

**WEST VIRGINIA LAND
STEWARDSHIP CORPORATION**

Audited Financial Statements

June 30, 2023 and 2022

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

Audited Financial Statements
June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of West Virginia Land Stewardship Corporation (a nonprofit Organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses, for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of West Virginia Land Stewardship Corporation as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of West Virginia Land Stewardship Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about West Virginia Land Stewardship Corporation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of West Virginia Land Stewardship Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about West Virginia Land Stewardship Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of West Virginia State Grants is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 or to the financial statements themselves, and other additional procedures 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
June 5, 2024

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	2023	2022
<u>ASSETS</u>		
Current assets:		
Cash	\$ 186,105	\$ 177,589
Prepaid expenses	-	755
Grants receivable	-	67,102
Land held for sale and development net of impairment of \$387,468	-	250,000
Total current assets	<u>186,105</u>	<u>495,446</u>
Noncurrent assets:		
Operating right-of-use asset	7,771	-
Restricted cash	241,396	-
Long-term investments	473,201	445,585
Total noncurrent assets	<u>722,368</u>	<u>445,585</u>
Total assets	<u><u>\$ 908,473</u></u>	<u><u>\$ 941,031</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 915	\$ 7,677
Accrued liabilities	3,289	5,689
Refundable advance	-	186,500
Operating Lease Liability - current	4,200	-
Total current liabilities	<u>8,404</u>	<u>199,866</u>
Noncurrent liabilities:		
Lease Liability - Operating	3,571	-
Total noncurrent liabilities	<u>3,571</u>	<u>-</u>
Total Liabilities	<u>11,975</u>	<u>199,866</u>
Net assets:		
Net assets without donor restrictions	162,439	249,118
Net assets with donor restrictions	734,059	492,047
Total net assets	<u>896,498</u>	<u>741,165</u>
Total liabilities and net assets	<u><u>\$ 908,473</u></u>	<u><u>\$ 941,031</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, 2023

	Net Assets Without Restrictions	Net Assets With Restrictions	Total
Revenues gains and other support:			
Grants	\$ 80,000	\$ -	\$ 80,000
Reimbursement from US Environmental Protection Agency	47,065	-	47,065
Reimbursement from WV Department of Environmental protection	120,892	-	120,892
Donations for conservation easements	-	241,396	241,396
Donations of supplies	6,713	-	6,713
Program service fees	2,800	-	2,800
Loss on sale of property	(59,822)	-	(59,822)
Net investment income	-	30,294	30,294
Special event revenue	-	-	-
Interest income	5	-	5
Total Revenues gains and other support:	197,653	271,690	469,343
Net assets released from restrictions:			
Private grants	27,000	(27,000)	-
Fiduciary fees paid in management of endowment funds	2,678	(2,678)	-
Total revenues and other support	227,331	242,012	469,343
Expenses:			
Program services	250,186	-	250,186
Management and general	63,824	-	63,824
Total expenses	314,010	-	314,010
Change in net assets	(86,679)	242,012	155,333
Net assets at beginning of year	249,118	492,047	741,165
Net assets at end of year	\$ 162,439	\$ 734,059	\$ 896,498

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, 2022

	Net Assets Without Restrictions	Net Assets With Restrictions	Total
Revenues and other support:			
Reimbursements from WV Department of Environmental Protection	\$ 27,156	\$ -	\$ 27,156
Reimbursement from US Environmental Protection Agency	573,066	-	573,066
Private grants	25,000	27,000	52,000
Donations for conservation easements	-	211,341	211,341
Program service fees	27,500	-	27,500
Net Investment income	-	(59,838)	(59,838)
Special event revenue	500.00	-	500
Interest income	5	-	5
Total revenues	653,227	178,503	831,730
Net assets released from restrictions:			
Fiduciary fees paid in management of endowment funds	2,505	(2,505)	-
Termination of project with WV Department of Environmental Protection	200,000	(200,000)	-
Total revenues and other support	855,732	(24,002)	831,730
Expenses:			
Program services	762,006	-	762,006
Management and general	51,800	-	51,800
Total expenses	813,806	-	813,806
Change in net assets	41,926	(24,002)	17,924
Net assets at beginning of year	207,192	516,049	723,241
Net assets at end of year	\$ 249,118	\$ 492,047	\$ 741,165

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, 2023 and 2022

	2023	2022
Cash flows from (used in) operating activities:		
Change in net assets	\$ 155,333	\$ 17,924
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized loss (gain) on investments	(27,616)	62,343
Loss on sale of property	59,822	-
Inventory adjustment for land held for sale and development	-	387,468
(Increase) decrease in prepaid expenses	755	(755)
(Increase) decrease in grants receivable	67,102	(67,102)
(Increase) in right-of-use assets	(7,771)	-
Proceeds from contributions restricted to endowments	(244,196)	(205,299)
(Decrease) in accounts payable	(6,762)	(29,337)
Increase in lease liabilities	7,771	-
(Decrease) Increase in accrued liabilities	(2,400)	1,806
(Decrease) Increase in refundable advances	-	186,500
Remediation of land held for sale and development	-	(637,468)
Net cash provided (used) by operating activities	<u>2,038</u>	<u>(283,920)</u>
Cash flows used in investing activities:		
Cash received in settlement of property sale	3,678	-
Purchase of investments	-	(205,299)
Net cash used (provided) by investing activities	<u>3,678</u>	<u>(205,299)</u>
Cash flows from financing activities:		
Receipt of donor restricted endowment funds	244,196	205,299
Net cash provided by financing activities	<u>244,196</u>	<u>205,299</u>
Net change in cash	249,912	(283,920)
Cash, beginning of year	177,589	461,509
Cash, end of year	<u>\$ 427,501</u>	<u>\$ 177,589</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, 2023 and 2022

	2023	2022
SUMMARY OF CASH AND CASH EQUIVALENTS		
Cash	\$ 186,105	\$ 177,589
Cash - restricted	241,396	-
Total cash	<u>\$ 427,501</u>	<u>\$ 177,589</u>

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

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

June 30, 2023

	Program Services	Management and General	
	Project Management	Administrative Expenses	Total
Salaries and wages	\$ 55,387	\$ 40,358	\$ 95,745
Employee benefits and taxes	6,449	4,865	11,314
Conferences and meetings	2,736	207	2,943
Rent	-	3,304	3,304
Professional fees	2,260	8,357	10,617
Contracted services	171,175	-	171,175
Insurance	335	1,884	2,219
Office expense	1,266	2,493	3,759
Marketing and advertising	-	355	355
Bad Debt	7,500	-	7,500
Dues and subscriptions	400	2,001	2,401
Investment fees	2,678	-	2,678
Total expenses	\$ 250,186	\$ 63,824	\$ 314,010

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

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

June 30, 2022

	Program Services	Management and General	
	Project Management	Administrative Expenses	Total
Salaries and wages	\$ 103,602	\$ 25,901	\$ 129,503
Employee benefits and taxes	14,390	3,598	17,988
Conferences and meetings	626	200	826
Rent	-	5,250	5,250
Professional fees	542	9,955	10,497
Contracted services	250,465	-	250,465
Insurance	315	2,512	2,827
Office expense	44	1,119	1,163
Marketing and advertising	49	527	576
Project management	2,000	-	2,000
Dues and subscriptions	-	2,738	2,738
Investment fees	2,505	-	2,505
Inventory adjustment for land held for sale and development	387,468	-	387,468
Total expenses	\$ 762,006	\$ 51,800	\$ 813,806

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

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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, 2023 and 2022 \$734,059 and \$492,047 respectively represented 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 2023 and 2022, 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.

Land Held for Sale and Development

Property Inventory consists of properties received as donations, purchased with federal grant funds, state funding and local funding. The properties are held until sold or donated. The purpose of acquiring them is to remediate them and return them to productive use.

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

Generally accepted accounting principles require inventory to be carried at lower of cost or market. Cost includes all direct and indirect costs incurred to bring inventories to their existing condition and location. Purchased properties are carried at acquisition cost in the statement of financial position. The cost to demolish and remove smokestacks from purchased properties are expensed as incurred. Generally accepted accounting principles requires demolition and removal costs to be included in inventory. At June 30, 2023 and 2022, the Organization capitalized \$0 and \$637,468 as costs associated with developing Land held for sale and development. At June 30, 2022, in accordance with the Organization's accounting policy for inventory, the property's carrying value was reduced to the lower-of-cost-or-market value of \$250,000. The land was sold during the year ended June 30, 2023.

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.

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.

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.

Change in Account Principle

The following accounting pronouncements were recently issued by the FASB: Effective July 1, 2022, The Organization adopted the provisions of FASB ASC Topic 842 (ASU 2016-02), Leases. ASC 842 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases, except for those with a lease

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

term of twelve months or less. Leases are classified as either finance leases or operating leases. The Organization has elected to record in its financial statements the effect of FASB ASC 842 as of the beginning of the year of adoption, which is July 1, 2022.

Accordingly, The Organization has recognized the right-of-use assets and lease liabilities measured under FASB ASC 842 in its statement of financial position. The comparative period ending June 30, 2022, is presented under the provisions of FASB ASC 840.

Leases (Topic 842) Discount Rate for Lessees That Are Not Public Business Entities (ASU-2021-09) – Topic 842 currently provides lessees that are not public business entities with a practical expedient that allows them to elect, as an accounting policy, to use a risk-free rate as the discount rate for all leases. The Organization has elected to use this practical expedient.

The amendments in this update allow those lessees to make the risk-free rate election by class of underlying asset, rather than at the entity-wide level. An entity that makes the risk-free rate election is required to disclose which asset classes it has elected to apply a risk-free rate. The amendments require that when the rate implicit in the lease is readily determinable for any individual lease, the lessee use that rate (rather than a risk-free rate or an incremental borrowing rate), regardless of whether it has made the risk-free rate election. The Organization has elected the risk-free election as of June 30, 2022.

New Accounting Pronouncements

Effective July 1, 2022, the Organization adopted Financial Accounting Standards Board (the FASB) Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This guidance aligns the needs of the users of financial statements related to credit loss recognition and addresses the potential weakness from the delayed recognition of credit losses resulting in overstatement of assets. The amendments replace the current incurred loss methodology which delays recognition until it is probable a loss has occurred with one that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Organization is evaluating the impact of this new standard.

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 condition placed on the use of the grant money related to the grant. All grant support received by the Organization, require specific performance requirements which are generally 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, 2023 and 2022, respectively, the Organization had satisfied the conditions placed on its grants by its grantors and has recognized the revenue accordingly.

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

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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. Program service receivables are evaluated monthly. Allowances are generally recorded when amounts due become past due by more than six months. At June 30, 2023, the Organization determined that program service fee receivables in the amount of \$7,500 were past due and therefore an allowance was established in this amount.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

2 – LIQUIDITY

Financial assets available for general expenditure, this is, without donor or other restrictions limiting their use, within one year of June 30, 2023 and 2022, comprise the following:

	2023	2022
Cash	\$ 186,105	\$ 177,589
Grants receivable	-	67,102
	<u>\$ 186,105</u>	<u>\$ 244,691</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, 2023 and 2022:

	Restricted Net Assets 2022	Received	Released From Restriction	Restricted Net Assets 2023
USE:				
Conservation easements	\$ 465,047	\$ 271,690	\$ (2,678)	\$ 734,059
Passage of time:				
Private grants	27,000	-	(27,000)	-
Total	<u>\$ 492,047</u>	<u>\$ 271,690</u>	<u>\$ (29,678)</u>	<u>\$ 734,059</u>

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

At June 30, 2023, \$241,396 of donor restricted net assets had not yet been transferred to an investment custodian and is held as restricted cash in the statement of financial position.

	Restricted Net Assets 2021	Received/ Earned	Released From Restriction	Restricted Net Assets 2022
USE:				
Conservation easements	\$ 316,049	\$ 151,503	\$ (2,505)	\$ 465,047
WVDEP	200,000	-	(200,000)	-
Passage of time:				
Private grants	-	27,000	-	27,000
Total	<u>\$ 516,049</u>	<u>\$ 178,503</u>	<u>\$ (202,505)</u>	<u>\$ 492,047</u>

4 – OPERATING LEASE ASC 842

The Organization is associated with an operating lease for an office space in a building in Fairmont, West Virginia. The Organization includes in the determination of right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The Organization's operating lease provides for future minimum annual rent payments.

The weighted-average discount rate is based on the risk-free rate. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. We have applied the risk-free rate option to this class of assets.

The lease payments used to determine the lease liability and right-of-use asset include residual value guarantees we are probably of paying at the termination of the lease term.

Future Minimum Lease Payments

June 30,	
2024	\$ 4,200
2025	3,850
Total lease payments	8,050
Less interest	279
Present value of lease liabilities	<u>\$ 7,771</u>

Reported under FASB ASC 842 - year ended June 30, 2023:

Lease Assets - Classification in Statement of Financial Position

Right-of-use asset, operating lease	<u>\$ 7,771</u>
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Lease Liabilities - Classification in Statement of Financial Position

Operating lease liability	<u>\$ 7,771</u>
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WEST VIRGINIA LAND STEWARDSHIP CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

Lease Cost

Operating lease cost	\$ 750
Short term lease cost	2,554
Total lease cost	<u>\$ 3,304</u>

Cash Flow Items

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating lease	<u>\$ 8,455</u>
Right-of-use assets obtained in exchange for lease liabilities	
Operating lease	<u>\$ 8,455</u>

Weighted-Average Information

Remaining lease term in years	2
Discount Rate	3.46%

5 – CONCENTRATION

The Organization receives substantially all of its funding from state and federal grants. A significant reduction in the level of this funding may have a significant impact on the Organization's programs and activities.

6 – CONSERVATION EASEMENTS AND ASSOCIATED ENDOWMENTS

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. With the donation of conservation easements, the Organization also receives donor-restricted contributed funds that must be maintained perpetually in order to provide funding for ongoing monitoring costs and other associated expenses related to management of the conservation easement. The donor-restricted contributions are maintained by the Organization in separate endowment funds established for the maintenance of each associated conservation easement. The Organization also received donated funds to establish, separate from the individual conservation easement endowment funds, an endowment for legal defense. This legal defense fund can be utilized for legal matters

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

related to any of the conservation easements the Organization's donors have donated to the organization.

Endowments

The Organization's Board of Directors has interpreted the State of West Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the Endowment) and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of June 30, 2023 and 2022 we had the following endowment net asset composition by type of fund:

June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 737,976	\$ 737,976
Accumulated investment (losses)	-	(7,158)	(7,158)
Total donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 730,818</u>	<u>\$ 730,818</u>

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 510,000	\$ 510,000
Accumulated investment gains	-	(50,994)	(50,994)
Total donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 459,006</u>	<u>\$ 459,006</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2023, the funds with original gift values of \$737,976, fair values of \$714,597, and deficiencies of \$7,158 were reported in net assets with donor restrictions. These amounts have not been fully recovered.

We have adopted investment and spending policies for the Endowment that attempt to ensure sufficient cash resources to meet current operating needs and to earn a return in excess of inflation from long-term investments. Actual returns in any given year may vary from this amount. To satisfy these objectives, management invests in both short and long-term funds. Management first establishes a "prudent reserve" using short-term funds. The purpose of the prudent reserve is to provide funding for 6-12 months of working capital. The prudent reserve is generally invested in insured funds such as certificates of deposit or government backed funds. All funds in excess of the prudent reserve are invested in noninsured and non-federally backed investments such as mutual funds.

The donors of each endowment associated to a conservation easement as well as the legal defense endowment have provided guidance with respect to the nature and volume of expenditures made from the funds. The Organization adheres to these guidelines when determining the volume and amount of spending from each endowment fund.

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

Change in Endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2023			
Endowment net assets, beginning of year	\$ -	\$ 459,006	\$ 459,006
Investment return, net	-	30,294	30,294
Fiduciary fees paid in management of endowment funds	-	(2,678)	(2,678)
Contributions	-	244,196	244,196
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 730,818</u>	<u>\$ 730,818</u>

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2022			
Endowment net assets, beginning of year	\$ -	\$ 316,049	\$ 316,049
Investment return, net	-	(59,838)	(59,838)
Fiduciary fees paid in management of endowment funds	-	(2,504)	(2,504)
Contributions	-	205,299	205,299
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 459,006</u>	<u>\$ 459,006</u>

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.

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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, 2023:

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, 2023 and 2022:

		June 30, 2023	
		Level I	Total
Investments measured			
at fair value:			
Mutual funds		\$ 473,201	\$ 473,201
		June 30, 2022	
		Level I	Total
Investments measured			
at fair value:			
Mutual funds		\$ 445,585	\$ 445,585

All of the investments at June 30, 2023 and 2022, relate to endowment funds.

WEST VIRGINIA LAND STEWARDSHIP CORPORATION**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

8 – SUBSEQUENT EVENTS

The Organization's management has evaluated events and transactions occurring after June 30, 2023 through the date of the Auditor's Report, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Land Stewardship Corporation (the Organization), which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the year ended, and related notes to the financial statements, and have issued our report thereon dated June 5, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses.

Report on Compliance and other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the West Virginia Lane Stewardship Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gray, Griffith & Mays, a.c.

Morgantown, West Virginia
June 5, 2024

WEST VIRGINIA LAND STEWARDSHIP CORPORATION**SCHEDULE OF FINDINGS AND RESPONSES**

For the Year Ended June 30, 2023

2023-001 – ACCOUNT RECONCILIATIONS**CRITERIA**

Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting process. Internal controls should include procedures to ensure all relevant accounts are reconciled to supporting documentation.

CONDITION

West Virginia Land Stewardship Corporation, Inc. did not have adequate procedures in place to ensure balance sheet accounts such as net assets and pledge receivables were reconciled timely to supporting documentation.

CAUSE

The Organization's designed internal control procedures for account reconciliations did not contain sufficient review procedures to ensure the accounts were reconciled at the appropriate detailed level on a timely basis.

EFFECT

During our testing of contributions receivable, we noted the Organization had twice recognized a donor restricted contribution. The Organization recognized a contribution as a pledge receivable then recognized it again when the support from the donor was received without relieving the receivable. This matter resulted in the overstatement of contributions and pledge receivables. Additionally, During our testing of the net asset balances, the opening net asset balance did not agree to the closing net asset balance of the previous year resulting in understatement of net assets.

RECOMMENDATION

The Organization should implement a process to ensure donor support and net asset activity are accurately recorded in the trial balance through reconciliation procedures.

MANAGEMENT RESPONSE

The Organization agrees with the finding and will implement the suggested procedures.

WEST VIRGINIA LAND STEWARDSHIP CORPORATION**SCHEDULE OF FINDINGS AND RESPONSES**

For the Year Ended June 30, 2023

Material Weakness**2023-002 – ALLOWANCE FOR CREDIT LOSSES****CRITERIA**

Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting process. Internal controls should include procedures to ensure all relevant accounts receivable are realizable.

CONDITION

West Virginia Land Stewardship Corporation, Inc. did not have adequate procedures in place to ensure allowances for collectability were timely established.

CAUSE

The Organization's designed internal control procedures did not include provisions to evaluate the realizability of accounts receivable.

EFFECT

During our testing of accounts receivable for fee for service revenues, we noted that three billings to a counterparty had not been collected by year-end. Facts and circumstances had changed since the time of billing and the amounts were not realizable at year-end resulting in an overstatement of accounts receivable.

RECOMMENDATION

The Organization should implement a process to ensure accounts receivable are reviewed for realizability timely.

MANAGEMENT RESPONSE

The Organization agrees with the finding and will implement the suggested procedures.

WEST VIRGINIA LAND STEWARDSHIP CORPORATION**SCHEDULE OF FINDINGS AND RESPONSES**

For the Year Ended June 30, 2023

Material Weakness**2023-002 – LAND SALES****CRITERIA**

Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting process. Internal controls should include procedures to capture all material Organizational activity.

CONDITION

West Virginia Land Stewardship Corporation, Inc. did not have adequate procedures in place to ensure the timely recording of land sales.

CAUSE

The Organization's designed internal control procedures did not contain the level of detail necessary to capture land activity.

EFFECT

During our testing of land held for sale, we noted that the sale of land was not recorded resulting in the understatement of losses from the sale of land.

RECOMMENDATION

The Organization should implement a process to ensure the timely recording of all organizational activity.

MANAGEMENT RESPONSE

The Organization agrees with the finding and will implement the suggested procedures.

WEST VIRGINIA LAND STEWARDSHIP CORPORATION

Schedule of West Virginia State Grants
For the Years Ended June 30, 2023 and 2022

Granting Agency	Grant Number	Balance at Beginning of Year	Amount Received	Amount Disbursed	Balance at End of Year
West Virginia Department of Environmental Protection	DEP #23009	\$ -	\$ 120,892	\$ 120,892	\$ -
		<u>\$ -</u>	<u>\$ 120,892</u>	<u>\$ 120,892</u>	<u>\$ -</u>