

**WEST VIRGINIA LAND
STEWARDSHIP CORPORATION**

Audited Financial Statements

June 30, 2020 and 2019

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

Audited Financial Statements
June 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 12, 2020

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$ 170,651	\$ 141,927
Cash - restricted	200,000	200,000
Prepaid expenses	460	-
Grants receivable	<u>266,541</u>	<u>367,552</u>
Total current assets	<u>637,652</u>	<u>709,479</u>
Total assets	<u>\$ 637,652</u>	<u>\$ 709,479</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 236,520	\$ 354,477
Accrued liabilities	3,231	2,307
Deferred revenue	<u>25,000</u>	<u>-</u>
Total current liabilities	<u>264,751</u>	<u>356,784</u>
Net assets:		
Net assets without donor restrictions	172,901	152,695
Net assets with donor restrictions	<u>200,000</u>	<u>200,000</u>
Total net assets	<u>372,901</u>	<u>352,695</u>
Total liabilities and net assets	<u>\$ 637,652</u>	<u>\$ 709,479</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:			
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		
	<u>4,043,921</u>	<u>-</u>	<u>4,043,921</u>
Total revenues			
Expenses:			
Program services	3,844,143	-	3,844,143
Management and general	179,572	-	179,572
	<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

Statement of Activities

For the year ended June 30, 2019

	Net Assets Without Restrictions	Net Assets With Restrictions	Total
Revenues:			
Reimbursements from WV Department of Environmental Protection:	\$ 5,466,523	\$ -	\$ 5,466,523
Investment income	8,987	-	8,987
Interest income	10,032	-	10,032
Net assets released from restrictions	12,820,452	(12,820,452)	-
Total revenues	18,305,994	(12,820,452)	5,485,542
Expenses:			
Program services	17,948,222	-	17,948,222
Management and general	205,177	-	205,177
Total expenses	18,153,399	-	18,153,399
Decrease in net assets	152,595	(12,820,452)	(12,667,857)
Net assets at beginning of year	100	13,020,452	13,020,552
Net assets at end of year	\$ 152,695	\$ 200,000	\$ 352,695

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 20,206	\$(12,667,857)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
(Increase) decrease in grants receivable	101,011	(367,552)
(Increase) in prepaid expenses	(460)	-
Increase (decrease) in accounts payable	(117,957)	115,451
Increase in accrued liabilities	924	2,307
Increase in deferred revenue	25,000	-
Net cash provided by (used in) operating activities	<u>28,724</u>	<u>(12,917,651)</u>
Cash flows from investing activities:		
Sale of investments	-	6,988,943
Net cash provided by investing activities	<u>-</u>	<u>6,988,943</u>
Net increase (decrease) in cash	28,724	(5,928,708)
Cash, beginning of year	<u>341,927</u>	<u>6,270,635</u>
Cash, end of year	<u>\$ 370,651</u>	<u>\$ 341,927</u>
SUMMARY OF CASH AND CASH EQUIVALENTS		
Cash	\$ 170,651	\$ 141,927
Cash - restricted	<u>200,000</u>	<u>200,000</u>
Total cash	<u>\$ 370,651</u>	<u>\$ 341,927</u>

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

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

Statement of Functional Expenses
June 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	
	<u>Project Management</u>	<u>Administrative Expenses</u>	<u>Grand Total</u>
Salaries and wages	\$ -	\$ 120,923	\$ 120,923
Employee benefits and taxes	-	16,859	16,859
Conferences and meetings	-	2,925	2,925
Rent	-	5,520	5,520
Professional fees	-	20,578	20,578
Contracted services	3,844,143	-	3,844,143
Insurance	-	2,494	2,494
Office expense	-	5,811	5,811
Marketing and advertising	-	397	397
Dues and subscriptions	-	4,065	4,065
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 3,844,143</u>	<u>\$ 179,572</u>	<u>\$ 4,023,715</u>

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

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

Statement of Functional Expenses
June 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	
	<u>Project Management</u>	<u>Administrative Expenses</u>	<u>Grand Total</u>
Salaries and wages	\$ -	\$ 100,962	\$ 100,962
Employee benefits and taxes	-	13,450	13,450
Conferences and meetings	-	2,795	2,795
Rent	-	4,140	4,140
Professional fees	-	74,003	74,003
Contracted services	5,702,003	-	5,702,003
Grant refund	12,246,219	-	12,246,219
Insurance	-	2,512	2,512
Office expense	-	4,233	4,233
Marketing and advertising	-	1,500	1,500
Dues and subscriptions	-	1,582	1,582
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 17,948,222</u>	<u>\$ 205,177</u>	<u>\$ 18,153,399</u>

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

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019 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 2020 and 2019, 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, 2020 and 2019

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 effective date for this pronouncement is for fiscal years beginning after December 15, 2020. Early adoption of this pronouncement is permitted.

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance related to recognition of revenue from contracts with customers. This guidance required an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers and requires certain qualitative and quantitative disclosures regarding revenue arising from contracts with customers. This Accounting Standards Update (ASU) will replace most existing revenue recognition guidance in U.S. generally accepted accounting principles (GAAP) when it becomes effective. The guidance permits the use of either a retrospective or modified retrospective (cumulative effect) transition method. In August 2015, the FASB issued an amendment to defer the effective dates for all entities by one year. During 2016, the FASB has issued varied guidance with the purpose of clarifying the ASU. Such clarification included: improving the operability and understandability of the implementation guidance on principal versus agent consideration; identifying performance obligation and also to improve the operability and understandability of the licensing implementation guidance; clarifying the objective of the collectability criterion for applying paragraph 606-10-25-7; permitting an entity to exclude amounts collected from customers for all sales (and other similar) taxes from the transaction price; specifying that the measurement date for noncash consideration is

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Notes to Financial Statements
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contract inception; providing a practical expedient that permits an entity to reflect the aggregate effect of all modifications that occur before the beginning of the earliest period presented when identifying the satisfied and unsatisfied performance obligations; determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations' clarifying that a completed contract for purposes of transition is a contract for which all (or substantially all) of the revenue was recognized under legacy GAAP before the date of initial application; and clarifying that an entity that retrospectively applies the guidance in Topic 606 to each prior reporting period is not required to disclose the effect of the accounting change for the period adoption. This guidance is effective for public entities with annual reporting periods beginning after December 15, 2016, including interim reporting periods within the reporting period. For all other entities (nonpublic entities), the amendments in these ASUs will be effective for annual reporting periods beginning after December 15, 2020. A nonpublic entity may elect to apply this guidance earlier, subject to certain limitations.

Management is currently evaluating the impact these pronouncements will have on the Organization's financial statements and has elected not to early implement these pronouncement at this time.

2 – LIQUIDITY

Financial assets available for general expenditure, this is, without donor or other restrictions limiting their use, within one year of June 30, 2020 and 2019, comprise the following:

Cash	\$ 170,651	\$ 141,927
Grants receivable	<u>266,541</u>	<u>367,552</u>
	<u>\$ 437,192</u>	<u>\$ 509,479</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.

3 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were made up of the following for the year ended June 30, 2020:

	Restricted Net Assets 2019	Received	Released From Restriction	Restricted Net Assets 2020
USE:				
WVDEP	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Total	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>

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June 30, 2020 and 2019

4 – OPERATING LEASE

The Organization leases office space under an annual operating lease. For the year ended June 30, 2020 and 2019, the total rental costs were \$5,520 and \$4,140 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 – SUBSEQUENT EVENTS

The Organization's management has evaluated events and transactions occurring after June 30, 2020 through the date of the Auditor's Report, which is the date the financial statements were available to be issued. Prior to the balance sheet date, 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 the outbreak on the Organization's financial performance will depend on certain developments, including the duration and spread of the outbreak. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

SUPPLEMENTARY INFORMATION

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

Schedule of West Virginia State Grants
For the Years Ended June 30, 2020 and 2019

<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	\$ -	\$3,926,589	\$3,926,589	\$ -
		<u>\$ -</u>	<u>\$3,926,589</u>	<u>\$3,926,589</u>	<u>\$ -</u>