

**WEST VIRGINIA LAND
STEWARDSHIP CORPORATION**

Audited Financial Statements

June 30, 2021 and 2020

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

Audited Financial Statements
June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
West Virginia Land Stewardship Corporation
Morgantown, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of West Virginia Land Stewardship Corporation (a nonprofit Organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Virginia Land Stewardship Corporation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of West Virginia State Grants is presented for purposes of additional analysis as required by the West Virginia Department of Environmental Protection Agency and is not a required part of the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gray, Griffith & Mays, a.c.

Charleston, West Virginia
November 16, 2021

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$ 261,509	\$ 170,651
Cash - restricted	200,000	200,000
Prepaid expenses	-	460
Grants receivable	-	266,541
Total current assets	<u>461,509</u>	<u>637,652</u>
Long-term investments	<u>302,629</u>	<u>-</u>
Total assets	<u><u>\$ 764,138</u></u>	<u><u>\$ 637,652</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 37,014	\$ 236,520
Accrued liabilities	3,883	3,231
Contract liabilities	-	25,000
Total current liabilities	<u>40,897</u>	<u>264,751</u>
Net assets:		
Net assets without donor restrictions	207,192	172,901
Net assets with donor restrictions	<u>516,049</u>	<u>200,000</u>
Total net assets	<u>723,241</u>	<u>372,901</u>
Total liabilities and net assets	<u><u>\$ 764,138</u></u>	<u><u>\$ 637,652</u></u>

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

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

Statement of Activities

For the year ended June 30, 2021

	Net Assets Without Restrictions	Net Assets With Restrictions	Total
Revenues and other support:			
Reimbursements from WV Department of Environmental Protection:	\$ 1,118,053	\$ -	\$ 1,118,053
Reimbursement from US Environmental Protection Agency:	80,325	-	80,325
Private grants	40,000		40,000
Donations for conservation easements	-	304,701	304,701
Program service fees	33,500		33,500
Net investment income	-	11,348	11,348
Interest income	5	-	5
	<u>1,271,883</u>	<u>316,049</u>	<u>1,587,932</u>
Total revenues			
Expenses:			
Program services	1,108,707	-	1,108,707
Management and general	128,885	-	128,885
	<u>1,237,592</u>	<u>-</u>	<u>1,237,592</u>
Total expenses			
Increase in net assets	34,291	316,049	350,340
Net assets at beginning of year	<u>172,901</u>	<u>200,000</u>	<u>372,901</u>
Net assets at end of year	<u>\$ 207,192</u>	<u>\$ 516,049</u>	<u>\$ 723,241</u>

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

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

Statement of Activities

For the year ended June 30, 2020

	Net Assets Without Restrictions	Net Assets With Restrictions	Total
Revenues and other support:			
Reimbursements from WV Department of Environmental Protection:	\$ 3,926,589	\$ -	\$ 3,926,589
Reimbursement from US Environmental Protection Agency:	99,543	-	-
Program service fees	17,750	-	17,750
Interest income	39	-	39
	<u>4,043,921</u>	<u>-</u>	<u>4,043,921</u>
Total revenues			
Expenses:			
Program services	3,885,625	-	3,885,625
Management and general	138,090	-	138,090
	<u>4,023,715</u>	<u>-</u>	<u>4,023,715</u>
Total expenses			
Increase in net assets	20,206	-	20,206
Net assets at beginning of year	<u>152,695</u>	<u>200,000</u>	<u>352,695</u>
Net assets at end of year	<u>\$ 172,901</u>	<u>\$ 200,000</u>	<u>\$ 372,901</u>

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

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 350,340	\$ 20,206
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
(Increase) decrease in grants receivable	266,541	101,011
Net realized and unrealized gain on investments	(11,348)	
(Increase) decrease in prepaid expenses	460	(460)
Increase (decrease) in accounts payable	(199,506)	(117,957)
Increase in accrued liabilities	652	924
Increase (decrease) in contract liabilities	(25,000)	25,000
Net cash provided by operating activities	<u>382,139</u>	<u>28,724</u>
Cash flows from investing activities:		
Purchase of investments	<u>(291,281)</u>	<u>-</u>
Net cash used by investing activities	<u>(291,281)</u>	<u>-</u>
Net increase in cash	90,858	28,724
Cash, beginning of year	<u>370,651</u>	<u>341,927</u>
Cash, end of year	<u>\$ 461,509</u>	<u>\$ 370,651</u>
SUMMARY OF CASH AND CASH EQUIVALENTS		
Cash	\$ 261,509	\$ 170,651
Cash - restricted	<u>200,000</u>	<u>200,000</u>
Total cash	<u>\$ 461,509</u>	<u>\$ 370,651</u>

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

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

Statement of Functional Expenses
June 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	
	<u>Project Management</u>	<u>Administrative Expenses</u>	<u>Total</u>
Salaries and wages	\$ 30,013	\$ 91,868	\$ 121,881
Employee benefits and taxes	4,417	13,519	17,936
Conferences and meetings	-	291	291
Rent	-	6,434	6,434
Professional fees	1,161	9,689	10,850
Contracted services	1,072,381	-	1,072,381
Insurance	501	2,470	2,971
Office expense	147	980	1,127
Marketing and advertising	87	317	404
Dues and subscriptions	-	3,317	3,317
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 1,108,707</u>	<u>\$ 128,885</u>	<u>\$ 1,237,592</u>

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

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

Statement of Functional Expenses
June 30, 2020

	Program Services	Management and General	
	Project Management	Administrative Expenses	Total
Salaries and wages	\$ 19,333	\$ 101,590	\$ 120,923
Employee benefits and taxes	2,697	14,162	16,859
Conferences and meetings	2,123	802	2,925
Rent	-	5,520	5,520
Professional fees	13,958	6,620	20,578
Contracted services	3,844,143	-	3,844,143
Insurance	-	2,494	2,494
Office expense	3,309	2,502	5,811
Marketing and advertising	62	335	397
Dues and subscriptions	-	4,065	4,065
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 3,885,625</u>	<u>\$ 138,090</u>	<u>\$ 4,023,715</u>

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

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

Notes to Financial Statements
June 30, 2021 and 2020

1 – SIGNIFICANT ACCOUNTING POLICIES

Organization

West Virginia Land Stewardship Corporation is a nonprofit organization that strives to identify, promote and oversee certain environmental programs to simultaneously promote economic development in West Virginia through encouraging the productive reuse of idled and underutilized commercial, industrial and mining properties and the existing public infrastructure while protecting public health and the state's natural resources.

Method of Accounting and Basis of Presentation

The financial statements have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial statement presentation follows the standards set by the Financial Accounting Standards Board. Under those provisions, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: (a) net assets without donor restrictions and (b) net assets with donor restrictions.

Net assets without donor restrictions: Net assets without donor restrictions are comprised of funds which use is limited only to the extent that the organization's by-laws limit the activities of the organization.

Net assets with donor restrictions: Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of June 30, 2021 and 2020 there were \$200,000 in net assets with donor restrictions.

Cash and Cash Equivalents

The Organization considers cash deposits and short term highly liquid investments to be cash equivalents. At times during 2021 and 2020, the Organization had cash on deposit with financial institutions that may have exceeded FDIC limits. However, management believes that the financial institutions are financially sound and do not present a significant risk to the Organization.

Expenses

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Functional Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include these expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

Notes to Financial Statements
June 30, 2021 and 2020

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures of contingent assets and liabilities at the date of financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant estimates include functional expense allocation and depreciation expense. It is at least reasonably possible that these estimates could change within the next year. Actual results could differ from these estimates and those differences could be significant.

Concentrations

The Organization receives a majority of its support from grants from the West Virginia Department of Environmental Protection Agency. Any significant reduction in the level of this support could have a material effect on the Organization's programs and activities.

Income Taxes

The Organization is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to taxes on income derived from its exempt activities. The Organization has been classified as an organization that is not a private foundation under section 509(a)(2). The Organization's Department of Treasury information returns are generally available for examination for three years after the filing date.

New Accounting Pronouncements

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Leases (Topic: 842): Leases (ASU 2016-02). The objective of ASU 2016-02 is to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing agreements. The Early adoption of this pronouncement is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

In September 2020, the Financial Accounting Standards Board (FASB) issued Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (ASU 2020-07). The objective of ASU 2020-07 is to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosures. The effective date for this pronouncement is permitted. Management is currently evaluating the impact this pronouncement will have on the Organization's financial statements and has elected not to early implement this pronouncement at this time.

Accounting Pronouncements Recently Adopted

As of January 1, 2020, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), as amended. ASU 2014-09 applies to exchange

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Notes to Financial Statements
June 30, 2021 and 2020

transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Results for reporting the years ending June 30, 2021 and 2020, are presented under FASB ASC Topic 606. The ASU has been applied retrospectively to all periods presented, with no effect on net assets of previously issued financial statements.

Revenue Recognition

Reimbursements from state and federal agencies revenue, as well as grant revenue, is earned based on the nature of the grant and the performance obligation related to the grant. All grant support received by the Organization, require specific performance obligations which are satisfied at various points-in-time as opposed through the passage of time. When the Organization satisfies the individual performance obligation on a grant-by-grant basis it recognizes revenue for the grant. At June 30, 2021 and 2020, respectively, the Organization had performance obligations related to grant money received but not-yet-expended of \$-0- and \$25,000, respectively. During 2021, the Organization satisfied \$25,000 of its 2020 performance obligation leaving a performance obligation related to 2020 of \$-0-. These performance obligations are disclosed as contract liabilities. At June 30, 2021 and 2020, respectively, the Organization had billed for and recognized all grant related work it had performed.

Program services fee revenue is earned based on contracts in place with unrelated entities which require fees to be paid to the Organization in exchange for their ongoing monitoring and management of reclamation projects. The Organization views these contracts as a bundle of services which are satisfied over the passage of time. The Organization allocates the transaction price pro-ratably during the fiscal year and recognizes revenue on a monthly basis as it satisfies its performance obligations through the passage of time.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

2 – LIQUIDITY

Financial assets available for general expenditure, this is, without donor or other restrictions limiting their use, within one year of June 30, 2021 and 2020, comprise the following:

Cash	\$ 261,509	\$ 170,651
Grants receivable	<u>-</u>	<u>266,541</u>
	<u>\$ 261,509</u>	<u>\$ 437,192</u>

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.

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Notes to Financial Statements
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3 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were made up of the following for the year ended June 30, 2021:

	Restricted Net Assets 2020	Received	Released From Restriction	Restricted Net Assets 2021
USE:				
Conservation easements	\$ -	\$ 316,049	\$ -	\$ 316,049
WVDEP	200,000	-	-	200,000
Total	<u>\$ 200,000</u>	<u>\$ 316,049</u>	<u>\$ -</u>	<u>\$ 516,049</u>

The \$200,000 for WVDEP is held as restricted cash.

4 – OPERATING LEASE

The Organization leases office space under an annual operating lease. For the year ended June 30, 2021 and 2020, the total rental costs were \$6,434 and \$5,520 respectively.

5 – CONCENTRATION

The Organization receives substantially all of its funding from state grants. A significant reduction in the level of this funding may have a significant impact on the Organization's programs and activities. The ability of these grant agencies to continue funding the operations of the Organization is dependent upon both legislative appropriations and economic conditions.

6 – CONSERVATION EASEMENTS

Conservation easements represent rights to restrict use, access and development of certain properties. Support that is not donor-restricted and expenses are recognized in equal amounts based upon the appraised value of the easement. The Organization is obligated to monitor easements to ensure that the restrictions are maintained. The Organization monitors these easements in the normal course of its operations and associated costs are expensed as incurred.

The estimated value of easements is not included in the balance sheet because the easements do not represent a future economic benefit to the Organization. The Organization receives donor-restricted contributions that must be maintained perpetually on donated conservation easements in order to provide funding for ongoing monitoring costs in perpetuity.

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Notes to Financial Statements
June 30, 2021 and 2020

7 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three observable levels of the fair value hierarchy are described as follows:

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

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted market prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the assets or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any output that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Mutual Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

The following table sets forth the level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2021:

	<u>Level I</u>	<u>Total</u>
Investments measured at fair value:		
Mutual funds	<u>\$ 302,629</u>	<u>\$ 302,629</u>

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Notes to Financial Statements
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8 – RISKS AND UNCERTAINTIES

During the year ended December 31, 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of the Coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization's customers, members, financial markets, employees and vendors. Given the uncertainty regarding the spread of this coronavirus, the related financial impact on the Organization's results of operations, financial position and liquidity or capital resources, cannot be reasonably estimated at this time and have not been reflected in the financial statements.

9 – SUBSEQUENT EVENTS

The Organization's management has evaluated events and transactions occurring after June 30, 2021 through the date of the Auditor's Report, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

Schedule of West Virginia State Grants
For the Years Ended June 30, 2021 and 2020

<u>Granting Agency</u>	<u>Grant Number</u>	<u>Balance at Beginning of Year</u>	<u>Amount Received</u>	<u>Amount Disbursed</u>	<u>Balance at End of Year</u>
Special Reclamation Program Assistance Pilot Project	VLSP-15-01	\$ -	\$ 1,118,053	\$ 1,118,053	\$ -
		<u>\$ -</u>	<u>\$ 1,118,053</u>	<u>\$ 1,118,053</u>	<u>\$ -</u>