

POTOMAC VALLEY AUDUBON SOCIETY, INC.

Charles Town, West Virginia

FINANCIAL REPORT

AUGUST 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Potomac Valley Audubon Society, Inc.
Charles Town, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Potomac Valley Audubon Society, Inc. ("the Organization") which comprise the statement of financial position as of August 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 Potomac Valley Audubon Society, Inc. as of August 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
November 4, 2021

POTOMAC VALLEY AUDUBON SOCIETY, INC.

Statement of Financial Position

August 31, 2021

Assets	
Cash and cash equivalents	\$ 352,284
Accounts and grants receivable	9,290
Pledge receivable, net	25,156
Prepaid expenses	<u>13,543</u>
Total current assets	<u>400,273</u>
Property and Equipment	
Construction in progress	2,500
Land, buildings and improvements	504,752
Furniture and equipment	244,595
Less accumulated depreciation	<u>(161,506)</u>
Property and equipment, net	<u>590,341</u>
Other Assets	
Beneficial interest in real estate	234,923
Investment held by Eastern WV Community Foundation	<u>6,795</u>
Total other assets	<u>241,718</u>
Total assets	<u>\$ 1,232,332</u>
Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 1,718
Accrued expenses	12,288
Security deposit held	500
Note payable	<u>14,151</u>
Total liabilities	<u>28,657</u>
Net Assets	
Net assets without donor restrictions	348,565
Net assets with donor restrictions	<u>855,110</u>
Total net assets	<u>1,203,675</u>
Total liabilities and net assets	<u>\$ 1,232,332</u>

See Notes to Financial Statements.

POTOMAC VALLEY AUDUBON SOCIETY, INC.

Statement of Activities

For the Year Ended August 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Federal, state and local grants	\$ 45,990	\$ --	\$ 45,990
In-kind goods and services	6,360	--	6,360
Contributions	146,326	8,370	154,696
Membership dues	11,940	--	11,940
Program fees	104,930	--	104,930
Special events, net of expenses of \$16,615	23,959	--	23,959
Rental income	7,450	--	7,450
Investment income	6,981	--	6,981
Change in value of beneficial interest	--	(29,456)	(29,456)
Other revenue	60,698	--	60,698
Net assets released from restrictions	41,328	(41,328)	--
Total revenue	455,962	(62,414)	393,548
Expenses			
Program services	250,764	--	250,764
Management and general	97,645	--	97,645
Fundraising	11,054	--	11,054
Total expenses	359,463	--	359,463
Change in net assets	96,499	(62,414)	34,085
Net Assets			
Beginning of year	252,066	917,524	1,169,590
End of year	\$ 348,565	\$ 855,110	\$ 1,203,675

See Notes to Financial Statements.

POTOMAC VALLEY AUDUBON SOCIETY, INC.

Statement of Cash Flows
For the Year Ended August 31, 2021

Cash Flows from Operating Activities	
Change in net assets	\$ 34,085
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	25,846
Unrealized (gain) on investment held by Community Foundation	(756)
Change in value of beneficial interest in real estate	29,456
Paycheck Protection Program loan forgiveness	(43,100)
Changes in assets and liabilities:	
(Increase) in accounts and grants receivable	(9,290)
Decrease in pledge receivable	24,724
(Increase) in prepaid expenses	(13,543)
(Decrease) in accounts payable and accrued expenses	<u>(3,605)</u>
Net cash provided by operating activities	<u>43,817</u>
Cash Flows from Investing Activities,	
purchase of property and equipment	<u>(22,874)</u>
Cash Flows from Financing Activities,	
proceeds from note payable	<u>14,151</u>
Net change in cash	35,094
Cash and Cash Equivalents	
Beginning of year	<u>317,190</u>
End of year	<u>\$ 352,284</u>
Supplemental Disclosure of Cash Flow Information,	
cash payments for interest	<u>\$ 445</u>

See Notes to Financial Statements.

POTOMAC VALLEY AUDUBON SOCIETY, INC.

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of Business

Potomac Valley Audubon Society, Inc. (“Organization”) is a not-for-profit corporation incorporated under the laws of West Virginia on August 2, 1982. The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization is a chapter of the National Audubon Society.

The Potomac Valley Audubon Society serves a largely rural, though rapidly growing area that includes Jefferson, Berkeley and Morgan counties in West Virginia and Washington County, Maryland. The Organization is dedicated to preserving, restoring and enjoying the natural world through education and action. It owns two nature preserves, and also co-manages two additional nature preserves with The Nature Conservancy. The Organization offers educational programming for children and adults. Its programming for adults includes a West Virginia Master Naturalist Program training, workshops, lectures, and field trips that are open to everyone in the community. No other local organization is providing the same range of services on the same scale.

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Net assets, revenues, and expenses are classified based on the terms of donor-imposed restrictions, if any. Accordingly, the net assets, revenues, and expenses of the Organization are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Notes to Financial Statements

Revenue Recognition

Contributions are generally available for use unless specifically restricted by the donor. Unconditional promises to give are recognized when the donor makes a promise to give to the Organization.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received, if subject to reasonable estimation.

Grants and other contributions of cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-19, “Revenue from Contracts with Customers (Topic 606).” Topic 606 supersedes the revenue recognition requirements in “Revenue Recognition (Topic 605)” and requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted Topic 606 as of September 1, 2020. Analysis of various provisions of the standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued financial statements were required on a retrospective basis.

The Organization recognizes revenue in accordance with ASC Topic 606. This standard provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Nature of Products and Services

Program fees, special events, rental income, and other revenue are considered exchange transactions and are recognized at the point in time the goods and services are provided.

Membership dues received by the Organization are considered contributions as benefits are considered insubstantial. Membership revenue is recognized by the Organization when received.

Notes to Financial Statements

Transaction Price

The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring goods and services to the customer.

Contract Balances

Funds received by the Organization relating to revenue generating activities of future reporting periods would be recorded as a contract liability (deferred revenue) on the statement of financial position. The Organization does not recognize revenue in advance of the right to invoice and therefore has not recorded a contract asset as of August 31, 2021.

Accounts and Grants Receivable

Management expects all accounts and grants receivable to be collected in full and, therefore, no allowance for uncollectible amounts has been recognized.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the report period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term, highly-liquid investments which are readily convertible into cash within ninety (90) days of purchase. For financial reporting purposes, management considers all certificates of deposit regardless of maturity, to be cash equivalents. The Organization's cash account are maintained in two commercial banks, which, at times may exceed federally insured limits. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant risk on cash and cash equivalents.

Property and Equipment

Purchases of property and equipment having a unit cost of \$500 or more and an estimated useful life of more than one year are capitalized at cost. Donated assets are capitalized at the estimated fair market value at the time of receipt. Certain donated services are capitalized as improvements when those services enhance the value of the assets. In the absence of donor-imposed restrictions on the use of the assets, gifts of long-lived assets are reported as net assets without donor restrictions.

Depreciation is calculated on all buildings and equipment using accelerated and straight-line methods based upon the estimated useful lives of the assets as follows:

Buildings and improvements	25 Years
Land improvements	15 Years
Furniture and office equipment	5 Years
All other equipment	3 Years

Notes to Financial Statements

Donated Services and Noncash Gifts

During the year ended August 31, 2021, the value of contributed goods and services meeting the requirements for recognition in the financial statements was \$6,360. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. The Organization received approximately 3,699 volunteer hours during the year ended August 31, 2021.

The Organization receives rent-free space at various locations, which it uses for meetings, programs and lectures. Due to the pandemic, meetings, programs and lectures were held virtually and as a result, no in-kind value was recorded the year ended August 31, 2021.

Effective November 3, 2008, the Organization received, by way of gift, from The Nature Conservancy, two tracts of land totaling approximately 8.5 acres. The land, which was valued at \$16,940, is located in Morgan County, West Virginia and is part of the Eidolon Preserve, which the Organization currently co-manages (see Note 2). As a condition of the gift, the land must forever be held for scientific, educational and aesthetic purposes and must be kept entirely in its natural state except for a set of specified improvements to facilitate educational programming.

The Organization on August 30, 2011 received, by way of gift, land totaling 45.726 acres located in Berkeley County, West Virginia. The land which is known as Stauffer's Marsh was valued at \$86,879 and will be used as a preserve and bird sanctuary to further the Organization's mission. The property, which is mostly wetlands, is currently under a conservation easement with the USDA. The easement requires the Organization to maintain the property including the dam, inlet, waste weir, and spillway along with maintaining the native species of plants on the property.

On September 30, 2016, the Organization received a large donation of land and buildings referred to as Cool Spring Preserve. The donor, CraftWorks at Cool Spring, closed as a nonprofit and donated its assets including the land and buildings to the Organization. The property, which encompasses 12 acres of fields and woodland is located in Charles Town, West Virginia. The property has four structures, which include an energy-efficient main building, a barn for 3-season programming, and a historic cottage with a small garage. The Organization established its headquarters there and uses the property for nature and conservation programming such as school programs, bird walks, summer day camps, and family events. The Organization has designated the land as a nature preserve, and has donated a permanent conservation easement over much of the property to the West Virginia Land Trust. The property also includes nature trails that are open to the public.

On February 19, 2020, the Organization received a donation of land that is adjacent to the Cool Spring Preserve. The property, which encompasses approximately 50 acres, is located in Charles Town, West Virginia. The property is valued at \$150,000 and restricted for agricultural activities and passive recreation uses.

Notes to Financial Statements

Allocation Methodology for the Schedule of Functional Expenses

The costs of providing program and other activities are summarized on a functional basis in the schedule of functional expenses. Certain costs have been allocated among program services, management and general and fundraising. Such allocations have been made by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, wages and payroll taxes	Time and effort
Employee benefits	Time and effort
Accounting fees	Direct costs
Advertising	Direct costs
Conferences and training	Direct costs
Contract labor	Direct costs
Depreciation	Direct costs
In-kind goods and services	Direct costs
Insurance	Time and effort
Interest	Direct costs
Land and facility management	Direct costs
Licenses and fees	Direct costs
Other expenses	Direct costs
Postage and shipping	Direct costs
Printing and publication	Direct costs
Supplies	Direct costs
Transportation and travel	Direct costs
Utilities	Direct costs
Website	Direct costs

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (Code) and comparable State law, and contributions to it are tax deductible within the limitations as prescribed by the Code. The Organization has been classified as a publicly-supported Organization, which is not a private foundation under Section 509(a) of the Code.

The Internal Revenue Service has not examined any income tax return of the Organization thus the previous three years are subject to examination. The Organization has not taken any questionable positions with respect to unrelated business income tax or anything that would jeopardize its 501(c)(3) status.

Notes to Financial Statements

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Organization for the year ending August 31, 2023. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

In September 2020, the FASB issued ASU No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. ASU 2020-07 is effective for the Organization for its year ended August 31, 2022. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU 2020-07 will have on its financial statements.

Note 2. Management Agreements

Yankauer Preserve

On January 17, 2017, the Organization entered into a five-year agreement with The Nature Conservancy (“TNC”) to co-manage the property known as the Yankauer Preserve located in Berkeley County, West Virginia. The agreement requires the Organization to maintain public liability insurance in the amount of \$1,000,000 per occurrence for claims of injury to individuals and \$500,000 per occurrence for all claims for damages to or loss of property occurring on the Preserve. The Organization is responsible for the day-to-day maintenance of the Preserve to fulfill the combined mission of the Organization and TNC. The agreement expires on January 16, 2022.

Eidolon Preserve

On October 16, 2006, the Organization entered into a five-year agreement with The Nature Conservancy (“TNC”) to co-manage the property known as the Eidolon Preserve located in Morgan County, West Virginia. The agreement requires the Organization to maintain public liability insurance in the amount of \$1,000,000 per occurrence for claims of injury to individuals and \$500,000 per occurrence for all claims for damages to or loss of property occurring on the Preserve. The Organization is responsible for the day-to-day maintenance of the Preserve to fulfill the combined mission of the Organization and TNC. The agreement was renewed on July 1, 2014 and expired on June 30, 2019. The Organization renewed the agreement on November 14, 2019 for another five years.

Notes to Financial Statements

The Organization entered into a contract with The Nature Conservancy (“TNC”) whereby TNC would use Eidolon Nature Preserve endowment proceeds to reimburse the Organization for actual costs of materials, supplies and other out-of-pocket expenses incurred in connection with the management of the Eidolon Preserve. Reimbursements for these purposes would be governed by annual, full-year contracts that ran from July 1 through June 30 each year, with the amounts available for reimbursement each year depending upon endowment returns, and with any unused funds carrying over and remaining available to the Organization.

Note 3. Liquidity and Availability

The Organization had \$63,982 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures as of August 31, 2021. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Financial assets, at year-end:

Cash and cash equivalents	\$ 352,284
Accounts and grants receivable	9,290
Pledges receivable, net	<u>25,156</u>
Total financial assets	<u>386,730</u>

Less those unavailable for general expenditure within one year, due to:

Board designated net assets	241,536
Net assets with donor restrictions - temporary in nature	<u>81,212</u>
Financial assets not available to be used within one year	<u>322,748</u>

Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 63,982</u>
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Notes to Financial Statements

Note 4. Endowment Fund

The Organization is the beneficiary of the Potomac Valley Audubon Society endowment fund established in 2004 and held by the Eastern West Virginia Community Foundation. The fund is intended to be a perpetual endowment to support the environmental education efforts of the Organization. The Community Foundation maintains variance power over the fund (a) to modify any restriction or condition on the distribution of funds; (b) to replace any trustee, custodian or agent for breach of fiduciary duty; and (c) to replace any trustee, custodian or agent for failure to produce a reasonable rate of return of net income over a reasonable period of time, as determined by the Foundation's Board of Directors. Distributions from the fund are determined under the spending policy of the Foundation and can be made annually to the Organization. In the event the Organization has an emergency need, the Foundation upon written request of the Organization's Board of Directors may, in its discretion, make an excess distribution from the fund provided that only one such excess distribution may be made annually and at least \$5,000 must remain in the fund after such excess distribution. No distributions have been made from the fund and the Board of Directors has elected to reinvest all investment income from the fund until such time as the Board designates otherwise.

The Organization has contributed to this fund in prior years, which is considered an agency fund and is reported as Endowment Held by Community Foundation in the Statement of Financial Position. The investment income, including gains and losses, are reported in the Statement of Activities net of investment expenses and administrative fees. The net investment income was \$756 for the year ended August 31, 2021.

Note 5. Pledge Receivable

The Organization has one outstanding pledge receivable of \$25,156 as of August 31, 2021. The outstanding balance is expected to be received during the year ending August 31, 2022.

Note 6. Board Designated Net Assets

The Organization has board designated net assets of \$241,536 as of August 31, 2021.

Reserve Fund	\$	115,000
Revolving Fund		<u>126,536</u>
	\$	<u>241,536</u>

The Reserve Fund has been set aside to stabilize the Organization's finances by providing funds for unexpected events, losses of income, and large unanticipated expenses. The Revolving Fund is a reserve intended to allow the Organization to provide seed funding for a new idea or special opportunity. The intent of the Board is that drawdowns from either of these funds would be replenished within a reasonable period of time.

Notes to Financial Statements

Note 7. Note Payable and Paycheck Protection Program

On April 3, 2020, the Organization applied for and was approved a \$43,100 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the United States Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization received forgiveness on April 28, 2021 and the loan was recognized as revenue in the statement of activities for the year ended August 31, 2021.

During the year ended August 31, 2021, the Organization entered into a note payable agreement for the purchase of equipment. The terms of the agreement require five annual payments of \$2,830 with 0% interest until September 2025. The outstanding balance was \$14,151 as of August 31, 2021.

Note 8. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of August 31, 2021:

Subject to expenditure for specified purpose:	
Conservation	\$ 45,231
Eidolon Preserve	7,839
Liz Neely Education Fund	10,502
Nature Center	2,500
Other	15,140
	81,212
Subject to the passage of time:	
Promises to give that are not restricted by donor, but which are unavailable for expenditure until due	25,156
Perpetual in nature:	
The Nature Conservancy	16,940
Beneficial Interest in Real Estate	234,923
Stauffer's Marsh	86,879
Cool Spring	150,000
CraftWorks at Cool Spring	260,000
	748,742
Net Assets With Donor Restrictions	\$ 855,110

Notes to Financial Statements

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Expiration of time restrictions	\$ 24,844
Satisfaction of purpose restrictions:	
Conservation	10,000
Liz Neely Education Fund	2,000
Other	4,484
	<u>16,484</u>
Net Assets Released from Restrictions	<u>\$ 41,328</u>

Note 9. Gift Subject to Life Estate Interest

The Organization, by the way of bequest, received a remainder interest in approximately 32 acres of land located in Jefferson County, West Virginia on April 27, 2008. The deceased's last will and testament stipulates the property is to be used for the purposes of holding and maintaining as a wildlife preserve, a wetlands preserve and as a home, nesting, and landing area for ducks and geese. Under terms of the bequest, the donor's beneficiaries will continue to have access to the property for the remainder of their lives. Based on the life expectancy of the beneficiaries and a 3.3% discount rate, the present value of future benefits to be received by the Organization was estimated to be \$127,157, which was recorded at June 30, 2010, as a perpetual contribution in the Statement of Activities and a Beneficial interest in real estate in the Statement of Financial Position.

The beneficial interest in real estate is valued annually at the date of the financial statements with the changes being recognized in the Statement of Activities. The value is determined using the same methodology that was used to calculate the beneficial interest updated for the change in interest rates and the beneficiaries' ages. The value of the beneficial interest was \$234,923 as of August 31, 2021. The change of \$29,456 is recognized in the Statement of Activities for the year ended August 31, 2021.

Notes to Financial Statements

Note 10. Fair Value Measurements

Accounting standards establish a framework for measuring fair value. That framework 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the standards are described as follows:

Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities or other inputs observable for the asset or liability, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input 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.

For the year ended August 31, 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investment Held by Eastern WV Community Foundation

The investment held by Eastern WV Community Foundation is not actively traded. The value of the investment is provided by the Community Foundation on an annual basis based on their portfolio valuations.

Beneficial Interest in Real Estate

The Beneficial Interest in Real Estate is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest in real estate is determined using remainder tables based upon the life expectancy of the beneficiaries who have a life estate in the property and the prevailing interest rate.

Notes to Financial Statements

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at August 31, 2021 are as follows:

Description	Balance as of August 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Levels (Level 2)	Significant Other Unobservable Levels (Level 3)
Beneficial Interest in Real Estate Investment held by Eastern WV Community Foundation	\$ 234,923	\$ --	\$ --	\$ 234,923
	<u>6,795</u>	<u>--</u>	<u>6,795</u>	<u>--</u>
	<u>\$ 241,718</u>	<u>\$ --</u>	<u>\$ 6,795</u>	<u>\$ 234,923</u>

The reconciliation of the changes in the Beneficial Interest in Real Estate measured at fair value on a recurring basis using significant other unobservable inputs (Level 3) is as follows:

Balance - beginning of year	\$ 264,379
Change in value of Beneficial Interest in Real Estate	<u>(29,456)</u>
Balance - end of year	<u>\$ 234,923</u>

The change in value of the Beneficial Interest in Real Estate of \$29,456 is attributable to the revaluation of the Beneficial Interest based on applicable remainder tables and interest rates and is included in the change in net assets with donor restrictions for the year ended August 31, 2021.

Notes to Financial Statements

Note 11. Schedule of Functional Expenses

A breakdown of expenses by nature and function for the year ended August 31, 2021:

Expense	Program Services	Management and General	Fundraising	Total
Salaries, wages and payroll taxes	\$ 170,536	\$ 31,976	\$ 10,658	\$ 213,170
Employee benefits	690	16,624	--	17,314
Accounting fees	7,870	1,967	--	9,837
Advertising	44	--	--	44
Conferences and training	476	1,396	--	1,872
Contract labor	3,245	300	--	3,545
Depreciation	--	25,846	--	25,846
In-kind goods and services	--	6,360	--	6,360
Insurance	3,963	2,012	--	5,975
Interest	--	445	--	445
Land and facility management	475	--	--	475
Licenses and fees	36,902	952	--	37,854
Other expenses	1,238	222	--	1,460
Postage and shipping	259	1,809	--	2,068
Printing and publication	3,103	--	--	3,103
Supplies	13,328	939	--	14,267
Transportation and travel	3,835	829	396	5,060
Utilities	3,826	--	--	3,826
Website	974	5,968	--	6,942
	<u>\$ 250,764</u>	<u>\$ 97,645</u>	<u>\$ 11,054</u>	<u>\$ 359,463</u>

Note 12. Retirement Plan

The Organization offers a SIMPLE IRA plan which covers all full-time employees (30 hours to more) who elect to participate in the plan. The Organization contributes a match of up to 3% of annual compensation. The Organization contributed \$4,881 to the plan for the year ended August 31, 2021.

Note 13. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 4, 2021, the date the financial statements were available to be issued. The Organization has determined there are no subsequent events that require recognition or disclosure.