

2020 EXECUTIVE DIRECTOR'S ANNUAL REPORT



Our Vision

BHI Conservancy champions the sustainability of barrier islands through environmental research & stewardship

Our Mission

We Discover, Learn, Conserve and Preserve

Thank You for Supporting the Bald Head Island Conservancy in 2020!

On behalf of the staff and Board of Directors of the Bald Head Island Conservancy, thank you for the incredible support you provided to our organization during the crazy and challenging 2020! The past year required the best of our patience and perseverance, and I could not have been prouder of how our entire community responded. Because we received a record number of new Life Members (14) and Annual Fund giving, and near-record Turtle Central revenue despite being closed for months, the Conservancy's financial baseline for 2021 has been fortified and will allow us to begin a much-needed overhaul to our campus infrastructure. I recognize that Covid will be with us for the next few months at least, but our organization has already proven its resilience and the amazing staff and Board are undeterred in continuing strong success in 2021.

Major Achievements

1. Strategic Operations during a Pandemic

In January 2020, staff and Board began implementing a 5-year strategic plan that was created in 2019 under the leadership of past Board President Nanette Watjen and kicked into gear by Howard Walker. We were very excited about the ideas and actions we had planned to pursue in the coming 12 months. Of course, by March, our entire operation required a seismic shift as the uncertainty of the pandemic dominated the lives of everyone. By early summer, staff had cleverly crafted adjustments to keep our operations running smoothly and most importantly, safely. Among the many ways the staff adjusted included the science and education teams staying overnight on the island apart from their families for days at a time, holding firm on tight health restrictions for Turtle Central employees and shoppers, designing creative ways to fundraise from a distance and socially distanced, applying for an early PPP loan and conservative financial planning during tumultuous economic

unpredictability, designing online education platforms for lockdown families, and creating summer sea turtle and science/education operations that could operate with 4 interns instead of the usual 18. Amazingly, despite substantial Covid hurdles, the staff never lost sight of the important strategy-based actions they had so carefully crafted at the beginning of the year in cross-departmental working groups. Below, I provide just a few 2020 Action highlights for each Strategy.

Strategy 1 = Facilitate research/leverage our location for research

Perhaps the most important action we took with regards to growing the reach of our science/conservation activities over the past year was hiring Paul Hillbrand as our full-time Sea Turtle Program Coordinator beginning in January 2020. To my knowledge, this had always been a seasonally staffed job and never a full-time BHIC staff position. Given how important our sea turtle program is to BHI and the potential that our program has to provide valuable information to the larger sea turtle research world, this position was deemed a high area of need for our organization during the strategic planning process. Further, the decision was made easy because Paul did such an outstanding job running the program in 2019 during our record-breaking nesting season. His academic background and clear leadership skills displayed during 2019 grew even more in 2020 proving that his hiring was the right choice. We have gained a higher level of respect in the academic world via a peer-reviewed research paper on southeastern US loggerhead nesting dynamics and a research grant from NC Sea Grant on designing predator-proof turtle nest cages. Paul is now the face of our sea turtle program and his addition to the full-time staff has had an enormous impact on the Conservancy.

Strategy 2 = Create awareness that we are a respected source for information on Conservation, Education, and Preservation relating to barrier islands

A major priority for our organization is growing the reach of our work locally, statewide, and nationally. To do this, we must design new ways to communicate stories of our mission-related work. In 2020, we focused much more energy on our social media messaging via increased quality and quantity of facebook posts and adding a number of marketing videos to our

messaging. Emily Eldridge was hired early in 2020 as our Marketing and Communications Specialist and has done a great job of increasing the number of views our facebook page receives. Many of the images and videos have been produced by our intern Sean Brunson who has demonstrated a real knack for using media to capture people's attention. The result has been an increase in facebook fans from 8.3K in 2019 to 11K in 2020. Although awareness of our organization will always need to grow, I believe we have made important strides over the past year.

Strategy 3 = Identify/Expand base of BHIC donors and increase giving levels of existing donors

Actions related to Discovering, Learning, Conserving, and Preserving defined within the Strategic Plan are asking our organization to both modernize and grow. To do this, we need to make sure we have the campus and human infrastructure in place, both of which require financial capital. Thus, as part of our strategic planning, we aim to reevaluate the manner in which we fundraise as well as the level at which we set fundraising goals so that cash flows do not create substantial barriers to our growth and modernization. Although the pandemic created strong and unique barriers to interpersonal fundraising activities, it also provided an opportunity to rethink the manner in which we engage donors. A small example of our 2020 donor expansion was Giving Tuesday for which we received donations from 75 donors compared with 33 donors in 2019. Director of Development Melissa Blackmon and the Development Committee led by Katie Chatas deserve tremendous credit for their creativity and never say never spirit in 2020.

Strategy 4 = Develop programming that provides a fun and unique learning experience

Historically, the Conservancy's education programming was the primary entertainment and education outlet for island visitors, apart from Old Baldy's historical tours. Whether it was our variety of nature tours for families or kids summer camps/programs, the Conservancy has been the obvious choice for outdoor entertainment and education. Over the past few years, however, our competition for visitor attention has increased greatly due to several factors including the Club's renovations (water park) and enhanced kids offerings (golf and swimming camps), as well as other entities offering

kayak/stand-up tours for families. Thus, as part of our strategic plan, we are aiming to reimagine not only our education programming but also how our campus is experienced by visitors. Among early 2020 plans included testing a new Virtual Reality sea turtle program in partnership with education and computer science faculty at UNCW. Since this was not possible nor did we have summer interns to run kids camps, we shifted our focus in 2 ways: 1. Increased online education and 2. higher quality programming led by senior staff that other island entities cannot compete with. In response, our education team, Senior Educator Marissa Blackburn and Coastal Educator Kelly Armstrong, developed the online series Conservancy Connections that was watched nearly 50,000 times and also fine-tuned summer programming with senior staff leads. Our staff has more knowledge about barrier islands than any other island organization by far, and we should use that knowledge more effectively in our programming.

2. Growing our Community of Life Members

Over the past year, the Conservancy's Life Member community welcomed 14 new members! That is an incredible number of people making a commitment to the future of our organization! The new Life Members in 2020 include:

Jeff and Hollie Hart	Sallie Shuping-Russell and Ed Spence
Robert and Deborah Drumheller	Todd and Vickie Lonker
Susan and Mark Andrews	Rich and Linda Tarplin
Larry and Florence McKeithan	Kimberly Blackwell
Elizabeth and Kenneth Koch	Kristin and Nick del Rosso
Bill and Karen Young	Rob and Kristin Harper
John and Sally York	Lelia and David Farr

Thank You for investing in the future of the Bald Head Island Conservancy!

3. Keeping our Interns Healthy

Job offers to 18 excited young people had already been extended when the world changed in March 2020. The realization that we could not host a houseful of interns in our dorm became obvious, so we made the difficult decision to invite only 4 of the 18 to BHI for summer internships, all of whom would support the sea turtle program and the nightly nesting patrols. After this decision, our #1 concern switched to the health of the crew we were bringing to the island, and that required some unusual and challenging rules be established such as travel/family limitations, daily health checks, quarantine periods, and Covid-specific work guidelines. Amazingly, with our Sea Turtle Biologist Paul Hillbrand as their leader, the summer interns performed like seasoned professionals and were able to complete the busy nesting season and remain Covid-free! We also hired 1 Marketing intern who worked remotely all summer, and she was also amazing creating the Next Generation Club and new BHI photobook (now on sale in TC). With the success of our summer crew, we moved forward and invited 6 new interns (3 science, 2 education, 1 development/retail) to join us in late August for 10-month internships. The rules were tweaked slightly with safety still priority #1. This new group of interns has also been incredible under very difficult circumstances, and knock on wood, has remained Covid-free. The key ingredient in both summer and fall cohorts is the special bonding and professional teamwork of these special young people. It gives everyone on staff great joy to interact with such fine young professionals and should make us all feel better about the future of our world knowing these interns are tomorrow's leaders!



Summer 2020



Fall 2020

Cool Stories

Inspirational Kids

We are always inspired by the youngest of our supporters who have learned very early in life to ‘Give Back.’ Here are just a few examples of the kids that helped make us better in 2020.



Girl Scout Troop 4625
cookies sales proceeds used for Adopt A Nest



Canville Family – self-guided beach cleanup
trash data entered into CleanSwell app



Lemonade stand sales kids Giving Back!

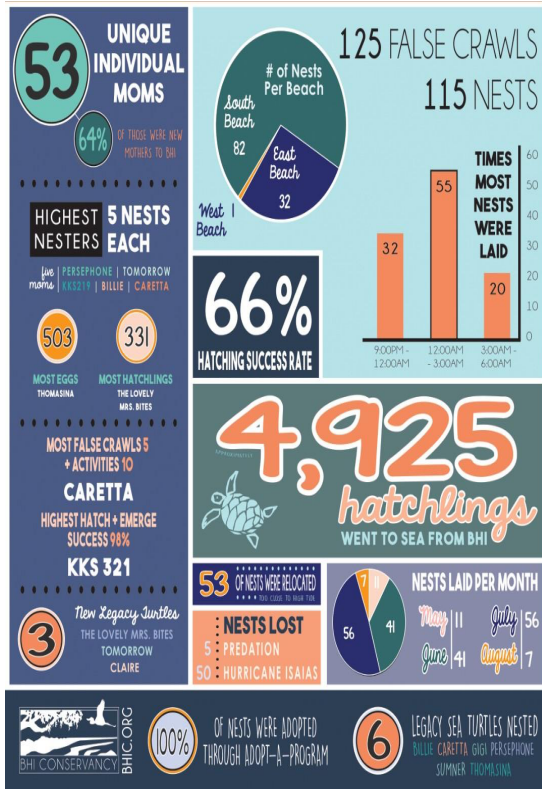


Kemp's Ridley on BHI



In late May, our Sea Turtle Team received a couple of phone calls in the middle of the afternoon about a turtle that appeared to be in the process of laying a nest. Lo and behold, our reptilian visitor was a Kemp's ridley, the smallest and rarest of all sea turtles! This was the very first time (that we know about) that this rarest species has laid a nest on BHI. Kemp's ridleys nest almost exclusively in/around the Gulf of Mexico from Florida to Texas and northern Mexico, so this Mom was certainly a geographic trailblazer. Nearly all of BHI's nesting Moms are nocturnal nesting loggerheads, but it is common for Kemp's ridleys to nest during the day in their native nesting grounds. It was indeed a rare treat for many surprised beachgoers to see this rare species on BHI! The BHIC facebook story about our Kemp's ridley reached over 180,000 people – Incredible!

2020 Numbers



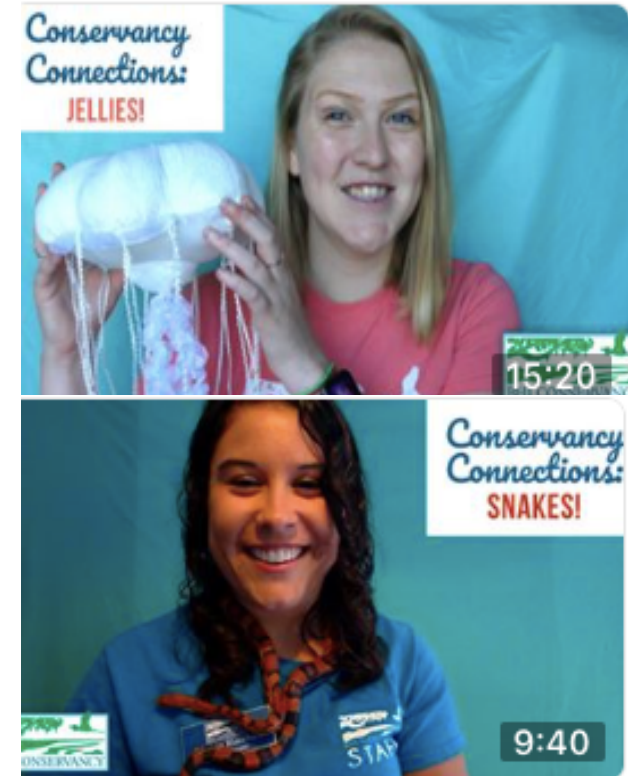
4925

Baby Turtles to the Sea!



395

Socially-Distanced Trotters!



45,658

Conservancy Connection Views!

Thank You Volunteers

Board

The commitment of our Board to the success of our organization was never more apparent than in 2020. These dedicated volunteers provided important guidance to operating in a Covid world while also supporting and trusting the hard-working staff to carry out our Mission. Even as Board leadership changed midway through the year and with no in-person meetings after January, this group was undeterred in making sure we stayed focused on the future. Katie Chatas took over as President in August while also continuing her role leading our Development Machine, and what a powerhouse machine it has become! The combination of a tireless Director of Development Melissa Blackmon and Katie's Development Committee was magnificent in 2020. Whether it was Paul Rice's videos or the wisdom and experience of Rich Tarplin and Hilary Gerhardt, this fundraising crew has been a model of the potential of staff-Board partnerships. Speaking of videos, Hollie Hart who also led our Strategic Committee and Nest Monitor program, was the star of our record-setting Annual Fund production this year. I am worried that she and one of last year's Annual Fund video stars, John Cathcart, may be headed for the bright lights of Hollywood soon. Speaking of John, his work on our Governance Committee was especially important in 2020 and he is a steady and trusted voice for ensuring we follow best practices as an organization. Perhaps the toughest Board task this past year fell to Treasurer Slaughter Fitz-Hugh whose financial modeling skills were essential in guiding our early Covid business planning. He assisted Finance Manager Darice Voigt's herculean efforts during the early spring to help secure an early PPP loan (grant) that staved off potential layoffs and brought a sigh of relief to the entire staff. Our Human Capital Committee, comprised of Board Members Martha Anderson, Secretary Donna Patterson, Julie Keenan, and Shannon Thatcher was also critical by providing guidance on our Covid personnel decisions for which nobody had any past experience. Our Facilities Committee included Trish Healy and John May who helped me tremendously in making contacts with island contractors and evaluating the capital infrastructure needs of our campus – I expect the fruits of their inputs in 2020 will become much more visible by the end of 2021. The science acumen of the Board greatly increased a year ago as we brought Dr. Dylan McNamara

and Dr. Jay Adams into the fold working on our Strategic Planning Committee – I don't think anyone appreciates our science lecture series more than Jay! Dylan (Chair of Physics and Physical Oceanography at UNCW) made a key contribution to growing the Conservancy's research potential by connecting us with researchers/educators from NC State, UNCW, and ECU for a major National Science Foundation Coastlines and People (CoPe) proposal. For those unfamiliar with NSF, this is one of the giant federal agencies for scientific research funding and even submitting these types of proposals is a massive undertaking. Connections with academic partners have been growing over the past few years and it was Board member Paul Mugge who first introduced us to the NCSU College of Natural Resources leadership and faculty a couple of years ago. The fruits of this work are now being recognized as Dr. Beth Darrow and the science team have partnered with Dr. Jodi Forrester from NCSU to study the health and ecological status of BHI's maritime forest. It was unfortunate that we did not get to have in-person meetings because I did not get to personally interact with one of my favorite do-it-all Board people Kathy Ketels. She has volunteered in just about every way imaginable over the years and is always one of our biggest intern supporters (even those who aren't from Pittsburgh). Lastly, part of the Conservancy's Mission is to 'Preserve', and with Lynn Barnard leading the Smith Island Land Trust, we strengthened that aspect considerably in 2020 with several beautiful new lot acquisitions, creation of a legal conservation easement framework, and revamping the property donation process. In total, I can't imagine how many hours the Board donated to us the past year. I do know how much they donated to us financially, and it is neck and neck on which aspect is a better representative of how much they love the Conservancy. THANK YOU!!

Fundraisers, Trots, and TC

Revenue creation during a pandemic requires creativity and considerable fortitude. Two of our longtime supporters and ex-Board members, Dick Johnston and Ann Cathcart, faithfully served on the Development Committee and were wonderful in sharing their wisdom and experience as part of the fundraising team. I very much appreciate how these two folks are so selfless with their time and energy wherever we need assistance. Ann knows the history of the Conservancy so well, including what to do and what not to do, and I think Dick's red, white, and blue July 4th hat is worth several thousand dollars in raffle

ticket sales each year! Speaking of July 4th, it was amazing how well Melissa and the Development machine did with only online raffle ticket sales and auction = >\$80K! The future generation of fundraisers was also on display this year as our Wednesday turtle trots were staffed by only myself and a few very committed and enthusiastic teens including Savannah Gerhardt (Hilary's daughter) and Emery Hill (Dick's granddaughter). Others mainstay trot helpers throughout the summer were Alessandro Silvia, Connor Aschman, and Carter McCall. It was great to offer these races even in an altered format. In a normal year, there are dozens of volunteers that help out Pam Smith and the TC staff, but for obvious reasons we went largely without volunteers in 2020. A couple notable exceptions were Mike and Reid Smith (yes, they are related to Pam) who provided much needed muscle on several occasions – thanks gentlemen!

Fishing School

One of my personal favorite offerings of the Conservancy is the annual Thad Wester Fishing School that has been running for more than 30 years. This past fall, we were able to offer the fun-filled weekend but only to a limited number of participants and without the Saturday evening social, unfortunately. However, Ginny Reeves homemade gumbo came very close to supplanting the need for a social – one of my favorite dishes! Sheila and John May once again helped organize the event and will be passing the reins to me next year – I will do my best to fill your big shoes! Despite the changes we had to make, several longtime coaches were still able to share their knowledge and decades of fishing experiences to the students including Tom and Wes Reeves, Steve and Maxwell Montgomery, Bryan Wester, John Fisher, Brady Anderson, Roy Monty, and Paul Suhr. It really is amazing what these guys know about fishing on BHI. Most importantly, all of the students caught fish and the weather was magnificent on our big Saturday excursion at the river point, so it was certainly another successful and mentally therapeutic weekend.

Other Special Volunteers

Our Sea Turtle Program requires an army of volunteers and there are too many nest monitors to mention in this space. In 2020, being a nest monitor was one of the best ways to volunteer for us because of its outdoor and largely isolated nature. Hollie Hart, Board member and Annual Fund movie star, served as our lead nest monitor and worked closely with Paul Hillbrand on organizing and educating the 2020 army as well as helping clarify important state required rules and regulations for the volunteer program. Gregg Thatcher continued his dedicated sea turtle program volunteerism providing real-time information from the beaches and staying with nests until the very wee hours of the morning. Teghan Himelfarb and her father Adam and Richard Phillips and his family also were incredibly helpful in covering nests for other monitors when necessary. A few folks helped us in 2020 by graciously opening up their houses to staff when we needed extended on-island lodging to complete projects. Susan Baker was incredibly generous with her condo allowing the science crew of Dr. Beth Darrow, Lauren Schaale, and Paul Hillbrand to essentially set up their home base for more than 4 months! We could not have performed our Environmental Service Contract work nor run an effective sea turtle program without Susan's remarkable hospitality! In addition to Susan, a few others that opened up their homes and crofters to staff included Trish and John Healy who provided the Turtle Central crew lodging for several days for the annual store inventory, Dick and Pat Johnston who welcomed our education team on many occasions this summer and the TC crew over the hectic Thanksgiving weekend, and Sheila and John May whose crofter was used by myself and the education team. Everyone loves our interns, but Kris Riley may be the most anticipated volunteer for our intern crew because she is a consistent food donor to the residents, and what young person doesn't love free food! There are several other islanders who provide sustenance to the interns and we appreciate all those who help keep the team well-fed during the busy summer. A couple of other notable volunteer families from the past year include the Praks and Carters who allow us access to their docks for our creek and bird studies. Thanks to Robin Prak for also serving as a field expert in this year's Audubon Christmas Bird Count.

Thanks to ALL volunteers for giving your time, homes, and energy to us in 2020!

Staff Highlights

I love inspirational quotes, and there are many that apply to my amazing staff. Here is one that seems especially apt for 2020: ‘When everything seems to be going against you, remember that the airplane takes off against the wind, not with it’ *Henry Ford*

The staff sensed in March there would be a strong wind blowing against every aspect of their job for the rest of 2020, and I am sure that Henry Ford would have been proud of how staff used this headwind to launch creative new science, education, retail, and fundraising initiatives, and develop stronger than ever financial management and planning. It was a herculean team effort from a group of people that did not waver in their belief in our mission and utilized the energy from the Conservancy’s community of members, donors, and volunteers to achieve success at a level that could not have been predicted in March. I wish each of you could get to know the people I am so fortunate to work with everyday – they inspire me and I could not be prouder of their 2020 efforts. Below is just a sampling of the achievements of each department.

Finance

Finance Manager Darice Voigt & Finance Assistant Diane Cahoon

- Secured early \$153K PPP funding in April that eliminated any need to layoff or furlough staff = it was an enormous effort that tabled any discussion of layoffs/furloughs and allowed every staff to focus on their job without pink-slip peril!
- Worked closely with Development, Science, Education, and Turtle Central teams to provide financial updates
- Helped revise 2020 budget in midst of Covid shutdown and instituted creative cost reducing measures
- Developed bigger and better network of vendors to save substantial costs on big ticket items such as new golf carts, UTVs, and sea turtle equipment – I am glad Darice and Diane work for us in finance negotiations!
- Led and organized 2021 budget making process
- Oversaw commercial insurance renewals such as liability, wind and hail, D&O, and worker's comp
- Served as lead HR contacts for employee benefits including medical, dental/vision, and STD/LTD

Development

Director of Development Melissa Blackmon & Marketing/Communications Specialist Emily Eldridge

- July 4 Silent Auction and Raffle raised record >\$80K despite hosting it 100% virtually!
- 14 new Life Members = record for the Conservancy!
- First remote intern, Olivia Thomas, designed BHI photo book that brought in >\$5000
- Fall intern, Sean Brunson, created hugely successful photo calendar and has developed several marketing videos
- Managed to hold Turtle Trots in creative ways including virtual 5K and staggered start races that were always sold out
- Memberships and adoptas held steady (thanks to our supporters) and worked with education team to safely hold turtle walks and private excavations
- Hosted successful fundraising event with fellow islander Vivian Howard = who knew a drive-through cookbook signing would be so lucrative!
- Enormous Annual Fund campaign >\$180K!
- Giving Tuesday fundraiser >\$30K with help from sponsors Phillips Air Care and Simply Southern matches

Turtle Central

Director of Retail Operations Pam Smith, Assistant Retail Manager Amy Dunmire, & Sales Associates Sharon Eisele, Desiree Bridge

- Increased online sales by 221% over 2019
- Initiated new business plan under Covid restrictions including porch pickups, local deliveries, facetime shopping, QTC live, and pandemic-driven inventory
- Safely opened store with strict entry rules based on CDC guidelines
- Despite reduced staffing and volunteers, achieved the highest 4th quarter sales numbers in TC history by 38%!

- Total 2020 revenue exceeded 2019 revenue despite 2 months of closure!
- Simply Southern partnership yielded >\$140,000 in total gifts
- With rest of campus closed to public, served as primary communications hub for visitors inquiring about programs, sea turtles, and many, many, many other general questions

Science

Senior Scientist Dr. Beth Darrow, Coastal Scientist Lauren Schaale, & Sea Turtle Program Coordinator Paul Hillbrand

- Awarded Village Contract exceeding \$230K!
- Submitted 5 grant proposals including a major multi-institution and multi-million dollar Coastlines and People proposal to the National Science Foundation
- Obtained funding from North Carolina Sea Grant for sea turtle nest cage protection design to minimize depredation
- Co-authored 3 peer-reviewed scientific papers and presented several papers at regional/national science conferences
- Provided information to Village of BHI in response to concerns on potential wastewater inputs to BH Creek, presence of vector-borne diseases in the deer population, and population trends through time for deer, alligators, and coyotes
- Developed comprehensive understanding of the efficacy of immunocontraception, trends in BHI's historical sea turtle nesting data, and composition of BHI's maritime forest
- Formalized research collaborations to deepen expertise (e.g., maritime forest ecology, coastal engineering, wildlife biology) and used intern projects to focus our efforts (e.g., salt marsh ecology and carbon storage, tidal creek responses to hurricanes, terrapin conservation)
- Initiated BHIC UAV Program (aka drone) allowing aerial surveys of vitex and greatly expanding our geographic and geospatial research capabilities

Education

Senior Educator Marissa Blackburn & Coastal Educator Kelly Armstrong

- Conservancy Connection Video Series watched nationally and internationally by >45,000 people with topics such as Turtles, Whelks, Sharks, Snakes, Flounders, Pollinators, Alligators, Bald Eagles, and Horseshoe Crabs among others. (videos are still posted on the BHIC facebook page – check them out!)
- Partnered with Science on NSF proposal and with NCSU on US EPA Environmental Education grant proposal
- Virtual Girl Scout Sea Turtle Patch Program for 99 scouts in June and on-island Environmental Science Merit Badge Program for 40 Boy Scouts in October and November
- Virtual Field Trips for 225 students and teachers from NC, Kentucky, and New Jersey - more schools coming in 2021!
- Chosen as ecoEXPLORE hotspot location (Experiences Promoting Learning Outdoors for Research and Education) which is incentive-based citizen science program for grades K-8 developed and coordinated through NC Arboretum
- Record high # of in-person program participants for the months of October & December
- Partnered with Duke University's Nicholas School of the Environment graduate students enrolled in Community-Based Environmental Management Course; Haley Jackson's project was entitled "Evaluation of Participatory Monitoring" and Chiara Klein's (conservation) project was entitled "Community-Based Grants for Conservation Science"

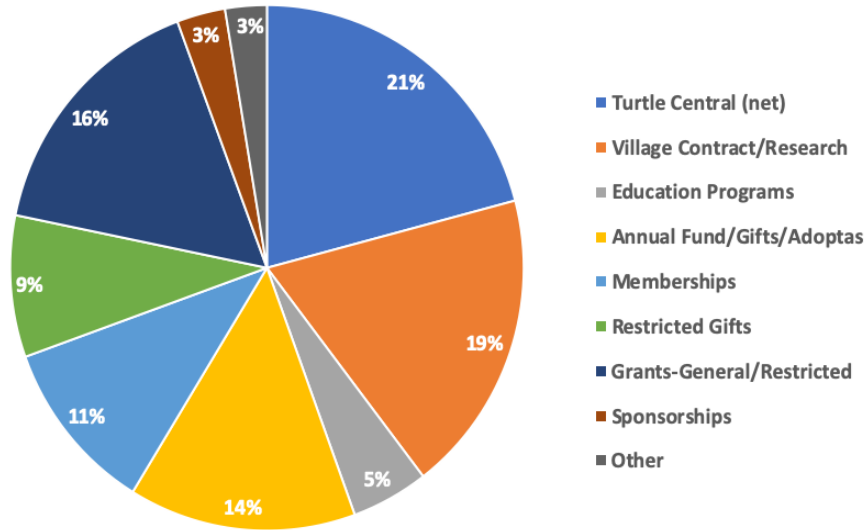
Thank You Staff!

Thanks and Good Luck to Poul

I want to extend a special thanks to Poul Lindegaard who retired from the Conservancy in 2020. He served our organization for a decade as a Board member and then as Assistant Director. Poul played a vital role in helping me learn the business of the Conservancy and was also key in hiring the great staff we now have assembled. His keen insights and team-oriented mindset will be missed – Good Luck Poul!

2020 Financial Overview

2020 Revenue = \$2,156,823 Total



Summary

Two things to point out in the pie chart: 1. For the first time in the Conservancy's history, we exceeded \$2,000,000 in revenue, even if you discount the \$153,000 one-time PPP. Wow. We reached another milestone, and we reached it during a pandemic. Incredible. 2. We continue to be multi-dimensional in creating financial resources. Turtle Central, Development, and our Village Environmental Services Contract are the biggest sources and this is likely to continue. Another important funding source each year is the F.M. Kirby Foundation who once again provided us with a \$50,000 operations grant in 2020.

Major Gifts

A couple of major and wonderfully unexpected gifts came towards the end of 2020 from Simply Southern (\$100,000) and Tom and Jenny Becherer (\$35,000). Director of Retail Operations Pam Smith has created a strong relationship with Simply Southern and their CEO Ginger Aydogdu over the past few years, and this relationship netted us >\$140,000 in 2020 alone. The Becherer's fantastic gift provides equipment/personnel support for the sea turtle team and funds for much needed dorm renovations. Another awesome and unexpected gift was made by Jim and Devon Brown who provided \$15,000 for purchasing a brand new UTV for our sea turtle program. THANK YOU for these extra special gifts = they helped us enormously!

Of course, we appreciate every single gift, whether it is a few dollars raised by hardworking scouts, donations from lemonade stands, or contributions on a grander scale. EVERY gift makes a difference and we are humbled by your support!

Thank You Lee Wester and Jim Wisner

Over the past year, we lost two people that were very near and dear to the Conservancy's heart. Lee Wester, who passed away in October, teamed with husband Thad Wester from the very beginning of the Conservancy to make sure our organization was designed to protect the island in perpetuity. Over the years, Lee was a stalwart volunteer in Turtle Central and just an incredibly gracious representative of Bald Head Island and the Conservancy. The Wester family legacy will live on through children and grandchildren who continue to make our fishing school so special, and through Lee's spirit that has been instilled in all Conservancy community members. We also just lost Jim Wisner who was a long-time Board member and played a big role in our fundraising efforts through the years. In addition, Jim and Helyn Wisner raised their daughter Ali in the culture and mission of the Conservancy, and Ali has now taken her passion to Yale for graduate school in pursuit of an environmentally-focused career. To the Wester and Wisner families, please know that we appreciate all that Lee and Jim did for the Conservancy and that we will miss them dearly. Our thoughts and prayers to you all.

Personal Thanks to John and Sheila May

I want to send a very personal thank you to John and Sheila May who will be moving off the island in February 2021. John and Sheila, along with Dick Johnston, were the folks I met with in July 2016 during my initial interview/visit to the Conservancy. At the time, I didn't understand how much John and Sheila had meant to the Conservancy, but I sure realized it soon enough after I was offered this once in a lifetime position. I feel truly blessed to have met these fine people and to have had their support and patience as I learned just what the heck the Executive Director of the Bald Head Island Conservancy was supposed to do. They were always amazingly gracious with advice, meals, and crofter space. They changed my life and I will miss seeing them on BHI very, very much! THANK YOU!!

Thank You 2020 Sponsors!

Platinum



Gold



Silver



Bronze



The Bald Head Island Conservancy, Inc.

Bald Head Island, North Carolina

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANT

For the Year Ended December 31, 2020

The Bald Head Island Conservancy, Inc.
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For the Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Bald Head Island Conservancy, Inc.
Bald Head Island, North Carolina

We have audited the accompanying financial statements of Bald Head Island Conservancy, Inc. (a North Carolina non-profit corporation) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, 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 and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bald Head Island Conservancy, Inc. as of December 31, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the Bald Head Island Conservancy, Inc. financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Jason C. Keller, CPA, PLLC
Wilmington, NC
July 7, 2021

The Bald Head Island Conservancy, Inc.
STATEMENT OF FINANCIAL POSITION
December 31, 2020 (with comparative amounts for 2019)

ASSETS		
	<u>2020</u>	<u>2019</u> (for comparative purposes only)
Cash and cash equivalents	\$ 420,741	\$ 228,768
Investments:		
Endowment investments - Board designated	1,144,649	1,014,285
UBIT tax receivable	-	16,170
Other receivables	72,665	26,642
Inventories	183,278	167,154
Prepaid expenses	18,973	37,486
TOTAL CURRENT ASSETS	<u>1,840,306</u>	<u>1,490,505</u>
PROPERTY AND EQUIPMENT		
Buildings and equipment	5,389,149	5,312,188
Accumulated depreciation	<u>(1,718,107)</u>	<u>(1,589,458)</u>
	3,671,042	3,722,730
Land - BHIC (21.33 acres Middle Island)	1,750,000	1,750,000
Land - BHIC (campus location)	186,760	186,760
Total land	<u>1,936,760</u>	<u>1,936,760</u>
Net property and equipment	<u>5,607,802</u>	<u>5,659,490</u>
TOTAL ASSETS	<u><u>\$ 7,448,108</u></u>	<u><u>\$ 7,149,995</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 42,374	\$ 12,306
Line of credit	-	25,392
Refundable advance - PPP loan	153,600	-
Notes payable - current maturities	41,825	40,556
Leases payable - current maturities	4,317	5,322
Accrued sales tax	8,415	2,385
Accrued employee bonuses	24,100	-
Accrued payroll taxes and liabilities	4,570	7,933
Deferred revenue	<u>1,450</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	280,651	93,894
NOTE PAYABLE - (less current maturities)	134,336	163,910
LEASES PAYABLE - (less current maturities)	<u>3,754</u>	<u>8,071</u>
TOTAL LIABILITIES	418,741	265,875
NET ASSETS		
Without donor restrictions		
Undesignated	123,321	137,311
Investment in fixed assets	3,671,042	3,722,730
Board Designated Quasi-Endowment	1,144,649	1,014,285
Total without donor restrictions	<u>4,939,012</u>	<u>4,874,326</u>
With donor restrictions		
Restricted use grants/donations	153,595	73,034
Restricted (BHIC Land)	1,936,760	1,936,760
Total with donor restrictions	<u>2,090,355</u>	<u>2,009,794</u>
TOTAL NET ASSETS	<u>7,029,367</u>	<u>6,884,120</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,448,108</u></u>	<u><u>\$ 7,149,995</u></u>

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

Bald Head Island Conservancy, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020 (with comparative totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	(for comparative purposes only)
PUBLIC SUPPORT AND REVENUES				
Sales – gift shop	\$ 736,559	\$ -	\$ 736,559	\$ 758,823
Less cost of sales	(399,209)	-	(399,209)	(409,149)
Gross profit	337,350	-	337,350	349,674
Membership revenues	175,161	-	175,161	136,675
Contributions, grants and pledges	385,693	105,155	490,848	330,452
Special events	175,308	-	175,308	209,169
Camps, school and program income	78,891	-	78,891	100,461
Research contract income	314,529	-	314,529	227,381
Directory & calendar income	11,010	-	11,010	1,320
Rental income	2,500	-	2,500	2,500
Net assets released from restrictions:				
Satisfaction of program restrictions	24,594	(24,594)	-	-
TOTAL PUBLIC SUPPORT AND REVENUES	1,505,036	80,561	1,585,597	1,357,632
EXPENSES				
Program services:				
Education and research	337,339	-	337,339	294,163
Conservation and preservation	446,806	-	446,806	383,764
Conservation related product sales	226,832	-	226,832	235,048
Total program services	1,010,977	-	1,010,977	912,975
Supporting activities:				
Management and general	318,799	-	318,799	446,356
Marketing & development	199,123	-	199,123	139,906
Total supporting activities	517,922	-	517,922	586,262
TOTAL EXPENSES	1,528,899	-	1,528,899	1,499,237
INCOME/(LOSS) FROM OPERATIONS	(23,863)	80,561	56,698	(141,605)
OTHER INCOME/(EXPENSES)				
Investment return	95,417	-	95,417	169,069
Loss on disposal of fixed assets	(6,829)	-	(6,829)	-
Refund of prior year UBIT taxes	-	-	-	9,240
Total other income/(expenses)	88,588	-	88,588	178,309
INCREASE (DECREASE) IN NET ASSETS	64,725	80,561	145,286	36,704
Net assets at beginning of year	4,874,326	2,009,794	6,884,120	6,827,413
Prior period adjustment	(39)	-	(39)	20,003
Net assets at end of year	<u>\$ 4,939,012</u>	<u>\$ 2,090,355</u>	<u>\$ 7,029,367</u>	<u>\$ 6,884,120</u>

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

The Bald Head Island Conservancy, Inc.
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020 (with comparative totals for 2019)

	2020					2019
	Program Services					(for comparative purposes only)
	Education and research expense	Conservation and preservation	Conservation related product sales	General and Administrative	Marketing & Development	Total
Salaries and wages	\$ 139,816	\$ 230,632	\$ 127,185	\$ 146,964	\$ 116,693	\$ 761,290
Payroll taxes	10,476	17,280	9,529	11,011	8,743	57,039
Health Insurance	1,565	15,128	-	21,230	3,760	41,683
Pension expense	3,865	6,081	3,631	12,619	4,721	30,917
Travel and transportation	11,129	18,357	10,123	11,697	9,288	60,594
Environmental study contract costs	-	73,356	-	-	-	73,356
Outreach and educational programs	20,781	-	-	-	-	20,781
Depreciation	64,754	32,677	31,754	21,660	5,763	156,608
Insurance	23,898	14,937	8,962	8,962	2,987	59,746
Utilities	21,646	13,529	8,117	8,116	2,706	54,114
Housekeeping & cleaning	9,118	5,699	3,419	3,418	1,140	22,794
Repairs and maintenance	26,579	16,612	9,967	9,968	3,322	66,448
Supplies	2,951	1,756	9,380	5,527	-	19,614
Computer and software	761	762	3,751	6,749	5,089	17,112
Banking and merchant fees	-	-	-	13,607	-	13,607
Equipment rental	-	-	-	7,250	-	7,250
Accounting and legal	-	-	-	12,486	-	12,486
Training and development	-	-	-	6,114	-	6,114
Interest expense	-	-	-	9,021	-	9,021
Special events	-	-	-	-	25,858	25,858
Fundraising campaign exp.	-	-	-	-	8,179	8,179
Printing & marketing	-	-	1,014	616	874	2,504
Subscriptions & dues	-	-	-	612	-	612
Licenses & fees	-	-	-	1,172	-	1,172
	<u>\$ 337,339</u>	<u>\$ 446,806</u>	<u>\$ 226,832</u>	<u>\$ 318,799</u>	<u>\$ 199,123</u>	<u>\$ 1,528,899</u>
						<u>\$ 1,499,237</u>

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

The Bald Head Island Conservancy, Inc.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2020 (with comparative amounts for 2019)

	2020	2019
		(for comparative purposes only)
Increase (decrease) in cash flows		
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 145,286	\$ 36,704
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	156,608	154,130
(Gain)/loss on investments	(85,898)	(152,779)
(Gain)/loss on disposal of fixed assets	6,829	-
Prior period adjustment	(39)	
(Increase) decrease in operating assets:		
Receivables	(29,853)	76,404
Inventories	(16,124)	(11,083)
Prepaid expenses	18,513	(7,958)
Increase (decrease) in operating liabilities:		
Accounts payable	30,069	6,359
Accrued sales tax	6,030	(24)
Accrued payroll taxes	(3,363)	950
Accrued UBIT taxes	-	(9,240)
Deferred Revenue	1,450	-
Accrued employee bonus	24,100	-
Refundable advance - PPP loan	153,600	-
Net cash provided by operating activities	407,208	93,463
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(117,000)	(75,733)
Proceeds from the sale of property and equipment	5,250	-
Purchase of investments	(673,114)	(431,400)
Proceeds from the sale of investments	628,648	420,890
Net cash used in investing activities	(156,216)	(86,243)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings - line of credit	30,000	100,772
Principal payments on line of credit	(55,392)	(75,380)
Proceeds from capital leases agreements	-	11,070
Principal payments on capital leases	(5,322)	(4,052)
Principal payments on long-term debt	(28,305)	(38,947)
Net cash provided by financing activities	(59,019)	(6,537)
Net increase in cash and cash equivalents	191,973	683
Cash and cash equivalents at beginning of year	228,768	228,085
Cash and cash equivalents at end of year	\$ 420,741	\$ 228,768

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

The Bald Head Island Conservancy, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Nature of Activities

BHIC was established as a non-profit entity, which was incorporated in 1983. Its primary purpose is to conserve the natural resources of Bald Head Island, lying in Brunswick County, North Carolina, including its surrounding marshes, creeks and streams. BHIC also administers various programs educating participants on the conservation of the aforementioned environmental areas. In addition, BHIC operates a gift shop selling items designed to promote conservation awareness.

Accounting Method

The Organization records its transactions using the accrual basis method of accounting, whereby revenue and the related assets are recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and any highly liquid debt instruments with maturities of less than 3 months.

Contributions

All contributions are considered to be available for use at the discretion of the Organization unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as donor-restricted support that increases the net assets with donor restrictions class.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. The Organization capitalizes all fixed asset purchases over \$500. All assets are depreciated using the straight-line method with depreciable lives of five (5) years for equipment and vehicles, seven (7) years for furniture and fixtures, fifteen (15) years for certain building improvements and forty (40) years for the buildings.

Donated Assets

All donated assets are recorded on the Organization's books at the fair market value at the date of the contribution. The Organization does not imply time restrictions on contributions of long-lived assets.

Inventories

Inventories are valued at the lower of cost or market. Cost is determined by the average cost method.

Income Taxes

The Organization qualifies as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code. Additionally, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. Form 990 informational returns filed with the IRS remain subject to examination by taxing authorities for a period of 3 years. At December 31, 2020 returns for fiscal years ending in 2017, 2018 and 2019 remain "open" to possible examination.

Management 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 certain reported amounts. Accordingly, actual results could differ from those estimates.

The Bald Head Island Conservancy, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The Statement of Activities presents expenses by functional classification (program, general & administrative, and marketing & development). The Statement of Functional Expenses presents these same expenses by functional and natural classification (salaries, travel, utilities, etc.). Certain costs have been allocated among functional categories using an objective basis (such as staff members' time or building square footage).

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 7, 2021, the approximate date the financial statements were available to be issued.

NOTE 2: INVESTMENTS & FAIR VALUE MEASUREMENTS

The Organization applies a framework for measuring fair values under generally accepted accounting principles which applies to all financial instruments that are measured and reported at fair value.

The framework for measuring fair value of financial assets and liabilities includes a hierarchy of three levels for observable independent market inputs and unobservable market assumptions. A description of the inputs used in the valuation of assets and liabilities under this hierarchy is as follows:

- Level 1 - Quoted prices in active markets for identical assets
- Level 2 - Significant other observable inputs.
- Level 3 - Significant unobservable inputs

Assets and liabilities that are measured at fair value on a recurring basis are as follows at December 31, 2020:

	<u>Cost</u>	<u>Fair Value (Level 1)</u>	<u>Unrealized Gain (loss)</u>
Publicly traded stocks and mutual funds:	<u>\$ 921,905</u>	<u>\$ 1,144,649</u>	<u>\$ 222,744</u>

Investments internally restricted by the board of directors totaled \$1,144,649 at December 31, 2020 (see Note 3).

The Organization's investment return for the year ended December 31, 2020 is summarized as follows:

Interest and dividend income	\$ 16,809
Net realized and unrealized gains/losses	85,750
External investment expenses	<u>(7,142)</u>
Total investment return	<u>\$ 95,417</u>

NOTE 3: BOARD DESIGNATED QUASI-ENDOWMENT FUND

The Organization's endowment consists of one fund established to provide a permanent reservoir of assets that will provide regular income for the needs of The Bald Head Island Conservancy, Inc. The endowment fund only includes assets designated by the Board of Directors to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Bald Head Island Conservancy, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 3: BOARD DESIGNATED QUASI-ENDOWMENT FUND (continued)

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act of 2007 (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the *donor-restricted* endowment funds absent explicit donor stipulations to the contrary. However, the Organization does not maintain any donor-restricted endowment funds as of December 31, 2020.

Endowment Net Assets Composition by Type of Fund

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment Funds	\$ <u>1,144,649</u>	\$ <u>-</u>	\$ <u>1,144,649</u>

Changes in Endowment Net Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,014,285	\$ -	\$ 1,014,285
Investment return:			
Investment income	16,809	-	16,809
Net appreciation (loss) – realized & unrealized	85,750	-	85,750
External brokerage/advisor fees	<u>(7,142)</u>	<u>-</u>	<u>(7,142)</u>
Total Investment return	95,417	-	95,417
Other changes:			
Contributions	75,031	-	75,031
Withdrawals	<u>(40,084)</u>	<u>-</u>	<u>(40,084)</u>
Total Other changes	<u>34,947</u>	<u>-</u>	<u>34,947</u>
Endowment net assets, end of year	\$ <u>1,144,649</u>	\$ <u>-</u>	\$ <u>1,144,649</u>

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Organization while seeking to maintain the purchasing power of the endowment assets. As of December 31, 2020 endowment assets only include board-designated funds. Risk should be similar to or lower than the return volatility of the blended index of the Portfolio. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the return of a broad market index or an index blended in proportions similar to the long-term general asset allocation for the portfolio.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Bald Head Island Conservancy, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 3: BOARD DESIGNATED QUASI-ENDOWMENT FUND (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization may annually budget for distribution an amount not to exceed 4% of the average year end balance in the endowment fund over the previous 3 years. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow by achieving a rate-of-return in excess of the 4% planned payouts.

NOTE 4: INVENTORIES

Inventories totaling \$183,278 at December 31, 2020 consist of apparel and other retail items designed to promote conservation awareness.

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

Buildings	\$ 5,227,737
Furniture, equipment and software	93,663
Transportation equipment	67,749
	<u>\$ 5,389,149</u>

The Organization recorded depreciation expense in the amount of \$156,608 for the year ended December 31, 2020. Total accumulated depreciation is \$1,718,107 at December 31, 2020.

NOTE 6: PAYCHECK PROTECTION PROGRAM NOTE

On April 17, 2020, the Organization received loan proceeds in the amount of \$153,600 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loans and accrued interest are forgivable after eight weeks (or optional twenty four weeks) as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period (or optional twenty four week period).

Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP forgiveness requirements and therefore has recorded the PPP funding as a conditional contribution/grant in accordance with ASC 958-605 *Not-for-Profit Entities: Revenue Recognition*. This standard specifies that the conditions of the contribution/grant should be “substantially met” by the organization before the receipt of the assets is recognized as a contribution/grant. The Organization interprets “substantially met” in this circumstance as receiving notice of forgiveness from the financing source. As of December 31, 2020 the Organization has recorded the proceeds as a liability (refundable advance) in accordance with ASC 958-605 requirements because notice of forgiveness has not been received.

While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, no assurances can be given about the forgiveness in whole or in part.

The Bald Head Island Conservancy, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 7: LINE OF CREDIT

The Organization maintains an unsecured line of credit with First-Citizens Bank & Trust Company in the amount of \$250,000. The line bears interest at 0.5% over the latest Prime Rate as published in the Money Rates table of the Wall Street Journal. Interest is payable monthly and any outstanding interest and principal is due August 15, 2021. There is \$0 outstanding on the line of credit at December 31, 2020.

NOTE 8: NOTES PAYABLE

Notes payable consists of the following at December 31, 2020:

OPERATIONS LOAN:

Term loan from First-Citizens Bank & Trust Company secured by real estate. The loan bears a fixed interest rate of 4.00%. The loan terms require a monthly payment of \$4,009 including interest, through October 2024 and one final payment of all unpaid principal and interest due November 2024.

\$ 176,161

Maturities of the notes payable are as follows:

Year Ending December 31,

2021	\$ 41,825
2022	43,529
2023	45,302
2024	45,505
	<u>\$ 176,161</u>

Subsequent event disclosure: after board of directors' approval, the Organization paid off the balance of the note payable in April 2021.

NOTE 9: CAPITAL LEASE COMMITMENTS

At December 31, 2020 the Organization has the following outstanding capital leases:

Lease #1: Outstanding commitment of \$1,525 for a motorized vehicle with a gross asset value of \$9,530 and associated accumulated amortization of \$6,669. The Organization elects to include amortization expense with depreciation expense for financial statement reporting. The lease terms require monthly payments of \$222 through July 2021 and assumes an implicit interest rate of 5.836%. The lease contains a bargain purchase option of \$1 for the asset at the completion of the lease.

Lease #2: Outstanding commitment of \$6,546 for motorized vehicles with a gross asset value of \$11,070 and associated accumulated amortization of \$3,875. The Organization elects to include amortization expense with depreciation expense for financial statement reporting. The lease terms require monthly payments of \$261 through March 2023 and assumes an implicit interest rate of 6.502%. The lease contains a bargain purchase option of \$1 for the asset at the completion of the lease.

Future minimum lease payments are as follows:

Year Ending December 31,

2021	\$ 4,317
2022	2,979
2023	775
	<u>\$ 8,071</u>

The Bald Head Island Conservancy, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 10: OPERATING LEASE COMMITMENTS

The Organization leases certain equipment under operating leases with terms of one year or less. Rental expense related to these leases is \$7,250 for the year ended December 31, 2020.

NOTE 11: CONTRIBUTED SERVICES

A number of unpaid volunteers have made contributions of their time to work in the gift shop and various other areas of the organization's operations. The value of this contributed time is not reflected in the statement of activities because the criterion for recognition has not been satisfied under FASB ASC 958-605-50-1.

NOTE 12: PENSION PLAN

The Organization sponsors a SEP pension plan covering substantially all full-time employees. The Board of Directors has determined the employer contribution to be 7.00% of all eligible salaries. Contributions to the plan for the year ended December 31, 2020 amounted to \$30,917.

NOTE 13: NET ASSEST WITH DONOR RESTRICTIONS

During the year ended December 31, 2020, assets with donor restrictions totaling \$24,594 were reclassified to assets without donor restrictions upon satisfaction of the restriction.

Assets with donor restrictions consist of the following at December 31, 2020:

Cash: restricted for educational purposes	\$ 149,595
Cash: restricted for conservation purposes	<u>4,000</u>
	153,595
 Land: restricted permanently for operations and conservation purposes	 <u>1,936,760</u>
 Total net assets with donor restrictions	 <u><u>\$ 2,090,355</u></u>

NOTE 14: CONCENTRATION OF CREDIT RISK

The Organization maintains several bank accounts at two financial institutions. Accounts and certificates of deposits at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2020 there is an uninsured cash balance of \$7,826 held by the financial institutions.

Marketable equity securities, mutual funds and cash equivalents are held by an investment firm. The investment firm is a member of the Securities Investor Protection Corporation (SIPC). Securities held by the custodian are protected by the SIPC for up to \$500,000 of coverage, including \$250,000 in claims for cash. The remaining coverage on securities and cash is provided by the custodian through a commercial insurer. The account protection applies to the physical loss or destruction of the assets, but it does not apply to any decline in the market value of the securities. At December 31, 2020 there is an uninsured balance of \$644,649 held by the investment firm.

The Bald Head Island Conservancy, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 15: SUPPLEMENTAL CASH FLOW INFORMATION

Interest charged to expense	\$ <u>9,021</u>
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NOTE 16: RELATED PARTY DISCLOSURE

The Organization shares various resources with Smith Island Land Trust (SILT), a related party through economic interest. The entities maintain separate boards of directors however some individuals serve on both boards. An operating agreement was signed October 25, 2018 outlining the understanding between the entities. Control of either entity by the other is not considered to exist and therefore consolidated financial statements have not been prepared. There were no current year financial transactions between the entities.

NOTE 17: LIQUIDITY DISCLOSURE

The below reflects the Organizations financial assets as of December 31, 2020, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year. Amounts that are not available also include board designated amounts that could be utilized if the Board of Directors approved the use.

Financial assets, at December 31, 2020	\$ 1,638,055
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with time or purpose restrictions	(153,595)
Quasi-endowment fund, primarily for long-term investing	<u>(1,144,649)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 339,811</u>

The Organization is funded through a variety of sources including retail sales, membership revenues, contributions, grants, program and research income. Some of the income contains restrictions that the resources be used in a certain manner or in a future period. Therefore, the Organization must maintain adequate resources to meet those responsibilities to its donors and certain financial assets may not be available for general expenditure within one year. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations become due. The Board of Directors may also authorize utilization of the quasi-endowment fund in the event of an unanticipated liquidity need. The Organization could also draw upon a \$250,000 available line of credit (see Note 7).

NOTE 18: CONTRACTS WITH CUSTOMERS

The Organization routinely enters into service type contracts with the Village of Bald Head Island and will also occasionally enter into similar contracts with other governmental or environmentally involved entities. The contracts are for services related to environmental monitoring, studies and analysis and are for periods of 12 months or less. The services provided can cover a variety of environmental issues including wildlife, vegetation, erosion and water quality.

The Bald Head Island Conservancy, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 18: CONTRACTS WITH CUSTOMERS (continued)

The current year contract income can be disaggregated into the following categories:

Customer:	
Village of Bald Head Island	\$ <u>314,529</u>
Geographic Region involved:	
Southeastern North Carolina	\$ <u>314,529</u>
Timing of Revenue Recognition:	
Services transferred over time	\$ <u>314,529</u>

Contracts are generally billed monthly to customers as the services are performed and receipt is expected within 30 days of billing. There are no beginning or ending of year contract assets or liabilities. The contract revenue receivable activity is as follows:

Beginning of year receivables	\$ 13,309
Current year revenue recorded	314,529
Less: Current year receipts from customers	<u>(313,989)</u>
End of year receivables	\$ <u>13,849</u>

At December 31, 2020 remaining performance obligations include \$115,839 expected future services and billings under the Village of Bald Head Island contract. The contract expires June 30, 2021.

NOTE 19: COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived. Certain prior year revenue and/or expense accounts may have been consolidated or expanded in order to better conform with current year presentation.

NOTE 20: IMPACT OF COVID -19 PANDEMIC and SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic.

Various fundraising events scheduled since March 2020 have been modified, postponed, or cancelled. The changes to fundraising activities may continue to have a negative impact on the Organization's fundraising income.

The Bald Head Island Conservancy, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 20: IMPACT OF COVID -19 PANDEMIC and SUBSEQUENT EVENTS (continued)

The Organization received a loan for \$153,600 through the Paycheck Protection Program (PPP) which is currently outstanding as of the financial statement release date. The PPP loan program was established by the CARES Act and was implemented by Small Business Administration (see Note 6) .

First-Citizens Bank agreed to accept interest only payments for the loan owed to them (see Note 8) beginning in April 2020 and lasting through June 2020.

Management continues to monitor the impact of COVID-19 and believes the Organization is taking appropriate actions to mitigate the negative impact but it is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization. The extent of the impact of COVID-19 on the Organization's operations and financial performance are uncertain and cannot be predicted.

As of the date the financial statements were available to be issued, it is not practicable to estimate the potential effects of these conditions on the Organization's financial statements.