CONSERVATION NETWORK

NOTES TO FINANCIAL STATEMENTS

1. **OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Receivables and Revenue *(Continued)*

Revenue from Contracts with Customers (Continued)

Membership Dues

The Network recognizes membership dues at a point in time when performance obligations are met for related benefits. The performance obligations consist of providing members coalition building, one-on-one consultations, job postings, weekly alerts, webinars, event postings, a news digest, and legislative updates. Revenue recognized for membership dues totaled \$54,800 and \$50,750 for the year ended December 31, 2023 and 2022, respectively.

The Network assesses certain economic factors and the potential for significant changes in those economic factors and its impact on the nature, amount, timing and uncertainty of revenue and cash flows. These factors have been assessed and management feels they have limited impact on the performance of the Network.

Deferred Revenue

Dues paid in advance are deferred to the membership period to which they relate. Due to the nature and timing of performance and/or transfer of services and products, substantially all contract liabilities at December 31 of each year are recognized in the following year.

Income Taxes

The Network is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. There is no unrelated business income tax for the years ending December 31, 2023 and 2022.

The Network evaluates any uncertain tax positions. Accordingly, the Network's policy is to record a liability for any tax position taken that is beneficial to the Network, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2023 or 2022.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Expenses that are allocated include salaries and benefits, projects, rent, organizing, contracts and maintenance, board and staff development, internships, printing, communication, depreciation and amortization, travel, meals, and lodging, meetings, and supplies and other expenses, which are all allocated on the basis of estimates of time and effort.

NORTH CAROLINA CONSERVATION NETWORK

NOTES TO FINANCIAL STATEMENTS

1. **OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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 vary from the estimates that were assumed in preparing the financial statements.

Comparative Totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Network's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Reclassifications

Certain items included in the 2022 financial statements have been reclassified to conform to the 2023 presentation. Change in net assets of the Network previously reported for 2022 was not affected by these reclassifications.

2. **LIQUIDITY AND AVAILABILITY**

The Network is substantially supported by restricted contributions and grants. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Network must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Network's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Network invests cash in excess of daily requirements in short-term investments. In accordance with the Network's fund management policy, the board designates a portion of any operating surplus to its contingency fund, which may be drawn upon in the event of an immediate liquidity need.

The following reflects the Network's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include the board-designated contingency fund, which could be drawn upon if the governing board approves that action.

NORTH CAROLINA CONSERVATION NETWORK

NOTES TO FINANCIAL STATEMENTS

2. LIQUIDITY AND AVAILABILITY (Continued)

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,703,766	\$ 2,752,158
Certificates of deposit	4,775,422	3,462,552
Contributions receivable	18,545	13,224
Grants receivable	150,000	150,000
	<u>7,647,733</u>	<u>6,377,934</u>
Less amounts not available to be used within one year, due to:		
Donor-imposed restrictions	(1,062,394)	(291,777)
Board-designated contingency fund	(4,804,638)	(4,290,023)
	<u>(5,867,032)</u>	<u>(4,581,800)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,780,701</u>	<u>\$ 1,796,134</u>

3. DEFINED CONTRIBUTION PLAN

Regular full-time employees become eligible for establishing a SIMPLE IRA retirement plan on the first day of their employment with the Network. Employees have the option to make their own pre-tax contributions to their SIMPLE IRA accounts each pay period. The Network matches three percent of the employee's compensation. In the case of financial hardship and in accordance with federal law, the Network has the ability to reduce the match to not less than one percent of employees' compensation for two out of every five years. The Network will give sixty days' notice before the new calendar year begins on January 1 before making a change in matching requirements. Total employer contributions were \$36,327 and \$34,536 for the year ended December 31, 2023, and 2022, respectively.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of December 31:

	<u>2023</u>	<u>2022</u>
Subject to the passage of time	\$ 162,000	\$ 374,000
Voter registration	863,108	-
Clean energy	133,303	8,730
Environmental justice project	11,741	50,000
Public education & engagement	4,242	4,247
CAFOS strategy	-	4,800
Campus fellows	50,000	-
Total	<u>\$ 1,224,394</u>	<u>\$ 441,777</u>

NORTH CAROLINA CONSERVATION NETWORK

NOTES TO FINANCIAL STATEMENTS

4. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specific by the donors as follows for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Subject to the passage of time	\$ 204,000	\$ 162,500
Subject to expenditure for specified purpose:		
Clean energy	434,427	510,741
Voter registration	136,892	-
CAFOS strategy	64,800	-
Advocacy and lobbying	50,005	10,753
Environmental justice project	43,259	50,000
Waterkeeper Carolina	15,000	25,000
Communications	-	5,375
Total	<u>\$ 948,383</u>	<u>\$ 764,369</u>

5. GOVERNING BOARD DESIGNATIONS

The Network's governing board has designated, from net assets without donor restrictions, \$4,804,638 and \$4,290,023 for a contingency fund at December 31, 2023 and 2022, respectively.

6. OPERATING LEASES

The Network is committed under a non-cancelable operating lease of less than twelve months expiring August 31, 2024 for office space. The lessor provided office space to the Network based on an escalating rent payment schedule. Future minimum lease payments for the year ended December 31, 2024, is \$85,579.

The foregoing rentals exclude monthly charges by the lessor for the Network's portion of real estate taxes and certain lessor operating expenses. Rental expense for the years ended December 31, 2023 and 2022 was \$136,336 and \$132,349, respectively.

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 3, 2024, the date which the financial statements are available for issue.