

**Lowcountry Land Trust, Inc.
and Subsidiaries**

Report on Consolidated Financial Statements

For the years ended June 30, 2021 and 2020

Lowcountry Land Trust, Inc. and Subsidiaries

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Independent Auditor's Report

Board of Trustees
Lowcountry Land Trust, Inc. and Subsidiaries
Charleston, South Carolina

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Lowcountry Land Trust, Inc. and Subsidiaries (the "Trust"), a nonprofit organization, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Lowcountry Land Trust, Inc. and subsidiaries as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Charleston, South Carolina
April 28, 2022

Lowcountry Land Trust, Inc. and Subsidiaries**Consolidated Statements of Financial Position****As of June 30, 2021 and 2020**

| | 2021 | 2020 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,388,231 | \$ 1,309,861 |
| Accounts receivable | 36 | 13,700 |
| Contributions receivable, net | 244,094 | 135,389 |
| Prepaid expenses | 56,978 | 84,792 |
| Investments | 8,555,922 | 7,115,023 |
| Total current assets | <u>10,245,261</u> | <u>8,658,765</u> |
| Other assets | | |
| Land | 341,800 | 341,800 |
| Property, equipment, and leasehold improvements, net | 12,192 | 22,534 |
| Construction in progress | 161,339 | 130,259 |
| Intangible assets, net | 14,056 | 28,113 |
| Protected land and easements | 19,607,057 | 13,307,057 |
| Total other assets | <u>20,136,444</u> | <u>13,829,763</u> |
| Total assets | <u>\$ 30,381,705</u> | <u>\$ 22,488,528</u> |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Refundable advances | \$ 352,080 | \$ 228,404 |
| Accounts payable and other accrued expenses | 16,287 | 32,145 |
| Accrued interest payable | 77,315 | 57,315 |
| Funds held for others | 57,644 | - |
| Deferred revenue | 54,785 | 60,950 |
| Total current liabilities | <u>558,111</u> | <u>378,814</u> |
| Long-term liabilities | | |
| Land contribution payable | 6,727,000 | 6,727,000 |
| Notes payable | 3,220,000 | 1,000,000 |
| Total long-term liabilities | <u>9,947,000</u> | <u>7,727,000</u> |
| Total liabilities | <u>10,505,111</u> | <u>8,105,814</u> |
| Net assets | | |
| Without donor restrictions | | |
| Undesignated | 11,501,285 | 7,473,887 |
| Board designated | 6,766,999 | 5,366,009 |
| With donor restrictions | 1,608,310 | 1,542,818 |
| Total net assets | <u>19,876,594</u> | <u>14,382,714</u> |
| Total liabilities and net assets | <u>\$ 30,381,705</u> | <u>\$ 22,488,528</u> |

See Notes to Consolidated Financial Statements

Lowcountry Land Trust, Inc. and Subsidiaries

Consolidated Statements of Activities

For the years ended June 30, 2021 and 2020

| | 2021 | | | 2020 | | |
|--|-------------------------------|----------------------------|---------------|-------------------------------|----------------------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and revenue | | | | | | |
| Contributions | \$ 525,359 | \$ 3,069,420 | \$ 3,594,779 | \$ 347,832 | \$ 222,100 | \$ 569,932 |
| Grants | 477,623 | 1,321,625 | 1,799,248 | 329,500 | 75,000 | 404,500 |
| Investment income, net | 125,858 | 29,071 | 154,929 | 142,165 | 30,162 | 172,327 |
| Net realized and unrealized gains (losses) | 1,290,316 | 69,761 | 1,360,077 | 12,652 | (429) | 12,223 |
| Transfer and amendment fees | 114,045 | 21,275 | 135,320 | 64,161 | - | 64,161 |
| Special events | 13,887 | - | 13,887 | 39,165 | - | 39,165 |
| Application fees | 7,500 | - | 7,500 | 17,500 | - | 17,500 |
| Rental income | 30,348 | - | 30,348 | 33,170 | - | 33,170 |
| Miscellaneous income | 69,073 | - | 69,073 | 1,434 | 7,700 | 9,134 |
| Merchandise sales | 520 | - | 520 | 134 | - | 134 |
| Total support and revenue | 2,654,529 | 4,511,152 | 7,165,681 | 987,713 | 334,533 | 1,322,246 |
| Net assets released from restrictions | 4,445,660 | (4,445,660) | - | 499,149 | (499,149) | - |
| Total support, revenue, and releases | 7,100,189 | 65,492 | 7,165,681 | 1,486,862 | (164,616) | 1,322,246 |
| Expenses | | | | | | |
| Program services | 905,892 | - | 905,892 | 1,113,975 | - | 1,113,975 |
| Management and general | 397,581 | - | 397,581 | 432,055 | - | 432,055 |
| Fundraising | 368,328 | - | 368,328 | 461,612 | - | 461,612 |
| Total expenses | 1,671,801 | - | 1,671,801 | 2,007,642 | - | 2,007,642 |
| Change in net assets | 5,428,388 | 65,492 | 5,493,880 | (520,780) | (164,616) | (685,396) |
| Net assets, beginning of year | 12,839,896 | 1,542,818 | 14,382,714 | 13,360,676 | 1,707,434 | 15,068,110 |
| Net assets, end of year | \$ 18,268,284 | \$ 1,608,310 | \$ 19,876,594 | \$ 12,839,896 | \$ 1,542,818 | \$ 14,382,714 |

See Notes to Consolidated Financial Statements

Lowcountry Land Trust, Inc. and Subsidiaries**Consolidated Statement of Functional Expenses****For the year ended June 30, 2021**

| | Program Services | Supporting Services | | Total |
|---|---------------------|---------------------------|-------------------|---------------------|
| | | Management and General | Fund- raising | |
| Compensation and related expenses: | | | | |
| Salaries | \$ 491,711 | \$ 217,544 | \$ 180,182 | \$ 889,437 |
| Employee benefits | 89,059 | 33,563 | 15,952 | 138,574 |
| Payroll taxes | 35,949 | 14,474 | 13,561 | 63,984 |
| Total compensation and related expenses | 616,719 | 265,581 | 209,695 | 1,091,995 |
| Rent | 55,275 | 24,928 | 28,180 | 108,383 |
| Consultants | 19,860 | - | 54,638 | 74,498 |
| Interest | 50,360 | - | - | 50,360 |
| Taxes and insurance | 31,718 | 7,153 | 8,058 | 46,929 |
| Professional fees | 33,137 | 3,844 | 6,907 | 43,888 |
| Legal fees | 14,937 | 25,560 | - | 40,497 |
| Database and software | 9,225 | 7,869 | 20,648 | 37,742 |
| Telephone and utilities | 19,830 | 6,329 | 7,169 | 33,328 |
| Recruiting | 23,432 | 1,351 | 520 | 25,303 |
| Depreciation and amortization | 11,842 | 5,340 | 6,037 | 23,219 |
| Miscellaneous | - | 12,525 | - | 12,525 |
| Bad debt | - | 11,795 | - | 11,795 |
| Bank and payroll service charges | 1,660 | 1,283 | 8,595 | 11,538 |
| In-kind gifts and donor recognition | 3,857 | 7,329 | 31 | 11,217 |
| Travel and entertainment | 9,406 | 792 | 596 | 10,794 |
| Dues and subscriptions | 200 | 7,498 | 874 | 8,572 |
| Events and speakers | - | - | 5,486 | 5,486 |
| Publications/printing | 465 | 610 | 3,922 | 4,997 |
| Marketing | - | - | 4,595 | 4,595 |
| Professional development | 1,947 | 2,447 | - | 4,394 |
| Office furniture and equipment | 779 | 1,401 | 1,064 | 3,244 |
| Staff enrichment | - | 2,835 | - | 2,835 |
| Office supplies | 716 | 817 | 260 | 1,793 |
| Postage and shipping | 402 | 294 | 1,053 | 1,749 |
| Partnership contributions | 125 | - | - | 125 |
| | <u>\$ 905,892</u> | <u>\$ 397,581</u> | <u>\$ 368,328</u> | <u>\$ 1,671,801</u> |

See Notes to Consolidated Financial Statements

Lowcountry Land Trust, Inc. and Subsidiaries**Consolidated Statement of Functional Expenses****For the year ended June 30, 2020**

| | Program Services | Supporting Services | | Total |
|---|---------------------|---------------------------|-------------------|---------------------|
| | | Management and General | Fund- raising | |
| Compensation and related expenses: | | | | |
| Salaries | \$ 532,063 | \$ 236,336 | \$ 262,556 | \$ 1,030,955 |
| Employee benefits | 86,712 | 32,366 | 29,972 | 149,050 |
| Payroll taxes | 40,144 | 15,862 | 20,282 | 76,288 |
| Total compensation and related expenses | 658,919 | 284,564 | 312,810 | 1,256,293 |
| Easements | 151,515 | - | - | 151,515 |
| Rent | 64,807 | 25,631 | 28,025 | 118,463 |
| Professional fees | 43,850 | 25,658 | 82 | 69,590 |
| Legal fees | 49,031 | 14,619 | - | 63,650 |
| Consultants | 29,360 | 3,768 | 14,906 | 48,034 |
| Events and speakers | - | - | 44,809 | 44,809 |
| Taxes and insurance | 10,440 | 17,948 | 3,719 | 32,107 |
| Telephone and utilities | 17,762 | 7,318 | 6,971 | 32,051 |
| Depreciation and amortization | 13,578 | 6,034 | 6,034 | 25,646 |
| Database and software | 9,804 | 3,249 | 12,330 | 25,383 |
| Travel and entertainment | 15,450 | 1,950 | 4,016 | 21,416 |
| Interest | 20,000 | - | - | 20,000 |
| Dues and subscriptions | - | 14,742 | 942 | 15,684 |
| Professional development | 7,339 | 5,079 | 2,736 | 15,154 |
| Partnership contributions | 10,000 | 363 | - | 10,363 |
| Marketing | - | - | 9,804 | 9,804 |
| Office furniture and equipment | 6,439 | 2,284 | 1,008 | 9,731 |
| Bank and payroll service charges | 164 | 3,027 | 4,118 | 7,309 |
| Publications/printing | 460 | 781 | 5,331 | 6,572 |
| Miscellaneous | - | 5,309 | - | 5,309 |
| In-kind gifts and donor recognition | 693 | 2,889 | 1,502 | 5,084 |
| Office supplies | 933 | 3,316 | 690 | 4,939 |
| Postage and shipping | 211 | 942 | 1,454 | 2,607 |
| Boat maintenance | 2,464 | - | - | 2,464 |
| Staff enrichment | 76 | 2,000 | - | 2,076 |
| Recruiting | 680 | 584 | 325 | 1,589 |
| | <u>\$ 1,113,975</u> | <u>\$ 432,055</u> | <u>\$ 461,612</u> | <u>\$ 2,007,642</u> |

See Notes to Consolidated Financial Statements

Lowcountry Land Trust, Inc. and Subsidiaries**Consolidated Statements of Cash Flows****For the years ended June 30, 2021 and 2020**

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Operating activities | | |
| Change in net assets | \$ 5,493,880 | \$ (685,396) |
| Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities | | |
| Depreciation and amortization | 23,219 | 25,646 |
| Change in allowance and bad debt expense | 1,749 | - |
| Donation of protected land | (2,900,000) | - |
| Donation of stock | (5,004) | - |
| Forgiveness of refundable advance | (228,404) | - |
| Gain on sale of fixed assets | (5,820) | - |
| Realized and unrealized gain on investments, net | (1,360,077) | (12,223) |
| Changes in deferred and accrued amounts: | | |
| Accounts receivable | 13,664 | (13,700) |
| Pledges receivable | (110,454) | (85,095) |
| Prepaid expenses | 27,814 | (66,882) |
| Accounts payable | (15,858) | 2,654 |
| Accrued interest payable | 20,000 | 20,000 |
| Accrued compensated absences | - | (14,296) |
| Funds held for others | 57,644 | - |
| Deferred revenue | (6,165) | 10,950 |
| Net cash provided by (used for) operating activities | <u>1,006,188</u> | <u>(818,342)</u> |
| Investing activities | | |
| Purchases of investments | (211,625) | (319,497) |
| Proceeds from sale of investments | 135,807 | 1,887,479 |
| Purchases of protected land and easements | (3,400,000) | - |
| Purchases of construction in progress | (31,080) | (99,050) |
| Proceeds from sale of fixed assets | 7,000 | - |
| Net cash provided by (used for) investing activities | <u>(3,499,898)</u> | <u>1,468,932</u> |
| Financing activities | | |
| Proceeds from notes payable | 2,220,000 | - |
| Proceeds from refundable advances | 352,080 | 228,404 |
| Net cash provided by financing activities | <u>2,572,080</u> | <u>228,404</u> |
| Net increase in cash and cash equivalents | 78,370 | 878,994 |
| Cash and cash equivalents, beginning of year | <u>1,309,861</u> | <u>430,867</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,388,231</u> | <u>\$ 1,309,861</u> |
| Supplemental cash flow information | | |
| Interest paid | <u>\$ 30,360</u> | <u>\$ -</u> |

See Notes to Consolidated Financial Statements

Lowcountry Land Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 1. Summary of Significant Accounting Policies

Description of organization:

The Lowcountry Land Trust, Inc. ("LLT" or the "Trust") is a South Carolina non-profit trust chartered on September 13, 1985. Its purpose is to engage in and promote, for the benefit of the general public, the preservation of the natural resources in the South Carolina Lowcountry including marshlands, swamps, woodland and open spaces and the plant and animal life therein, and the preservation of open land areas of historical and scenic significance. The Trust primarily relies on private donations and grants for funding. Wadmacon, LLC, Bacons Bridge, LLC, Ashem, LLC, Angel Oak Park, LLC, Quemby Barony, LLC, French Quarter Creek, LLC, Lowcountry Open Land Trust, LLC, Meyer Lake, LLC, and Simmons Creek-Johns Island LLC, wholly owned subsidiaries of the Trust, were organized on December 9, 2003, February 11, 2009, November 1, 2010, June 24, 2013, February 6, 2014, February 23, 2015, November 6, 2015, November 18, 2020, and August 27, 2020, respectively, under the laws of South Carolina.

Principles of consolidation:

The consolidated financial statements include the accounts of LLT and Wadmacon, LLC, Bacons Bridge, LLC, Ashem, LLC, Angel Oak Park, LLC, Quemby Barony, LLC, French Quarter Creek, LLC, Lowcountry Open Land Trust, LLC, Meyer Lake, LLC, and Simmons Creek-Johns Island LLC (the "Subsidiaries"). Lowcountry Land Trust, Inc. and Subsidiaries are collectively referred to as the "Trust" throughout the notes to the consolidated financial statements. All significant intercompany transactions and balances have been eliminated. Protected land owned by Bacon's Bridge, LLC of \$327,755 was contributed to the Dorchester Trust Foundation (the "Foundation"), an unrelated non-profit organization, in 2010. The transfer of the land to the Foundation included a reverter clause restricting the Foundation's use of the land. Therefore, the Bacons Bridge, LLC will exist in perpetuity.

Basis of presentation:

The consolidated financial statements of the Trust have been prepared on the accrual basis of accounting. The Trust's consolidated financial statements follow the recommendations of Financial Accounting Standards Board (FASB) in its Accounting Standards Codification, *Financial Statements of Not-for-Profit Organizations*. Under *Financial Statements of Not-for-Profit Organizations*, the Trust is required to report information regarding its financial position and activities according to the classification of net assets.

Net assets:

The Trust's net assets 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. These net assets may be used at the discretion of the Trust's management and the board of directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Trust or by the passage of time (that is, when a stipulated time restriction ends or purpose restriction is accomplished). Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Lowcountry Land Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 1. Summary of Significant Accounting Policies, Continued

Cash and cash equivalents:

The Trust defines cash and cash equivalents to include cash on hand, demand deposits, and investments with original maturities of three months or less, excluding cash held in the investment accounts.

Availability of funds for general expenditures:

The Trust has certain net assets that are available for general expenditures within one year of June 30, 2021 and 2020 based on conducting the normal activities of its programs in the coming year. The Trust has certain donor-restricted net assets that are available for general expenditures within the next year because the restrictions on the net assets are expected to be met by conducting the normal program activities. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year (see Note 2).

Revenue recognition:

Contributions: Contributions received are recorded when received as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions, as long as there is no performance requirement attached to the contribution. In the instance where there is a performance obligation attached to the contribution, the portion that is attached to a performance requirement is recorded as deferred revenue until it is earned when the performance requirement is met, while the portion that is considered to be a contribution is recorded as revenue when received or unconditionally pledged. 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 Consolidated Statements of Activities as net assets released from restrictions.

Grants: Grants are earned and recorded as revenue when the grant funds are received or unconditionally pledged, if there is no performance requirement in the grant agreement. At that time, any grantor restrictions are considered when recording the revenue. 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 Consolidated Statements of Activities as net assets released from restrictions. For any grant agreements that include performance obligations, revenue is recognized accordingly when the related performance obligation is met. Grant funds with a performance requirement which are received in advance are recorded as deferred revenue and are recognized as revenue when performance requirements are met.

Special events revenue: Ticket and sponsorship revenue for future events, such as the Clay Shoot event, are recorded as deferred revenue and recognized as revenue at a point in time when the scheduled event occurs.

Lowcountry Land Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 1. Summary of Significant Accounting Policies, Continued

Contributions receivable and allowance for doubtful accounts:

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. No discount was recorded at June 30, 2021 or 2020. All contributions receivable at June 30, 2021 and 2020 were due in less than one year.

The Trust provides for an allowance for contributions receivable based on management's estimate of the collectability of contributions receivable. Management recorded an allowance at June 30, 2021 of \$9,600. No allowance was recorded at June 30, 2020, as management believed all unconditional contributions receivable were fully collectible.

Property, equipment, and leasehold improvements:

The Trust capitalizes all expenditures for property and equipment, including leasehold improvements, in excess of \$5,000. Purchased property and equipment are recorded at cost, or if donated, recorded as support at their estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from 3 to 15 years.

Investments:

Investments in marketable securities with readily determinable fair values are valued at their fair values in the Consolidated Statements of Financial Position. Investment income or loss (including realized and unrealized gains and losses on investment, interest, and dividends) is included in the Consolidated Statements of Activities as increases or decreases in net assets without donor restrictions unless the income or loss is specifically restricted by donor or law. All changes in cash reported in investment accounts are treated as purchases or disposals of investments.

Intangible assets:

The Trust's intangible assets consist of website development costs. Amortization is computed using the straight-line method based on the assets' estimated useful lives of three years and is included in depreciation and amortization expense on the Consolidated Statements of Functional Expenses.

Conservation easements and mineral rights:

The Trust records an asset for all conservation easements and mineral rights it owns. These easements and retired mineral rights are recorded at a nominal value (i.e., \$1).

Lowcountry Land Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 1. Summary of Significant Accounting Policies, Continued

Compensated absences:

During the year ended June 30, 2020, the Trust changed its policy to unlimited time away. Therefore, no accrued vacation has been recorded as of June 30, 2021 or 2020 in the Consolidated Statement of Financial Position.

Donated services:

Donated services are recognized as contributions in accordance with GAAP if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Trust. A substantial number of volunteers have donated an undetermined number of hours to the Trust's program services and fund-raising campaigns; however, these donated services are not reflected in the consolidated financial statements since the services do not require specialized skills.

Donated property and equipment:

The Trust reports gifts of goods and equipment at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless explicit donor stipulations specify how the assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Trust reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service as instructed by the donor. The Trust reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Trust received donated real property totaling \$2,900,000 during the year ended June 30, 2021. The Trust did not receive any donated real property during the year ended June 30, 2020.

Income tax status:

The Trust is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Trust qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as a Trust that is not a private foundation under Section 509(a)(2).

GAAP prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. GAAP also provides guidance on derecognition of tax benefits, classification on the Consolidated Statements of Financial Position, interest and penalties, accounting in interim periods, and disclosure.

Management has evaluated the Trust's tax positions and concluded that the Trust has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance as of June 30, 2021 or 2020. The Trust's policy is to report accrued interest related to unrecognized tax benefits, when applicable, as interest expense and to report penalties as other expense. With few exceptions, the Trust is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before 2018.

Lowcountry Land Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 1. Summary of Significant Accounting Policies, Continued

Fair value measurements:

The Trust utilizes a three-tier fair value hierarchy that clarifies fair value as an exit price, representing 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.

The Trust's financial instruments principally consist of investments, which are reported at fair market value as required by GAAP (see Note 4). The Trust's other financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses.

The carrying value of these financial instruments approximates their fair values at June 30, 2021 and 2020 because of the terms and relatively short maturity of those instruments.

Use of estimates:

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Expense allocation:

The costs of providing various programs and activities have been summarized on a functional basis in the Consolidated Statements of Activities and Consolidated Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses of the Trust include:

Program services expenses - Program service expenses include expenses incurred to support the mission of the Trust.

Management and general expenses - Management and general expenses include the general, administrative, and operating costs of the Trust.

Fundraising expenses - These expenses include direct and indirect activities undertaken to solicit contributions from donors.

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries, employee benefits, and payroll taxes are allocated based on time and effort. All other remaining expenses are reflected showing direct costs with any remaining costs allocated based on head count of the individual functions.

Lowcountry Land Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 1. Summary of Significant Accounting Policies, Continued

Agency transactions:

The Trust accounts for agency transactions in accordance with FASB's Accounting Standards Codification Topic 958, *Not-for-Profit Entities*. This topic establishes standards for transactions in which a not-for-profit accepts funds from a donor/grantor and agrees to transfer those assets to a beneficiary that is specified by the donor/grantor without being given variance power to redirect the use of the transferred assets to another beneficiary. The Trust is regularly awarded grant funds from governmental agencies on behalf of third-party landowners. These grant awards are reported as both assets and liabilities in the accompanying Consolidated Statements of Financial Position when received and are shown as a decrease in assets and liabilities when remitted to the beneficiary. The revenues and expenses of these funds are excluded from the Consolidated Statements of Activities.

New accounting pronouncements:

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which is effective for fiscal years ending December 31, 2022. The ASU establishes a dual approach for classifying leases as either financing or operating leases and requires recognition of a right-of-use asset and lease liability on the statement of financial position for both types of leases. This distinction will be relevant for the pattern of expense recognition in the Consolidated Statements of Activities. The Trust is currently in the process of evaluating the impact of adoption of this guidance on the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. This standard addresses the presentation and disclosures of these types of contributions and is intended to increase transparency around contributed nonfinancial assets ("gifts in kind") received by not-for-profit organizations, including transparency on how these assets are used. The Trust is currently in the process of evaluating the impact of adoption of this guidance on the consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Trust's net assets or changes in net assets.

Reclassifications:

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation.

Subsequent events:

In preparing these consolidated financial statements, the Trust has evaluated events and transactions for potential recognition or disclosure through April 28, 2022, the date the consolidated financial statements were available to be issued.

Lowcountry Land Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 2. Availability and Liquidity

Assets available for general expenditure, that are without donor or other restrictions limiting their use within one year of the Consolidated Statements of Financial Position date of June 30, 2021 and 2020, are comprised of the following:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|---------------------|
| Assets at year end | \$ 30,381,705 | \$ 22,488,528 |
| Less amounts not available to be used within one year due to illiquidity: | | |
| Prepaid assets | (56,978) | (84,792) |
| Land | (341,800) | (341,800) |
| Property, equipment, and leasehold improvements, net | (12,192) | (22,534) |
| Construction in progress | (161,339) | (130,259) |
| Intangible assets, net | (14,056) | (28,113) |
| Protected land and easements | (18,986,925) | (12,686,925) |
| Less amounts not available to be used within one year due to: | | |
| Protected land to be held in perpetuity | <u>(620,132)</u> | <u>(620,132)</u> |
| Assets available to meet cash needs for general expenditures within one year | <u>\$ 10,188,283</u> | <u>\$ 8,573,973</u> |

As part of its liquidity plan, the Trust has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Trust invests excess cash in short-term investments, including money market accounts, and has the ability to redeem certain investments as necessary to meet its obligations. The Trust has certain board-designated assets which could be made available for spending for general expenditures, if necessary.

Note 3. Board Designated Funds

The following funds have been designated by the Board of Trustees and are included in net assets without donor restrictions. At June 30, 2021 and 2020, certain cash, cash equivalents, investment accounts, and land that total to \$6,766,999 and \$5,115,847, respectively, were included in board designated funds.

Emergency Operating Reserve Fund - The purpose of the operating reserve fund is to provide approximately six months of operating funds for emergency, unforeseen needs which could not be anticipated by budget requirements.

Stewardship and Legal Defense Fund - The purpose of the stewardship and legal defense fund is to facilitate the primary role of the Trust's stewardship program: to ensure that the protected properties are preserved in perpetuity.

Opportunity Fund - The purpose of the opportunity fund is to provide funds for conservation projects that require additional funding outside of funding available in the operating budget.

Land Fund (Wadmacon) - The purpose of the land fund is to segregate the values and activities related to the Wadmacon property donated to the Trust for the purpose of preservation.

Lowcountry Land Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 3. Board Designated Funds, Continued

Board designated net assets were allocated as follows at June 30:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|---------------------|---------------------|
| Emergency Operating Reserve Fund | \$ 501,335 | \$ 250,162 |
| Stewardship and Legal Defense Fund | 5,713,658 | 4,551,153 |
| Opportunity Fund | 195,406 | 208,094 |
| Land Fund (Wadmacon) | <u>356,600</u> | <u>356,600</u> |
| | <u>\$ 6,766,999</u> | <u>\$ 5,366,009</u> |

At the end of the year ended June 30, 2020, the Board approved the transfer of funds from the emergency operating reserve fund to the general operating fund due to anticipated potential liquidity issues related to the unknown impacts of the COVID-19 pandemic on the Trust's operations. During the year ended June 30, 2021, the Board approved a transfer of approximately \$251,000 back to the emergency operating reserve fund. Subsequent to yearend, another transfer of approximately \$282,000 to restore the emergency operating reserve fund back to its pre-COVID balance.

Note 4. Investments

The Trust held \$8,555,922 and \$7,115,023 in investments at June 30, 2021 and 2020, respectively. For cash flow purposes, purchases of investments are adjusted for monthly investment fees.

Investments were comprised of the following at June 30, 2021:

| | <u>Cost</u> | <u>Fair Value</u> |
|--------------------------------------|---------------------|---------------------|
| Mutual funds | \$ 4,503,228 | \$ 4,775,524 |
| Money market funds and invested cash | 205,795 | 205,795 |
| Government obligations | 437,227 | 439,868 |
| Corporate obligations | 715,730 | 720,427 |
| Equities | <u>1,671,133</u> | <u>2,414,308</u> |
| Total | <u>\$ 7,533,113</u> | <u>\$ 8,555,922</u> |

Investments were comprised of the following at June 30, 2020:

| | <u>Cost</u> | <u>Fair Value</u> |
|--------------------------------------|---------------------|---------------------|
| Mutual funds | \$ 4,414,872 | \$ 4,626,207 |
| Money market funds and invested cash | 352,594 | 352,594 |
| Government obligations | 405,971 | 422,036 |
| Corporate obligations | 507,072 | 523,187 |
| Equities | <u>796,364</u> | <u>1,190,999</u> |
| Total | <u>\$ 6,476,873</u> | <u>\$ 7,115,023</u> |

Lowcountry Land Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 4. Investments, Continued

Investment income, net, and unrealized and realized gains is comprised of the following for the years ended June 30:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|-------------------|
| Interest and dividends | \$ 203,655 | \$ 215,440 |
| Less: investment fees | (48,726) | (43,113) |
| Net unrealized loss | 384,659 | (96,340) |
| Net realized gain | <u>975,418</u> | <u>108,563</u> |
| Total investment income, net, and net unrealized and realized gains | <u>\$ 1,515,006</u> | <u>\$ 184,550</u> |

Note 5. Fair Value Measurements

Fair Value Measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. *Fair Value Measurements* also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Trust performs an analysis of the assets and liabilities that are subject to *Fair Value Measurements*. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 or 2020.

Mutual funds and money market funds - Valued at the net asset value (NAV) of shares held by the Trust at year end using closing prices reported in the active market.

Debt securities and fixed income funds (Includes corporate and government obligations) - Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Equities - Valued at the closing price reported on the active market on which the individual securities are traded.

Lowcountry Land Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 5. Fair Value Measurements, Continued

The balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy are as follows at June 30, 2021:

| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|--------------------------------------|---------------------|---------------------|---------------------|----------------|
| Mutual funds | \$ 4,775,524 | \$ 4,775,524 | \$ - | \$ - |
| Money market funds and invested cash | 205,795 | 205,795 | - | - |
| Government obligations | 439,868 | - | 439,868 | - |
| Corporate obligations | 720,427 | - | 720,427 | - |
| Equities | <u>2,414,308</u> | <u>2,414,308</u> | <u>-</u> | <u>-</u> |
| Total investments, at fair value | <u>\$ 8,555,922</u> | <u>\$ 7,395,627</u> | <u>\$ 1,160,295</u> | <u>\$ -</u> |

The balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy are as follows at June 30, 2020:

| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|--------------------------------------|---------------------|---------------------|-------------------|----------------|
| Mutual funds | \$ 4,626,207 | \$ 4,626,207 | \$ - | \$ - |
| Money market funds and invested cash | 352,594 | 352,594 | - | - |
| Government obligations | 422,036 | - | 422,036 | - |
| Corporate obligations | 523,187 | - | 523,187 | - |
| Equities | <u>1,190,999</u> | <u>1,190,999</u> | <u>-</u> | <u>-</u> |
| Total investments, at fair value | <u>\$ 7,115,023</u> | <u>\$ 6,169,799</u> | <u>\$ 945,223</u> | <u>\$ -</u> |

Note 6. Agency Transactions

Through grant programs with the South Carolina Conservation Bank, Dorchester County, and the U.S. Department of Interior, the Trust was awarded grant funds in an agency capacity on behalf of third-party landowners. During the years ended June 30, 2021 and 2020, the Trust received and disbursed \$278,000 and \$7,887,616, respectively, of pass-through agency funds for one and five individual grants, respectively. As of June 30, 2021 and 2020, there were no amounts due to these third-party recipients.

Note 7. Property, Equipment and Leasehold Improvements, Net and Land

Major classifications of property, equipment, and leasehold improvements, net, used in operations are summarized below as of June 30:

| | <u>2021</u> | <u>2020</u> |
|---|------------------|------------------|
| Leasehold improvements | \$ 24,515 | \$ 24,515 |
| Boat | - | 10,045 |
| Furniture and equipment | <u>88,717</u> | <u>88,717</u> |
| Total | 113,232 | 123,277 |
| Less: accumulated depreciation | <u>(101,040)</u> | <u>(100,743)</u> |
| Property, equipment and leasehold improvements, net | <u>\$ 12,192</u> | <u>\$ 22,534</u> |

Lowcountry Land Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 7. Property, Equipment and Leasehold Improvements, Net and Land, Continued

Depreciation expense on property, equipment, and leasehold improvements for the years ended June 30, 2021 and 2020 totaled \$9,162 and \$11,589, respectively.

In January 2017, an appraisal was performed and the Trust purchased 4 acres on the Ashem property at the appraised fair market value of \$341,800 from Charleston County Parks and Recreation Commission (PRC). This land was conveyed subject to a restrictive covenant that it shall only be used as an office for Lowcountry Land Trust or other non-profit organizations (likely involved in conservation or preservation), subject to the prior written approval of PRC and to the conservation easement held by Historic Charleston Foundation (HCF). In addition, the property shall be conveyed with a right of repurchase at the original purchase price if construction of an office is not commenced within 5 years after the closing on the purchase of the property, and a right of first offer in favor of PRC for a period of 75 years. This agreement was extended on September 17, 2020 to extend the construction period term to 7 years after the closing date of the purchase of the property. The conservation easement on the property held by HCF contains limitations on the aggregate footprint of future structures which only allows the Trust to build an office structure not to exceed 4,000 square feet of the 10,000 square feet available under the HCF easement. Construction in progress totaling \$161,339 and \$130,259 as of June 30, 2021 and 2020, respectively, reflects planning costs to build an office on the Ashem property.

Note 8. Intangible Assets, Net

Intangible assets, net, consists of the following at June 30:

| | <u>2021</u> | <u>2020</u> |
|---|------------------|------------------|
| Website development costs | \$ 70,283 | \$ 70,283 |
| Soul of the Lowcountry blog development costs | <u>4,813</u> | <u>4,813</u> |
| Total | 75,096 | 75,096 |
| Less: accumulated amortization | <u>(61,040)</u> | <u>(46,983)</u> |
| Intangible assets, net | <u>\$ 14,056</u> | <u>\$ 42,170</u> |

Amortization expense on intangible assets totaled \$14,057 for the years ended June 30, 2021 and 2020, respectively.

Note 9. Protected Land and Easements

Various lands and legal restrictions on lands are purchased and donated to the Trust for the purpose of preservation. The title to 5,969 and 4,922 acres of protected land are held by the Trust as of June 30, 2021 and 2020, respectively.

The Trust records in the consolidated financial statements the estimated fair market value at the time of donation of land to which it holds title. Conservation easements, deed restrictions, and retired mineral rights are recorded at a nominal value in the consolidated financial statements. As of June 30, 2021 and 2020, conservation easements had been granted to the Trust for 145,777 and 142,770 acres, respectively.

Lowcountry Land Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 9. Protected Land and Easements, Continued

Angel Oak Properties:

In April 2013, the Trust entered into an agreement for \$100 in consideration which gave it the exclusive right and option to purchase 17 acres of land adjacent to the Angel Oak property ("Angel Oak 1"). Upon due diligence performed and the exercise of the option in December 2013, the Trust purchased these 17 acres of land adjacent to the Angel Oak property for \$3,560,000. In January 2014, the Trust signed an agreement to purchase an additional 18.70 acres of land adjacent to the Angel Oak property ("Angel Oak 2").

After a due diligence period, the Trust completed the purchase of Angel Oak 2 in March 2014 for \$3,300,000. Per independent appraisal obtained during the year ended June 30, 2014, the estimated fair value of the combined Angel Oak properties was estimated to drop to 5% of the original fair value with the execution of the conservation easements. Therefore, the Trust wrote-down these properties by \$6,517,000 to a total carrying value of \$343,000 during the year ended June 30, 2014, which is included in "Protected land and easements" on the Consolidated Statements of Financial Position to reflect the execution of the conservation easement.

Ashem Property:

In September 2010, the Trust sold Charleston County Parks and Recreation Commission (PRC) a total of 43.4471 acres of land known as Ashem on Olde Towne Creek. This contract for the sale of these acres included an option for the Trust to purchase 2 to 4 acres of this property (the "option site") within the earlier of 1 month of the date of delivery of the Phase I archeological report or one year after the death of the original donor of the property. This contract was amended in June 2011 and again in October 2013 to extend the option period to the earlier of 1 month of the date of delivery of the Phase I archeological report or five years after the death of the original donor of the property (or April 26, 2016). This contract was executed as of the fiscal year ended June 30, 2017 (see Note 7).

Mallard Tract:

On December 22, 2016, the Trust purchased approximately 206 acres which was a portion of the Good Hope Plantation in Colleton County known as the "Mallard Tract" for \$626,624. The Trust received funds from Waste Management for the purchase of the Mallard Tract as part of Waste Management's mitigation development plan. Per independent appraisal, the estimated fair value of the property would drop below the original fair value upon the execution of a conservation easement. During the year ended June 30, 2017, the Trust wrote-down this property by \$257,624 to a total carrying value of \$369,000 which is included in "Protected land and easements" on the Consolidated Statements of Financial Position to reflect the execution of the conservation easement.

Keystone Tract Properties:

As part of its strategic visioning plan, the Trust had previously identified approximately 4,300 acres known as the "Keystone Tract" within the Cooper River Corridor for its potential for wetland and related habitat preservation and restoration. The Trust has purchased several properties within this area as discussed below.

Lowcountry Land Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 9. Protected Land and Easements, Continued

Quemby Barony Property:

In January 2014, the Trust entered into a memorandum of understanding (MOU) with The Boeing Trust ("Boeing") regarding Boeing's permit application to the United States Army Corps of Engineers ("Corps") and the South Carolina Department of Health and Environmental Control (SCDHEC) for authorization to impact approximately 153 acres of federally jurisdictional wetlands for the purpose of expansion of the existing Boeing facilities and the related mitigation requirements of the Corps and SCDHEC.

The terms of the MOU stated that the Trust would purchase approximately 1,677 acres within the Keystone Tract for \$6,727,000 after a due diligence period which was completed in February 2014. In turn, Boeing would reimburse the Trust up to \$4,000/acre for the 1,677 acres, for all required closing costs, any out-of-pocket expenses not to exceed \$3,000, and an amount equivalent to 3% of the purchase price (\$201,810) for any and all matters relating to the acquisition, management, restoration and mitigation, and long-term stewardship of the property. The MOU further stated that the Trust will work with Boeing on the development of a mitigation plan for which Boeing agrees to fund the development and implementation.

The Trust and Boeing further agreed that the South Carolina Department of Natural Resources (SCDNR), U.S. Forest Service, or another natural resource agency will oversee and conduct the implementation of this mitigation plan. In addition, the Trust will elect to transfer the property to SCDNR or another governmental organization for inclusion in one of its land protection programs.

As of June 30, 2014, the Trust had purchased this property through its wholly owned subsidiary, Quemby Barony, LLC, for a cost of \$6,727,000 which is included in "Protected land and easements" on the Consolidated Statements of Financial Position. During fiscal year 2014, the Trust received approximately \$6,963,000 in temporarily donor-restricted donations from Boeing for the purpose of purchasing and managing the property as noted per the MOU. Based on the terms within the MOU to transfer the property after implementation of the mitigation plan, the Trust recorded a "land contribution payable" for \$6,727,000 during the year ended June 30, 2014. As of June 30, 2021 and 2020, this property is still held by the Trust and is shown as land contribution payable in the Consolidated Statements of Financial Position. As of June 30, 2021 and 2020, remaining unspent funds of \$701 and \$1,163, respectively, are reflected in net assets with donor restrictions – temporary (see Note 13).

East Cooper Branch Revolving Fund:

In March 2015, the Trust entered into an escrow agreement with the South Carolina State Ports Authority (the "Port") which stated that the Port would deposit \$5,000,000 in an escrow account to be held in escrow by a third party to be utilized for options on real property, closing and purchase of real property, or the acquisition of conservation easements on the real property and associated administrative and management costs in the Cooper River Corridor. The Trust set up a revolving fund known as the East Cooper Branch Revolving Fund (ECBR) to purchase properties with the intent to sale the properties and continue to reinvest in the area.

Lowcountry Land Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 9. Protected Land and Easements, Continued

French Quarter Creek Property:

The Trust was able to draw up to \$2,000,000 from the escrow account prior to the issuance of the Port's project approval by the U.S. Army Corps of Engineers during the year ended June 30, 2015. In March 2015, the Trust utilized approximately \$1,916,000 of these funds for the acquisition of the land and associated costs of approximately 426 acres along U.S. Highway 41, a portion of which falls within the Keystone Tract in the Cooper River Corridor. During the year ended June 30, 2017, the Trust put an easement on the French Quarter Creek property which reduced the value of the land by \$514,000 to a total carrying value of \$1,381,000, which is included in "Protected land and easements" on the Consolidated Statements of Financial Position to reflect the execution of the conservation easement. Subsequent to year end, the Trust sold this property (see Note 20), with the intent to reinvest the sales proceeds in the ECBR Fund.

As of June 30, 2016, the Trust had used a total of \$1,967,201 of the funds for costs associated with land protection in the Cooper River Corridor. The remaining escrowed funds were not available to the Trust upon condition of and until such time that the Port received approval by the U.S. Army Corps of Engineers on its dredging project. In July 2016, under the direction of the SC State Ports Authority (the "Port"), \$500,000 of the escrow fund was dispersed to Lord Berkeley Conservation Trust from the escrow account for the Fort Fair Lawn preservation project. In August 2016, the escrow agreement between the Trust and Port for the remaining funds for use by the Trust was terminated, and the funds were released to the Trust. The Trust received \$2,528,507 of these escrowed funds pursuant to the escrow agreement with the South Carolina State Ports Authority (the "Port") which were recorded as temporarily donor-restricted revenue and held in investments as of June 30, 2017 and used to purchase Hyde Park in the year ended June 30, 2018 as discussed below.

Hyde Park:

In August 2017, the Trust purchased the real property known as Hyde Park for approximately \$3,528,000. The Trust used the remaining escrowed funds from the Port of approximately \$2,528,500, along with a loan of \$1,000,000 to purchase the Hyde Park property (see Note 10). Subsequent to year end, the Trust entered into a contract to sell this property (see Note 20), with the intent to reinvest the sales proceeds in the ECBR Fund.

Meyer Lake:

In November 2020, the Trust purchased approximately 974 acres in Jasper County known as "Meyer Lake" for \$3,400,000. The Trust received various grant funding and entered into two notes payable in relation to the purchase of Meyer Lake (see Note 10). This property is included in "Protected land and easements" on the Consolidated Statements of Financial Position to reflect the execution of the conservation easement.

Simmons Creek:

In September 2020, the Trust received contributed property of approximately 54 acres on Johns Island, including highlands, wetlands, and marshlands, known as "Simmons Creek" valued at \$2,900,000. This property is included in "Protected land and easements" on the Consolidated Statements of Financial Position to reflect the execution of the conservation easement.

Lowcountry Land Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 10. Notes Payable

On August 18, 2017, the Trust entered into a note for \$1,000,000 for the purchase of the Hyde Park property (see Note 9). The full balance of the note and accrued interest was due on August 18, 2022. Interest accrues at a rate of 2% per annum. The loan is secured by the property and the assignment of a first priority of any leases, rents, or profits, and a first property security interest in all personal property located on such real property. Subsequent to year end, the Trust sold this property (see Note 20), and upon the sale of this property, this note was paid in full.

The Trust obtained financing in relation to the purchase of the Meyer Lake property through two bridge loans. The Trust entered into a loan agreement for \$600,000 with The Coastal Community Foundation on July 30, 2020. The loan has a maturity date of August 15, 2022 with required quarterly, interest only payments at an interest rate of 1.625%. Upon the initial due date, the Trust may request an extension of the loan at which times the terms would be renegotiated.

The Trust also entered into a loan agreement on November 23, 2020 with the Open Space Institute Land Trust for a loan in the amount of \$1,620,000 with a two-year term. The loan has a maturity date of November 20, 2022 with required quarterly, interest only payments at an interest rate of the 30-day LIBOR plus 1.85% per annum (or SOFR plus 1.95% annum). Upon the initial due date, the Trust may request an extension of the loan at which times the terms would be renegotiated.

Interest expense related to these notes payable was \$20,000 for the years ended June 30, 2021 and 2020.

Note 11. Refundable Advances

In April 2020, the Trust applied for a Paycheck Protection Program loan ("PPP loan") of \$228,404 that is administered by the U.S. Small Business Administration under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The Trust applied for and has been notified that the full amount of the loan has been forgiven because the funds were used for eligible expenditures for payroll and other expenses described in the CARES Act. On January 13, 2021, the Trust received notification from its lender and the SBA regarding the 100% forgiveness of its full PPP loan in the amount of \$228,404. Amounts forgiven, which include interest, are reflected as grants in the accompanying Consolidated Statements of Activities.

In April 2021, the Trust applied for a second Paycheck Protection Program loan ("PPP loan") of \$229,050. On April 21, 2021, the PPP loan was approved, and the Trust received the PPP loan proceeds. The second PPP loan bears interest of 1.0% per annum and has a five-year term that matures on April 21, 2026. Monthly principal and interest payment will commence after the initial ten months deferral period. The second PPP loan may be forgiven partially or fully if the second PPP loan proceeds are used for payroll costs, rent and utility payments and interest payments on the Trust's mortgage. The second PPP loan proceeds of \$229,050 are recorded as a refundable advance in the Trust's Consolidated Statement of Financial Position as of June 30, 2021. Subsequent to year end, the Trust received forgiveness of the second PPP loan (see Note 20).

During the year ended June 30, 2021, the Trust received employee retention credits in the amount of \$123,030. The Trust is currently in the process of assessing its determination of eligibility, and as such, the funds have been included in refundable advances in the Consolidated Statement of Financial Position.

Lowcountry Land Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 12. Related Parties

Donations from Board of Trustees members and employees were received totaling approximately \$104,990 and \$53,648 for the years ended June 30, 2021 and 2020, respectively. There were \$1,000 and \$845 outstanding contributions receivable from members of the Board of Trustees as of June 30, 2021 and 2020, respectively. The Trust paid a company for engineering services of \$19,496, at which a Board Member is employed.

Note 13. Net Assets

Net assets with donor restrictions that are temporary in nature as of June 30 are available for the following purposes:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Time restricted only contributions receivable | \$ 96,550 | \$ 92,245 |
| East Cooper Branch Revolving Fund | 66,784 | 100,583 |
| General conservation | - | 3,144 |
| Employee Benefit Fund | 630,197 | 548,003 |
| ECLT Merger | 45,218 | - |
| Sheldon Road | 56,922 | 56,922 |
| Angel Oak | 16,889 | 30,149 |
| Fiddler's Green | 40,070 | 39,850 |
| Quemby Barony | 701 | 1,163 |
| SCLTN | - | 11,487 |
| JICCP | 34,847 | 36,758 |
| V2.0 | - | 2,382 |
| Total net assets with donor restrictions - temporary | <u>\$ 988,178</u> | <u>\$ 922,686</u> |

Net assets with donor restrictions that are permanent in nature consist of land valued as follows at June 30, 2021 and 2020:

| | |
|--|-------------------|
| Middleton Marshlands | \$ 57,000 |
| Andell/Kiawah River Marshland | 186,400 |
| Alge Island | 9,410 |
| Ashley River Marshland | 8,700 |
| Ashley River Marshland II | 13,500 |
| Eagle Creek Marshland | 300 |
| Ashley River Marshland III | 28,200 |
| Ashley River Marshland IV | 65,910 |
| Ashley River Marshland V | 77,000 |
| Ashley River Marshland VI | 144,372 |
| Ashley River Marshland VII | 29,340 |
| Total net assets with donor restrictions - permanent | <u>\$ 620,132</u> |

Lowcountry Land Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 14. Retirement Plan

In May 2001, the Trust implemented a 403(b) plan (the "Plan") for the purpose of providing retirement benefits for participating employees. An eligible employee may, on a voluntary basis, begin participation in the Plan on the Plan entry date following fulfillment of the completion of 6 months of service with the Trust. Employees may contribute from 1% to 20% of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Trust matches employee contributions dollar for dollar up to a maximum of 5% of annual compensation. Employees are fully and immediately vested in the benefits arising from contributions made under this Plan. Retirement plan expense totaled \$33,610 and \$44,533 for the years ended June 30, 2021 and 2020, respectively. Of these amounts, approximately \$13,860 and \$15,500 were funded through the Employee Benefit Fund during the years ended June 30, 2021 and 2020, respectively.

Note 15. Revenue Recognition from Contracts with Customers

For revenue subject to ASC 606, all performance obligations were satisfied at a point in time for the years ended June 30, 2021 and 2020.

Contract liabilities:

The following table presents the beginning and ending balances of contract liabilities as of June 30, 2021 and 2020:

| | |
|---|------------------|
| Contract liabilities (deferred revenue) as of June 30, 2019 | \$ 50,000 |
| Revenue recognized for performance obligations completed in 2020 | (50,000) |
| Revenues deferred until performance obligations are completed in 2020 | <u>60,950</u> |
| Contract liabilities (deferred revenue) as of June 30, 2020 | 60,950 |
| Revenue recognized for performance obligations completed in 2021 | (6,165) |
| Revenues deferred until performance obligations are completed | <u>-</u> |
| Contract liabilities (deferred revenue) as of June 30, 2021 | <u>\$ 54,785</u> |

Note 16. Credit Risk

The Trust maintains cash in checking accounts at two financial institutions. Cash accounts held at these banks are guaranteed in aggregate by the Federal Deposit Insurance Trust (FDIC) up to \$250,000 per bank. At times, deposits may be in excess of the FDIC insured limits.

The Trust maintains its investments at three brokerage firms. Accounts maintained at each brokerage firm are insured up to \$500,000 for securities, including a limit of \$250,000 on claims for cash under the Securities Investor Protection Trust (SIPC). Money market funds held in a brokerage account are considered securities. In addition, each brokerage firm has purchased additional insurance coverage to apply to losses above the SIPC protection level for cash and securities with a \$1,900,000 per client limit for cash and cash equivalents and no per account dollar limit on coverage of securities. However, this coverage does not cover investment losses in customer accounts due to market fluctuation.

Management monitors the risk of exposure to loss through monitoring the performance of the financial institutions and brokerage firms through publicly available agencies.

Lowcountry Land Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 17. Leases

In August 2017, the Trust entered into a new lease agreement for office space in downtown Charleston. The new lease commenced on October 1, 2017 with a term of sixty months and initial monthly rental payments of \$9,159 with an increase based on the Consumer Price Index (CPI) each year thereafter.

The Trust also entered into a commercial sublease with an effective date of October 1, 2017 to sublease the above office space for monthly rental payments of \$1,832 with annual increases for a period of three years and included two renewal options for a year each. Due to additional space being rented, this sublease was amended effective January 1, 2020 with monthly rental payments of \$2,679 and annual increases. The lease was renewed through September 30, 2021, with a one-year renewal option. However, this lease was not extended for a one-year renewal option subsequent to yearend. The tenant and lessee both have the right to terminate the lease with a thirty (30) day written notice.

Rent expense totaled \$108,383 and \$118,463 for the years ended June 30, 2021 and 2020, respectively. Rental income totaled \$30,348 and \$33,170 for the years ended June 30, 2021 and 2020, respectively.

Future minimum payments by year under the office space lease consist of the following as of June 30:

| | |
|------|-------------------|
| 2022 | \$ 128,233 |
| 2023 | <u>32,364</u> |
| | <u>\$ 160,597</u> |

Future expected rental income by year under the commercial sublease, assuming extensions are exercised, consist of the following as of June 30:

| | |
|------|----------|
| 2022 | \$ 8,720 |
|------|----------|

Note 18. Uncertainties

The 2019 novel coronavirus (or "COVID-19") has adversely affected and may continue to adversely affect economic activity globally, nationally, and locally. It is unknown the extent to which COVID-19 may continue to spread and may increasingly have the potential to negatively impact the Trust, its donors, or demand for the Trust's services. These conditions could adversely affect the Trust's operations, financial condition, and results of operations. Further, COVID-19 may result in health or other government authorities requiring closure of the Trust's operations, which could significantly disrupt the business process of the Trust. The full extent of the adverse impact of COVID-19 on the Trust cannot be predicted at this time.

Concentrations due to a high volume of business with a particular customer, supplier, lender, grantor or contributor, concentrated revenue from programs or fund-raising events, and the market or geographic area in which the Trust conducts operations make it reasonably possible that the Trust is vulnerable to the risk of a near-term severe impact.

Additionally, it is reasonably possible that estimates made in the consolidated financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, such as expected credit losses on receivables and investments or impairment losses related to long-lived assets.

Lowcountry Land Trust, Inc. and Subsidiaries

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June 30, 2021 and 2020

Note 19. Commitments

In June 2020, the Trust signed a memorandum of understanding (MOU) with the City which lays out a plan for the construction of a joint parking lot facility on the Angel Oak Preserve (owned by the Trust) and Angel Oak Park (owned by the City) properties to be constructed within 5 years of the date of the agreement. The parking lot facility will be funded by the City, and the facility will be deeded to the City in exchange for a parking easement agreement for use on the property with the Trust.

In February 2020, the Trust contributed the partial value of a donated easement on the 4,000-acre tract in Colleton County (the "OBD" tract) in the amount of \$1,000,000 as a non-cash match as a partner under the Lowcountry Protection V grant submitted by Ducks Unlimited.

On February 10, 2021, the Trust entered into a Memorandum of Understanding (MOU) with another non-profit regarding the potential merger of operations after a due diligence process is completed by both parties (see Note 20).

Note 20. Subsequent Events

After a due diligence process, the Trust merged operations with the East Cooper Land Trust (ECLT), a separate non-profit, effective January 1, 2022. ECLT contributed its assets to the Trust with the effective date of January 1, 2022. As of the report date, the Trust and ECLT are still in the process of assigning the fair value to the donated assets.

Subsequent to year end, the Trust sold the French Quarter Creek property (see Note 9) for \$1,250,000 and reinvested the proceeds in the ECBR Fund and paid off the Hyde Park note payable of \$1,000,000 (see Note 10).

Subsequent to year end, the Trust contracted to sell the Hyde Park property (see Note 9) for \$2,650,000, with the intent to close the sale in the first quarter of 2022 and reinvest the sales proceeds in the ECBR Fund. In addition, the related note payable of \$1,000,000 was paid in full subsequent to year end (see above).

In February 2022, the Trust received forgiveness of the second PPP loan in the amount of \$229,050.