

**THE LAND TRUST
OF NORTH ALABAMA
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Land Trust of North Alabama
Huntsville, Alabama

We have audited the accompanying financial statements of The Land Trust of North Alabama (a non-profit organization), which comprise the statement of financial position as of December 31, 2020, 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 The Land Trust of North Alabama as of December 31, 2020, and the changes in net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Mercer & Associates, PC

Huntsville, Alabama
August 20, 2021

**THE LAND TRUST OF NORTH ALABAMA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

ASSETS

Current Assets

Cash and cash equivalents	\$	1,435,090
Investment account		4,522,516
Prepaid expenses		<u>12,192</u>
Total Current Assets		<u>5,969,798</u>

Land, Buildings, Land Improvements and Equipment

Land		29,198,010
Land improvements		529,283
Furniture and equipment		43,752
Vehicles		35,179
Less allowance for depreciation		<u>(320,368)</u>
Total Land, Buildings Site Improvements and Equipment		<u>29,485,856</u>

Other Assets

Conservation easement fund - restricted		215,977
Deposits		<u>3,227</u>
Total Other Assets		<u>219,204</u>

TOTAL ASSETS \$ **35,674,858**

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	6,364
Payroll liabilities		3,905
Accrued compensated absences		10,249
Line of Credit		<u>0</u>
Total Current Liabilities		<u>20,518</u>

Other Liabilities

Security deposit		<u>300</u>
Total Other Liabilities		<u>300</u>
Total Liabilities		<u>20,818</u>

Net Assets

Without Donor Restrictions		29,805,973
Board Designated		1,024,644
With Donor Restrictions		<u>4,823,423</u>
Total Net Assets		<u>35,654,040</u>

**TOTAL LIABILITIES AND
NET ASSETS** \$ **35,674,858**

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

**THE LAND TRUST OF NORTH ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

Net Assets Without Donor Restrictions	
Support	
Contributions	\$ 1,197,853
Special events revenue	22,584
Less: costs relating to special events	<u>(11,866)</u>
Total Support Revenue	<u>1,208,571</u>
Program Revenue	
Leases and sale of land revenue	24,307
Miscellaneous revenue	<u>11,273</u>
Total Program Revenue	<u>35,580</u>
Total Support and Program Revenue	<u>1,244,151</u>
Functional Expenses	
Program services	560,740
Support services	
Management and general	82,863
Fundraising	<u>29,744</u>
Total Functional Expenses	<u>673,347</u>
Other Income (Expense)	
PPP Loan forgiveness	52,200
Investment income (net)	102,403
Unrealized gain (loss)	170,567
Realized gain (loss)	(48,890)
Gain on sale of land	73,600
Conservation Easement donation	2,737,200
Donated land and land improvements	<u>1,544,420</u>
Total Other Income (Expense)	<u>4,631,500</u>
Net assets released from restriction	<u>30,435</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>5,232,739</u>
Net Assets With Donor Restrictions	
Designated gifts	460,645
Net assets released from restrictions	<u>(30,435)</u>
Increase (Decrease) in Net Assets with Donor Restrictions	<u>430,210</u>
Change in Net Assets	5,662,949
Net Assets, Beginning of Period	29,991,091
Net Assets, End of Period	<u>\$ 35,654,040</u>

The accompanying notes to financial statements are an integral part of these financial statements

**THE LAND TRUST OF NORTH ALABAMA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 318,394	\$ 24,989	\$ 2,247	\$ 345,630
Property management and taxes	50,292	-	-	50,292
Rent	31,444	2,468	222	34,134
Grant expenses	37,656	-	-	37,656
Depreciation	35,151	2,759	248	38,158
Payroll taxes	24,347	1,911	172	26,430
Printing	-	14,423	8,551	22,974
Employee benefits	5,610	440	40	6,090
Office expense	7,511	589	53	8,153
Membership expense	-	3,630	3,628	7,257
Insurance	15,101	1,185	107	16,393
Advertising, marketing, and public relations	-	11,252	11,252	22,504
Postage	-	3,148	3,146	6,293
Bank charges	-	7,637	-	7,637
Computer expense	-	2,046	-	2,046
Dues and subscriptions	5,406	424	38	5,868
Professional expenses	5,082	399	36	5,517
Land expense	14,020	-	-	14,020
Board expenses	-	3,456	-	3,456
Travel and conferences	-	1,310	-	1,310
Education	9,758	-	-	9,758
Steward Allowance	-	721	-	721
Utilities	967	76	7	1,050
TOTAL FUNCTIONAL EXPENSES	\$ 560,740	\$ 82,863	\$ 29,744	\$ 673,347

The accompanying notes to financial statements are an integral part of these financial statements

**THE LAND TRUST OF NORTH ALABAMA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

**Reconciliation of Increase in Net Assets to Net Cash
Provided (Used) by Operating Activities**

Increase (Decrease) in Net Assets	\$ 5,662,949
Adjustment to reconcile net income to net cash provided (used) by operating activities:	
Depreciation	38,158
Unrealized gain on marketable securities	(170,567)
Realized gain on marketable securities	48,890
Dividends received on investment fund	(121,280)
Investment expenses	18,877
Receipt of donated land	(1,544,420)
Gain on sale of land	(73,600)
Decrease (increase) in:	
Accounts receivable	0
Conservation easement	(156,233)
Earnest money	7,000
Prepaid expenses	15
Increase (decrease) in:	
Payroll liabilities	3,905
Accounts payable	750
Accrued compensated absences	2,765
Net cash provided (used) by operating activities	3,717,209

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(407,000)
Sale of investments	407,000
Purchase of land	(3,220,095)
Sale of land	296,000
Purchase of fixed assets	(16,010)
Net cash provided (used) by investing activities	(2,940,105)

CASH FLOWS FROM FINANCING ACTIVITIES

Payment on loan	0
Payment on line of credit	0
Net cash provided (used) by financing activities	0

Net increase in cash and restricted cash

777,104

Cash and restricted cash at beginning of year

657,986

Cash and restricted cash at end of year

\$ 1,435,090

Supplemental information:

Cash paid for: Interest	\$ 0
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Noncash Transactions:

Contributed Land	\$ 1,544,420
Contributed Conservation Easements	2,737,200
Total noncash transactions	4,281,620

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

**THE LAND TRUST OF NORTH ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Land Trust of North Alabama, (the "Organization") is a non-profit organization established in 1988 to preserve lands for public use to enhance recreation, education, conservation, and prosperity in the North Alabama Region. The Organization purchases and accepts donations of land in order to accomplish this mission. Other sources of revenue include contributions received and special events held throughout the year.

Basis of Accounting

Under the provisions of the "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"), net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified 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 objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Accounting standards require that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. In addition, gains and losses on investments should be reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Donated Equipment and Services

Donated equipment and materials are reflected as contributions in the accompanying statements at the estimated value at the date of receipt. In addition, a substantial number of volunteers have donated significant amounts of their time in the organization's program services and in its fund-raising campaigns. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Estimates

Preparation of financial statements in conformity with generally accepted accounting principles of the United States of America requires use of management's estimates. Management has made estimates related to accruals of revenues and expenses.

Property and Equipment

Buildings, site improvements, and equipment are stated at cost. It is the Organization's policy to capitalize acquisitions of property and equipment in excess of \$2,500. Additions, improvements, and expenses for repairs and maintenance that extend the economic life of the assets are capitalized. Other expenses for repairs and maintenance are charged to operating accounts when incurred. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets. Construction in progress is not depreciated until the assets are completed and placed into service.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Tax Status

The Organization is a non-profit organization that is exempt from 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. The Organization is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after December 31, 2016 remain subject to examination by taxing authorities.

Advertising

Advertising costs are expensed as incurred. Total advertising and public relations expense for year ended December 31, 2020 was \$22,504.

Cash and cash equivalents

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

Revenue Recognition

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). The Organization's revenue is largely grants and contributions. The adoption of ASU 2014-09 had no impact on revenue and support or net assets.

The Organization recognizes contributions as support and revenue when the pledged receivable is currently due. Deferred revenues are those revenues collected for specific events that have not occurred and prepaid expenses are expenditures for specific events that have not yet occurred. Contributions received are recorded as support with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a 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 reported in the statement of activities as net assets released from restriction. All contributions are considered available for unrestricted use unless specially restricted by the donor or subject to other legal restrictions.

The Organization has elected to report donor-restricted contributions (including contributions of long-lived assets) whose restrictions are met in the same reporting period as unrestricted support. The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years experience and management's analysis of specific promises made. At December 31, 2020, the allowance for uncollectible promises to give was zero.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. A payroll time study was done to allocate payroll and other expenses based on the amount of time employees spend on program services and supporting services.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, Payroll Taxes, and Benefits	Payroll Time Study
Membership Expense	Time and Effort
Depreciation	Payroll Time Study
Rent, Utilities, and Insurance	Management and General
Printing, Office Expense, Postage, Bank fees	Management and General

NOTE 2 - COMMITMENTS AND CONTINGENCIES

The Organization signed a three year lease for the Huntsville office effective February 1, 2019. This required a payment of \$2,840 per month for years 1 through 3. Rental expense for the Huntsville office for the year ended December 31, 2020 totaled \$34,134.

Future minimum rental payments are as follows:

<u>Year Ended December 31:</u>	
2021	\$34,080
2022	2,840

NOTE 3 - LAND

The Organization both purchases land and accepts donations of land in order to carry out the mission. Land that is purchased is recorded at cost. Donated land is carried at estimated fair market value at the date that it was received. The Organization has received land donations where the donor has retained a life estate interest in the property. The agreements allow the donor use of the property for their remaining life. The property is restricted both in regards to the life estate and may only be transferred to a local government if the Organization ceases to operate.

The Organization has received certain donated land that is restricted by the donor for the limited use of the Land Trust. Restrictions have been placed on some donated land that does not allow the Organization to sell the land or transfer to any organization except the City of Huntsville or as designated in the deed of the donated property.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 4 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and 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 benefited.

NOTE 5 - BOARD DESIGNATED FUNDS

Certain commitments have been approved by the Board of Directors and are shown on the balance sheet included with net assets without donor restrictions. These designations can change as needed by approval of the Board, as no restrictions were placed on these funds by the donors. The board designated funds total \$1,024,644 at December 31, 2020.

Endowment Fund Board Designated	\$192,680
Building Fund	277,877
Truck Fund	25,000
Chapman Mountain Driveway Paving	25,000
City of Huntsville Building Fund	200,000
Stewardship- Defense Fund	133,587
Operating Reserve	<u>170,500</u>
Total	<u>\$1,024,644</u>

NOTE 6 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash accounts at several Huntsville, Alabama commercial banks and in uninsured money market accounts. The FDIC insures the total cash balances at each commercial bank up to \$250,000. Balances of all accounts are stated at cost, which approximates market value. The uninsured balance at December 31, 2020 is \$893,489.

NOTE 7 - IN KIND SERVICES AND DONATIONS

During the year ended December 31, 2020 the value of donated materials and services meeting the requirements for recognition in the financial statements was \$1,544,420.

The donations recorded as expenses are as follows:

Donated land and land improvements	<u>\$1,544,420</u>
Total	<u>\$1,544,420</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 8 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is 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 dates. A fair value measurement assumes that the transaction to see the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value in three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.

Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Foundation’s own data.)

The following table presents the Land Trust of North Alabama’s fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2020.

	Level 1	Level 2	Level 3	Total
Investment	\$ 4,522,516	\$ 0	\$ 0	\$ 4,522,516
Interest Receivable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	\$ <u>4,522,516</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>4,522,516</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 9 - FIXED ASSETS

At December 31, 2020, the costs and related accumulated depreciation of fixed assets consisted of the following:

	Balance December 31, 2019	Additions	Retirements and Reclassifications	Balance December 31, 2020
Land	\$ 24,655,895	\$ 4,542,115	\$ 0	\$ 29,198,010
Land improvements	518,746	10,537	0	529,283
Furniture and equipment	38,280	5,472	0	43,752
Vehicles	35,179	0	0	35,179
Accumulated depreciation	(281,211)	(39,157)	0	(320,368)
 Total unrestricted land, property and equipment, net	 \$ 24,966,889	 \$ 4,518,967	 \$ 0	 \$ 29,485,856

Depreciation expense for the year ended December 31, 2020 was \$38,158.

NOTE 10 – SPECIAL EVENTS

Special events generate revenue for the Organization as well as raise awareness about the organization's mission. Some events are annual and some are incidental to the Organization's central activities and do not happen regularly. Incidental events are recorded net in the accompanying Statement of Activities.

	<u>2020</u>
<u>Changes in net assets without donor restrictions:</u>	
Contributions:	
Concerts	\$ 3,605
Cultivation	1,955
Mid City	<u>17,024</u>
Total	\$ 22,584
Expenses:	
Concerts	\$ 3,448
Mid City	<u>8,418</u>
Total	<u>\$ 11,866</u>
 Increases in net assets without donor restrictions	 <u>\$10,718</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 11 – LIQUIDITY

The Organization’s financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2020</u>
Cash and cash equivalents	\$1,435,090
Investments	4,522,516
Prepaid expenses	<u>12,192</u>
Total	<u>\$5,969,798</u>

The Organization’s financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date.

As part of The Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 12- NET ASSETS – WITH DONOR RESTRICTIONS

Donor restricted net assets consist for the following purposes as of December 31, 2020:

Subject to expenditure for specified purpose:	<u>2020</u>
City of Madison land purchase	\$54,868
Beaverdam Spring Endowment	4,308,836
Green Mountain Property	10,000
General land acquisition	114,852
Monte Sano Property	14,482
River to Gap	484
Land Baron	47,390
Land stewardship	6,549
Emerald Necklace	4,768
REI Chapman bulldog trail	3,189
Robinson Spring Stewardship	162,337
Cane Creek Stewardship	40,000
Lockheed Education	2,000
Alabama Mountain, Rivers, and Valley education	3,900
Boeing	12,768
Laughlin Education	3,500
Bethel Springs Accessibility Project	1,253
Northrup Grumman- Rainbow Mountain	1,500
NEEF High Trail	9,747
Subject to the passage of time:	
Endowment fund	<u>21,000</u>
Total	<u>\$4,823,423</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 12- NET ASSETS – WITH DONOR RESTRICTIONS (CONTINUED)

Releases from Donor Restricted Net Assets for December 31, 2020 are as follows:

Subject to expenditure for specified purpose:	<u>2020</u>
Land stewardship	\$2,520
Northrup Grumman	1,219
REI Chapman bulldog trail	5,061
Education	709
Boeing	6,299
Bethel Springs Alpha Foundation	6,720
NEEF Bluff Line trail	<u>7,907</u>
Total	<u>\$30,435</u>

Donations were received in prior years to establish a conservation easement fund for parcels of land. Interest earned on this restricted account is also included in net assets with donor restrictions. The value of the easement fund cash account at December 31, 2020 is \$215,977.

NOTE 13- EARNEST MONEY

During 2019, the organization put down \$7,000 in earnest money on the purchases of 2 tracts of land. The sale of these lands was completed in 2020.

NOTE 14 – PAYCHECK PROTECTION PROGRAM LOAN

On April 14, 2020, the organization was granted a loan (the “Loan”) from ServisFirst Bank in the aggregate amount of \$52,200, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The loan matures on April 14, 2022 and bears interest at a rate of 1% per annum, payable monthly commencing on November 14, 2020. The loan may be prepaid by the organization at any time prior to maturity with no prepayment penalties. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. Qualifying expenses include payroll costs, group health care benefit costs, mortgage payments, rent, utilities, and interest on other debt obligations. The organization did use the loan amount for qualifying expenses. The loan was forgiven on November 18, 2020 and became a grant resulting in being reported as income in the current year. Any accrued interest has not been recorded and is immaterial.

NOTE 15– RISK AND UNCERTAINTY- COVID-19

The World Health Organization declared the COVID-19 outbreak a public health emergency on January 30, 2020. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. Anticipating the impact of the pandemic will make budget preparation difficult. At this time, an estimate of the financial statement effect of the event cannot be made.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 16 - SUBSEQUENT EVENTS

The date through which subsequent events have been evaluated is August 20, 2021. The financial statements were available to be issued at that time.