POTOMAC VALLEY AUDUBON SOCIETY, INC.

Charles Town, West Virginia

FINANCIAL REPORT

JUNE 30, 2020

C O N T E N T S

YHB CPAs & Consultants
50 South Cameron St.
Winchester, VA 22601
540.662.3417
YHBcpa.com
540.662.4211

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. which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities 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 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 of material misstatement.

An audit involves preforming 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 June 30, 2020 and 2019, 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
October 6, 2020

POTOMAC VALLEY AUDUBON SOCIETY, INC.

Statements of Financial Position

June 30, 2020 and 2019

Assets		**2020**		**2019**
Cash and cash equivalents	$	308,247	$	272,221
Accounts and grants receivable		33,091		26,110
Pledge receivable, net		49,880		70,906
Prepaid expenses		11,954		11,327
Total current assets		403,172		380,564
Property and Equipment				
Land, buildings and improvements		504,752		348,352
Furniture and equipment		229,190		221,606
Less accumulated depreciation		(136,895)		(115,964)
Property and equipment, net		597,047		453,994
Other Assets				
Beneficial interest in real estate		264,379		172,234
Investment held by Eastern WV Community Foundation		6,039		5,093
Total other assets		270,418		177,327
Total assets	$	1,270,637	$	1,011,885
Liabilities and Net Assets				
Liabilities				
Accounts payable	$	794	$	3,838
Payroll liabilities		17,441		6,607
Security deposit held		500		500
Note payable		43,100		- -
Total liabilities		61,835		10,945
Net Assets				
Net assets without donor restrictions		291,278		311,272
Net assets with donor restrictions		917,524		689,668
Total net assets		1,208,802		1,000,940
Total liabilities and net assets	$	1,270,637	$	1,011,885

See Notes to Financial Statements.

POTOMAC VALLEY AUDUBON SOCIETY, INC.

Statement of Activities

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Federal, state and local grants	$ 76,426	$ 12,200	$ 88,626
In-kind goods and services	33,272	- -	33,272
Contributions	122,750	163,414	286,164
Membership dues	10,089	- -	10,089
Program fees	47,919	- -	47,919
Special events, net of expenses of $8,682	38,798	- -	38,798
Rental income	6,000	- -	6,000
Investment income	4,597	- -	4,597
Change in value of beneficial interest	- -	92,145	92,145
Other revenue	827	- -	827
Net assets released from restriction	39,903	(39,903)	- -
Total revenue	380,581	227,856	608,437
Expenses			
Program services	285,295	- -	285,295
Management and general	105,665	- -	105,665
Fundraising	9,615	- -	9,615
Total expenses	400,575	- -	400,575
Change in net assets	(19,994)	227,856	207,862
Net Assets			
Beginning of year	311,272	689,668	1,000,940
End of year	$ 291,278	$ 917,524	$ 1,208,802

See Notes to Financial Statements.

POTOMAC VALLEY AUDUBON SOCIETY, INC.

Statement of Activities
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Federal, state and local grants	$ 50,342	$ - -	$ 50,342
In-kind goods and services	50,721	- -	50,721
Contributions	111,054	5,788	116,842
Membership dues	11,095	- -	11,095
Program fees	102,079	- -	102,079
Special events, net of expenses of $11,691	30,673	- -	30,673
Rental income	6,000	- -	6,000
Investment income	491	- -	491
Change in value of beneficial interest	- -	21,225	21,225
Other revenue	17,382	- -	17,382
Net assets released from restriction	65,328	(65,328)	- -
Total revenue	445,165	(38,315)	406,850
Expenses			
Program services	395,436	- -	395,436
Management and general	104,920	- -	104,920
Fundraising	6,925	- -	6,925
Total expenses	507,281	- -	507,281
Change in net assets	(62,116)	(38,315)	(100,431)
Net Assets			
Beginning of year, as previously stated	373,388	634,744	1,008,132
Prior period adjustment (Note 12)	- -	93,239	93,239
Beginning of year, as restated	373,388	727,983	1,101,371
End of year	$ 311,272	$ 689,668	$ 1,000,940

See Notes to Financial Statements.

POTOMAC VALLEY AUDUBON SOCIETY, INC.

Statements of Cash Flows

For the Year Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	$ 207,862	$ (100,431)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	22,141	19,998
Unrealized (gain) loss on investment held by Community Foundation	(946)	334
Change in value of beneficial interest in real estate	(92,145)	(21,225)
Donation of Chimney Swift Tower	- -	112,902
Donation of property	(150,000)	- -
Changes in assets and liabilities:		
(Increase) in accounts and grants receivable	(6,981)	(11,682)
Decrease in pledge receivable	21,026	22,333
(Increase) decrease in prepaid expenses	(627)	633
Increase in accounts payable and payroll liabilities	7,790	2,342
Net cash provided by operating activities	8,120	25,204
Cash Flows from Investing Activities, purchase of property and equipment	(15,194)	(125,576)
Cash Flows from Financing Activities, proceeds from note payable	43,100	- -
Net change in cash	36,026	(100,372)
Cash and Cash Equivalents		
Beginning of year	272,221	372,593
End of year	$ 308,247	$ 272,221
Supplemental Disclosures of Noncash Investing Activities, donation of property, plant and equipment	$ (150,000)	$ 112,902

See 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.

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.

Accounts and grants receivable were $33,091 and $26,110 for the years ended June 30, 2020 and 2019, respectively.

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 believe it is not exposed to any significant risk on cash and cash equivalents.

Inventory

The Organization considers inventories of material and supplies utilized in operations as expended at the time of purchase or donation. Therefore, they do not appear in the Organization's financial statements.

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

Donated Services and Noncash Gifts

During the year ended June 30, 2020 and 2019, the value of contributed goods and services meeting the requirements for recognition in the financial statements was $33,272 and $50,721, respectively. 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 1,200 and 5,400 volunteer hours during the year ended June 30, 2020 and 2019, respectively.

The Organization receives rent-free space at various locations, which it uses for meetings, programs and lectures. The in-kind value of the space is estimated to be $27,880 and $40,730 for the year ended June 30, 2020 and 2019, respectively.

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 which the Organization is calling Cool Spring Preserve. The donor, CraftWorks at Cool Spring, is closing 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 will use 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, which means it will be protected and managed primarily to preserve its natural features and its flora and fauna. The property also includes nature trails that will be 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.

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:

Expense	Method of Allocation
Salaries, wages and payroll taxes	Time and effort
Employee benefits	Time and effort
Accounting fees	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
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.

New Accounting Pronouncements

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), which provides guidance for recognizing revenue from contracts with customers. The core principle of ASU 2014-09 is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. Generally, the ASU states that revenue should be recognized by following a five step process which include identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligation in the contract, and recognizing revenue as the entity satisfies a performance obligation. ASU 2014-09 was effective for the Organization for the year ended June 30, 2020. Due to the COVID-19 pandemic, FASB has postponed the implementation for the Organization to the year ended June 30, 2021.

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 June 30, 2023. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of Topic 842 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.

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 $109,356 and $73,086 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures as of June 30, 2020 and 2019, respectively. 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:	2020	2019
Cash and cash equivalents	$ 308,247	$ 272,221
Accounts and grants receivable	33,091	26,110
Pledges receivable, net	49,880	70,906
Total financial assets	391,218	369,237
Less those unavailable for general expenditure within one year, due to:		
Board designated net assets	167,536	167,536
Net assets with donor restrictions - temporary in nature	89,446	82,709
Pledge receivable not expected to be collected within one year	24,880	45,906
Financial assets not available to be used within one year	281,862	296,151
Financial assets available to meet cash needs for general expenditures within one year	$ 109,356	$ 73,086

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 $1,350 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 (loss) was $946 and ($324) for the years ended June 30, 2020 and June 30, 2019, respectively.

Note 5. Pledges Receivable

The Organization has one outstanding pledge receivable of $50,000 and 75,000, with a present value discount was $120 and $4,094, as of June 30, 2020 and 2019, respectively. The pledge is due in equal installments of $25,000 through June 30, 2022. The Organization uses the U.S. Treasury Rate as the discount rate. Discount rate was 0.16% and 2.86% for the year ended June 30, 2020 and 2019, respectively.

Note 6. Board Designated Net Assets

The Organization has board designated net assets of $167,536 as of June 30, 2020 and 2019.

	2020	2019
Reserve fund	$ 100,000	$ 100,000
Revolving fund	67,536	67,536
	$ 167,536	$ 167,536

Note 7. Note Payable

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 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.

Note 8. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30, 2020 and 2019:

	2020	2019
Subject to expenditure for specified purpose:		
Conservation	$ 55,231	$ 65,231
Eidolon Preserve	7,089	7,089
Liz Neely Education Fund	7,502	9,002
Stauffer's Marsh	- -	1,387
Other	19,624	- -
	89,446	82,709
Subject to the passage of time:		
Promises to give that are not restricted by donor, but which are unavailable for expenditure until due	49,880	70,906
Perpetual in nature:		
The Nature Conservancy	16,940	16,940
Beneficial Interest in Real Estate	264,379	172,234
Stauffer's Marsh	86,879	86,879
Cool Spring	150,000	- -
CraftWorks at Cool Spring	260,000	260,000
	778,198	536,053
Net Assets With Donor Restrictions	$ 917,524	$ 689,668

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

	2020	2019
Expiration of time restrictions	$ 25,000	$ 25,000
Satisfaction of purpose restrictions:		
Specific grant program	- -	24,700
Conservation	10,000	10,000
Liz Neely Education Fund	2,000	2,000
Stauffer's Marsh	1,387	- -
Other	1,516	- -
Scholarship Fund	- -	3,628
	14,903	40,328
Net Assets Released from Restriction	$ 39,903	$ 65,328

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 $264,379 and $172,234 as of June 30, 2020 and 2019, respectively. The change of $92,145 and $21,225 is recognized in the Statement of Activities for the year ended June 30, 2020 and 2019, respectively.

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 years ended June 30, 2020 and 2019, 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.

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 June 30, 2020 and 2019 are as follows:

Description	Balance as of June 30, 2020	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	$ 264,379	$ - -	$ - -	$ 264,379
Investment held by Eastern WV Community Foundation	6,039	- -	6,039	- -
	$ 270,418	$ - -	$ 6,039	$ 264,379

Description	Balance as of June 30, 2019	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	$ 172,234	$ - -	$ - -	$ 172,234
Investment held by Eastern WV Community Foundation	5,093	- -	5,093	- -
	$ 177,327	$ - -	$ 5,093	$ 172,234

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:

Beneficial Interest in Real Estate	
June 30, 2018	$ 151,009
Change in value of Beneficial Interest in Real Estate	21,225
June 30, 2019	172,234
Change in value of Beneficial Interest in Real Estate	92,145
June 30, 2020	$ 264,379

The change in value of the Beneficial Interest in Real Estate of $92,145 and $21,225 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 June 30, 2020 and 2019, respectively.

Note 11. Schedule of Functional Expenses

A breakdown of expenses by nature and function for the years ended June 30, 2020 and 2019 are as follows:

	2020			
Expense	**Program Services**	**Management and General**	**Fundraising**	**Total**
Salaries, wages and payroll taxes	$ 191,195	$ 8,708	$ 5,806	$ 205,709
Employee benefits	1,770	15,006	- -	16,776
Accounting fees	12,509	3,127	- -	15,636
Conferences and training	260	2,741	50	3,051
Contract labor	5,654	480	- -	6,134
Depreciation	- -	22,141	- -	22,141
In-kind goods and services	- -	33,272	- -	33,272
Insurance	10,674	3,659	- -	14,333
Land and facility management	3,049	- -	- -	3,049
Licenses and fees	21,533	816	370	22,719
Other expenses	- -	8,615	- -	8,615
Postage and shipping	14	1,898	222	2,134
Printing and publication	3,412	204	3,167	6,783
Supplies	25,481	1,171	- -	26,652
Transportation and travel	5,101	240	- -	5,341
Utilities	2,687	- -	- -	2,687
Website	1,956	3,587	- -	5,543
	$ 285,295	$ 105,665	$ 9,615	$ 400,575

Expense	Program Services		Management and General		Fundraising		Total	
	2019							
Salaries, wages and payroll taxes	$	175,161	$	6,341	$	4,227	$	185,729
Employee benefits		1,229		7,863		- -		9,092
Accounting fees		8,232		2,058		- -		10,290
Conferences and training		10		279		50		339
Contract labor		8,749		2,463		- -		11,212
Contribution to Shepherd University		112,902		- -		- -		112,902
Depreciation		- -		19,998		- -		19,998
In-kind goods and services		- -		50,721		- -		50,721
Insurance		12,352		4,702		- -		17,054
Land and facility management		11,895		- -		- -		11,895
Licenses and fees		18,178		543		202		18,923
Postage and shipping		44		1,279		57		1,380
Printing and publication		6,772		46		2,358		9,176
Supplies		32,008		2,400		31		34,439
Transportation and travel		4,589		559		- -		5,148
Utilities		2,733		1,520		- -		4,253
Website		582		4,148		- -		4,730
	$	395,436	$	104,920	$	6,925	$	507,281

Note 12. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 6, 2020, the date the financial statements were available to be issued. The Organization has determined there are no additional subsequent events that require recognition or disclosure.