

Land Preservation Trust, Inc.

Financial Statements together with Independent Auditor's Report

As of and For the Years Ended December 31, 2017 and 2016



C.E.A. SCHOLTES & ASSOCIATES
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Land Preservation Trust, Inc.

We have audited the accompanying financial statements of Land Preservation Trust, Inc. (the Trust), a nonprofit organization, which comprise the statements of financial position as of December 31, 2017 and 2016, 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 and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Land Preservation Trust, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of functional expenses on pages 18-19 are presented for purposes of

additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

C. E. A. Scholtes & Associates

Baltimore, Maryland
October 16, 2018

LAND PRESERVATION TRUST, INC.
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|---|--------------|--------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 207,196 | \$ 142,980 |
| Funds Held by Attorney | 14,457 | 9,550 |
| Rural Legacy Program Escrow Fund | 399,236 | 952,364 |
| Investments, at fair value | 79,170 | 59,194 |
| Total Current Assets | 700,059 | 1,164,088 |
| Property and Equipment, net | 2,539,315 | 2,668,644 |
| Other Assets | | |
| Cash and Cash Equivalents, Restricted for Endowment | 50,000 | 50,000 |
| Conservation Easements | 12,232 | 12,129 |
| Total Other Assets | 62,232 | 62,129 |
| Total Assets | \$ 3,301,606 | \$ 3,894,861 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Current Maturities of Note Payable | \$ 4,680 | \$ 9,128 |
| Accounts Payable and Accrued Expenses | 5,001 | 14,767 |
| Total Liabilities | 9,681 | 23,895 |
| Long-Term Debt | | |
| Note Payable, less current maturities | - | 3,931 |
| Total Long-Term Debt | - | 3,931 |
| Total Liabilities | 9,681 | 27,826 |
| Net Assets | | |
| Unrestricted | | |
| Operations | 275,318 | 223,388 |
| Investment in Property and Equipment | 2,534,635 | 2,655,585 |
| Total Unrestricted Net Assets | 2,809,953 | 2,878,973 |
| Temporarily Restricted | 431,972 | 938,062 |
| Permanently Restricted | 50,000 | 50,000 |
| Total Net Assets | 3,291,925 | 3,867,035 |
| Total Liabilities and Net Assets | \$ 3,301,606 | \$ 3,894,861 |

See accompanying notes and independent auditor's report.

LAND PRESERVATION TRUST, INC.
STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2017 (with Comparative Totals for the Year Ended December 31, 2016)

| | 2017 | | | 2016 | |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|---------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> | <u>Total</u> |
| Revenues, Gains and Other Support | | | | | |
| Contributions | \$ 147,807 | \$ 779,606 | \$ - | \$ 927,413 | \$ 2,438,672 |
| Special Events, net of expenses of \$2,971 and \$0, respectively | 23,698 | - | - | 23,698 | 11,621 |
| Rental Income | 36,600 | - | - | 36,600 | 21,600 |
| Investment Income, net | 19,976 | - | - | 19,976 | 944 |
| Other Income | 5,648 | - | - | 5,648 | 6,571 |
| Interest Income | 1,025 | - | - | 1,025 | 912 |
| | <u>234,754</u> | <u>779,606</u> | <u>-</u> | <u>1,014,360</u> | <u>2,480,320</u> |
| Satisfaction of Purpose Restrictions | <u>1,285,696</u> | <u>(1,285,696)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Revenues, Gains and Other Support | <u>1,520,450</u> | <u>(506,090)</u> | <u>-</u> | <u>1,014,360</u> | <u>2,480,320</u> |
| Expenses | | | | | |
| Program Services | 1,407,754 | - | - | 1,407,754 | 1,868,409 |
| Supporting Services | | | | | |
| Management and General | 25,658 | - | - | 25,658 | 35,348 |
| Fundraising | 156,058 | - | - | 156,058 | 141,494 |
| Total Supporting Services | <u>181,716</u> | <u>-</u> | <u>-</u> | <u>181,716</u> | <u>176,842</u> |
| Total Expenses | <u>1,589,470</u> | <u>-</u> | <u>-</u> | <u>1,589,470</u> | <u>2,045,251</u> |
| Change in Net Assets | (69,020) | (506,090) | - | (575,110) | 435,069 |
| Net Assets, Beginning of Year | <u>2,878,973</u> | <u>938,062</u> | <u>50,000</u> | <u>3,867,035</u> | <u>3,431,966</u> |
| Net Assets, End of Year | <u>\$ 2,809,953</u> | <u>\$ 431,972</u> | <u>\$ 50,000</u> | <u>\$ 3,291,925</u> | <u>\$ 3,867,035</u> |

See accompanying notes and independent auditor's report.

LAND PRESERVATION TRUST, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

| | <u>Unrestricted</u> | Temporarily <u>Restricted</u> | Permanently <u>Restricted</u> | <u>Total</u> |
|---|---------------------|----------------------------------|----------------------------------|---------------------|
| Revenues, Gains and Other Support | | | | |
| Contributions | \$ 98,113 | \$ 2,340,559 | \$ - | \$ 2,438,672 |
| Special Events | 11,621 | - | - | 11,621 |
| Rental Income | 21,600 | - | - | 21,600 |
| Investment Income, net | 944 | - | - | 944 |
| Other Income | 6,571 | - | - | 6,571 |
| Interest Income | 912 | - | - | 912 |
| | <u>139,761</u> | <u>2,340,559</u> | <u>-</u> | <u>2,480,320</u> |
| Satisfaction of Purpose and Time Restrictions | <u>1,753,469</u> | <u>(1,753,469)</u> | <u>-</u> | <u>-</u> |
| Total Revenues, Gains and Other Support | <u>1,893,230</u> | <u>587,090</u> | <u>-</u> | <u>2,480,320</u> |
| Expenses | | | | |
| Program Services | 1,868,409 | - | - | 1,868,409 |
| Supporting Services | | | | |
| Management and General | 35,348 | - | - | 35,348 |
| Fundraising | 141,494 | - | - | 141,494 |
| Total Supporting Services | <u>176,842</u> | <u>-</u> | <u>-</u> | <u>176,842</u> |
| Total Expenses | <u>2,045,251</u> | <u>-</u> | <u>-</u> | <u>2,045,251</u> |
| Change in Net Assets | (152,021) | 587,090 | - | 435,069 |
| Net Assets, Beginning of Year | <u>3,030,994</u> | <u>350,972</u> | <u>50,000</u> | <u>3,431,966</u> |
| Net Assets, End of Year | <u>\$ 2,878,973</u> | <u>\$ 938,062</u> | <u>\$ 50,000</u> | <u>\$ 3,867,035</u> |

See accompanying notes and independent auditor's report.

LAND PRESERVATION TRUST, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|---|--------------------------|--------------------------|
| Cash Flows from Operating Activities: | | |
| Change in Net Assets | \$ (575,110) | \$ 435,069 |
| Adjustments to Reconcile Changes in Net Assets to Net Cash and Cash Equivalents Provided by (Used in) Operating Activities: | | |
| Depreciation | 111,003 | 111,693 |
| Unrealized Gains, net | (19,976) | (944) |
| Loss on Disposal of Fixed Assets | 20,563 | 52 |
| Changes in Assets and Liabilities: | | |
| Decrease in Accounts Receivable | - | 4,200 |
| (Increase) Decrease in Funds Held by Attorney | (4,907) | 56,280 |
| Decrease (Increase) in Rural Legacy Program Escrow Fund | 553,128 | (602,646) |
| Increase in Conservation Easements | (103) | (990) |
| Decrease in Accounts Payable and Accrued Expenses | (9,766) | (7,859) |
| Net Cash and Cash Equivalents Provided by (Used in) Operating Activities | <u>74,832</u> | <u>(5,145)</u> |
| Cash Flows from Investing Activities: | | |
| Cash Paid for Property and Equipment | <u>(2,237)</u> | <u>(12,314)</u> |
| Net Cash and Cash Equivalents Used in Investing Activities | (2,237) | (12,314) |
| Cash Flows from Financing Activities: | | |
| Principal Repayments of Note Payable | <u>(8,379)</u> | <u>(8,887)</u> |
| Net Cash and Cash Equivalents Used in Financing Activities | <u>(8,379)</u> | <u>(8,887)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 64,216 | (26,346) |
| Cash and Cash Equivalents, Beginning of Year | <u>192,980</u> | <u>219,326</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$ 257,196</u></u> | <u><u>\$ 192,980</u></u> |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

| | | |
|----------------------------|--------|--------|
| Cash Payments for Interest | \$ 373 | \$ 572 |
|----------------------------|--------|--------|

See accompanying notes and independent auditor's report.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

1. Nature of Organization and Summary of Significant Accounting Policies

This summary of significant accounting policies of Land Preservation Trust, Inc. (the Trust) is presented to assist in the understanding of the Trust's financial statements. The financial statements and notes are the representations of the Trust's management, who are responsible for its integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been applied in the preparation of the financial statements.

Nature of Organization

The Trust was established in January 1986 to assist landowners in protecting their land for future generations by accepting voluntary conservation and agricultural easements. The Trust acquires conservation easements on properties either through donations in conjunction with the Maryland Environmental Trust or purchases them through the Maryland Rural Legacy Program. To date property owners have worked with the Trust to permanently preserve more than 342 properties containing 12,232 acres of land in Baltimore County, Maryland.

The Trust also owns and operates an equestrian center and steeplechase course known as Shawan Downs. Shawan Downs comprises approximately 240 acres of farmland in Cockeysville, Maryland to preserve the landscapes' agricultural legacy while building a new tradition of equestrian events to benefit local charities.

Basis of Accounting

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (US GAAP) on the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation and Net Assets

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 958, Not-For-Profit Entities. Under FASB ASC No. 958, the Trust is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor imposed stipulations.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

1. Nature of Organization and Summary of Significant Accounting Policies – (continued)

Basis of Presentation and Net Assets – (continued)

Temporarily restricted net assets result from contributions whose use by the Trust is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Trust pursuant to those stipulations. Net assets may be temporarily restricted for various purposes; such as use in future periods or use for specified purposes. The Trust had temporarily restricted net assets of \$431,972 and \$938,062 as of December 31, 2017 and 2016, respectively.

Permanently restricted net assets result from contributions whose use by the Trust is limited by donor imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Trust. The Trust had permanently restricted net assets of \$50,000 as of December 31, 2017 and 2016.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Trust considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments are stated at fair market value, with unrealized gains and losses reported in the statements of activities as unrestricted, temporarily restricted or permanently restricted.

Property and Equipment

The Trust capitalizes substantial expenditures of property and equipment having a useful life of two or more years. Expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is calculated using the straight-line method over the following useful lives:

| | <u>Years</u> |
|-------------------------|--------------|
| Land Improvements | 7-20 |
| Other Improvements | 5-20 |
| Furniture and Equipment | 5-10 |
| Computer Equipment | 3-5 |

Depreciation totaled \$111,003 and \$111,693 for the years ended December 31, 2017 and 2016, respectively.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

1. Nature of Organization and Summary of Significant Accounting Policies –(continued)

Conservation Easements

The Trust owns or co-owns with the State of Maryland conservation easements, which are intangible assets comprising listed rights and/or restrictions over the owned property that are conveyed by a property owner to the Trust, in perpetuity, in order to conserve the owned property. These intangible assets may be sold or transferred to others so long as the assignee agrees to carry out in perpetuity, the conservation purposes intended by the original grantor. Such conservation easements, by their very nature, do not generate cash flow or provide future economic benefit. Accordingly, the Trust expenses the cost of purchasing such easements with the State through the Rural Legacy Program (see Note 4). However, the Trust assigns a nominal value of \$1 per acre for each easement purchased or donated. The Trust owned easements covering 12,232 and 12,129 acres as of December 31, 2017 and 2016, respectively.

Valuation of Long-Lived Assets

The Trust accounts for the valuation of long-lived assets under FASB ASC No. 360, *Property, Plant and Equipment*. ASC No. 360 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. The Trust's management believes that there are no impaired long-lived assets as of December 31, 2017 and 2016, and, therefore, no impairment loss has been recorded during the year ended December 31, 2017 and 2016.

Revenue Recognition

Contributions are recognized when received from the donor or when pledged as an unconditional promise to give, if pledged. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or the nature of any donor imposed restrictions.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

1. Nature of Organization and Summary of Significant Accounting Policies – (continued)

Income Taxes

The Trust is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Trust may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the positions. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended December 31, 2017 and 2016. The Trust files federal and state information returns.

Use of Estimates in Financial Statements

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 the 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 expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements Pending

In February 2015, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. By definition, a short term lease is one in which: (a) the lease term is 12 months or less and (b) there is not an option to purchase the underlying asset that the lessee is reasonably certain to exercise. For short-term leases, lessees may elect an accounting policy by class of underlying asset under which right-of-use assets and lease liabilities are not recognized and lease payments are generally recognized as expense over the lease term on a straight-line basis. This change will result in lessees recognizing right-of-use assets and lease liabilities from most leases currently accounted for as operating leases under the existing lease accounting guidance. This ASU will be effective for fiscal years beginning after December 15, 2019. Management does not anticipate a material impact of this standard on the Trust's financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in the ASU

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

1. Nature of Organization and Summary of Significant Accounting Policies –(continued)

Accounting Pronouncements Pending – (continued)

make improvements to the information provided in the financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management does not anticipate a material impact of this standard on the Trust's financial statements.

Subsequent Events

The Trust evaluated the accompanying financial statements for subsequent events and transactions through October 16, 2018, the date these financial statements were available for issue and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

2. Fair Value of Financial Instruments

FASB ASC No. 820, *Fair Value Measurements and Disclosures*, established a framework for measuring fair value. The 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC No. 820 are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Trust has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

2. Fair Value of Financial Instruments - (continued)

If the asset or liability has a specified (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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.

The valuation techniques used by the Trust to measure fair value during the years ended December 31, 2017 and 2016 maximized the use of observable inputs and minimized the use of unobservable inputs. There have been no changes in the methodology used as of December 31, 2017.

When an active market for an identical asset is not available, alternative pricing sources and models utilizing market observable inputs are used. The Trust determines whether the market for a financial instrument is active or inactive based on the security's daily volume and other market trading statistics. Inactivity of the market is evidenced by factors including decreased trade volumes, stale transaction prices and transaction prices that varied significantly either over time or among markets.

Changes in fair value are recognized in the period in which the change occurs in the statement of activities.

The following is a description of the valuation methodology used for assets measured at fair value as of December 31, 2017 and 2016:

Mutual Funds: Valued at the closing price reported on the active market on which the fund is traded.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Trust believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

2. Fair Value of Financial Instruments - (continued)

The following table presents the Trust's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2017:

| | Fair Value Measurement Using | | | |
|--------------|--|--|---------------------------------------|-----------|
| | Quoted Prices in Active Market For Identical Assets | Significant Other Observable Inputs | Significant Unobservable Inputs | |
| | Total | (Level 1) | (Level 2) | (Level 3) |
| Mutual Funds | \$79,170 | \$79,170 | \$ - | \$ - |
| Total | \$79,170 | \$79,170 | \$ - | \$ - |

The following table presents the Trust's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2016:

| | Fair Value Measurement Using | | | |
|--------------|--|--|---------------------------------------|-----------|
| | Quoted Prices in Active Market For Identical Assets | Significant Other Observable Inputs | Significant Unobservable Inputs | |
| | Total | (Level 1) | (Level 2) | (Level 3) |
| Mutual Funds | \$59,194 | \$59,194 | \$ - | \$ - |
| Total | \$59,194 | \$59,194 | \$ - | \$ - |

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

3. Investments

Investments are stated at fair market value. The market value of the Trust's investments in mutual funds totaled \$79,170 and \$59,194 as of December 31, 2017 and 2016, respectively.

Net investment income consisted of \$19,976 and \$944 in unrealized gains net of fees for the years ended December 31, 2017 and 2016.

4. Rural Legacy Program

The Trust is a sponsor of the Maryland Rural Legacy Program (the Program), which was established to protect areas rich in agricultural, forestry, natural and cultural resources. As a sponsor of this program, the Trust purchases easements from third parties with grants from the Program. The escrow fund consists primarily of cash and the interest on the principal balance. The principal balance relates to the portion of such grants that is restricted to be used by the Trust for the expenses related to the Trust's future monitoring activities related to the easements held by the Trust. The interest is unrestricted and will be used by the Trust to pay the monitoring costs incurred by the Trust. The Trust also receives funds to be used for general administrative purposes. The Trust records these funds in the year of receipt as unrestricted contributions. The Trust received \$48,702 and \$81,117 in fiscal years 2017 and 2016, respectively, for such administrative purposes.

The Trust allocated \$103 (\$1 per acre, see Note 1) and \$990 in fiscal years ended December 31, 2017 and 2016, respectively, to the value of the easements obtained.

5. Property and Equipment

Property and equipment consisted of the following as of December 31, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------|---------------------|---------------------|
| Land | \$ 2,072,064 | \$ 2,072,064 |
| Land Improvements | 1,396,589 | 1,396,589 |
| Other Improvements | 729,953 | 792,106 |
| Furniture and Equipment | 59,556 | 60,056 |
| Computer Equipment | 10,953 | 10,163 |
| | <u>4,269,115</u> | <u>4,330,978</u> |
| less: accumulated depreciation | (1,729,800) | (1,662,334) |
| Property and Equipment, net | <u>\$ 2,539,315</u> | <u>\$ 2,668,644</u> |

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

6. Note Payable

In April 2003, the Trust obtained a fixed rate loan of \$350,000, secured by the Trust's land. Effective March 2005, the Trust obtained a note modification agreement. The new note bears interest at LIBOR plus 2.75% (3.63% as of December 31, 2016), has a term of 157 months, maturing June 2018 and principal payments approximating \$9,000 per year. The principal balance of the loan was \$4,680 and \$13,059 as of December 31, 2017 and 2016, respectively.

Scheduled principal payments as of December 31, 2017 under the note payable through maturity total \$4,680.

7. Satisfaction of Purpose and Time Restrictions

Net assets released from purpose and time restrictions for the years ended December 31, 2017 and 2016 are as follows:

| Purpose Restrictions: | <u>2017</u> | <u>2016</u> |
|---|--------------------|--------------------|
| Conservation Easement Settlements | \$1,122,516 | \$1,622,347 |
| The Legacy Chase | 133,045 | 121,965 |
| Future Monitoring of Conservation Easements | 30,135 | 6,516 |
| Time Restriction | - | 2,641 |
| Total Releases from Restriction | <u>\$1,285,696</u> | <u>\$1,753,469</u> |

8. Temporarily Restricted Net Assets

The Trust had temporarily restricted net assets of \$424,596 and \$938,062 as of December 31, 2017 and 2016, respectively, restricted as to the following purposes:

| | <u>2017</u> | <u>2016</u> |
|---|------------------|------------------|
| Future Easement Monitoring | \$330,620 | \$344,904 |
| Engagement Planning - Populous | 69,560 | - |
| Land Improvements | 31,792 | 31,792 |
| Scharff Easement Settlement | - | 561,366 |
| Total Temporarily Restricted Net Assets | <u>\$431,972</u> | <u>\$938,062</u> |

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

9. Permanently Restricted Net Assets

Endowment Fund

Permanently restricted net assets consisted solely of an endowment to secure the financial stability of the Trust to be preserved in perpetuity. The fund was established in December 2009 with a donor's gift of \$50,000. The net investment earnings on the endowment gift are unrestricted.

Permanently restricted net assets as of December 31, 2017 and 2016 total \$50,000.

10. Endowment Net Assets

Interpretation of Relevant Law

ASC No. 958-205, *Non-for-Profit Entities: Presentation of Financial Statements*, established a framework of the net assets classification of donor-restricted endowment funds for any nonprofit organization that is subject to a state enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC No. 958-205, which is effective for fiscal years ending after December 15, 2008, also required expanded disclosures for all endowment funds.

In the event the Trust receives donor-restricted endowment funds, determination of the net assets classification for the corpus and return on investments is based on the donor's intentions. In the event the Trust's Board determines certain unrestricted funds as board-designated for endowment, those respective funds are classified as unrestricted components of the endowment.

The Trust has adopted investment and spending policies for endowment net assets that attempt to provide a predictable stream of funding to the programs supported by the endowment while assuming a low level of investment risk.

Endowed net assets as of December 31, 2017 and 2016 total \$50,000.

11. Concentrations

Two donors made up 68% (55% and 13%) of total revenues, gains and other support for the year ended December 31, 2017.

One donor made up 92% of total revenues, gains and other support for the year ended December 31, 2016.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

12. Commitments

Effective September 2017, the Trust executed an agreement to lease office space in Cockeysville, Maryland. The lease includes a monthly payment of \$600 and expired September 2018. The lease was renewed in September 2018 on a month to month basis. Future minimum payments under the lease total \$4,800 as of December 31, 2017.

13. Related Party Transactions

Certain board members are presidents of companies that are custodians of investment assets and certain of the Trust's funds in the amounts of \$674,445 and \$1,150,590 as of December 31, 2017 and 2016, respectively. These funds consist primarily of cash and cash equivalents.

SUPPLEMENTAL INFORMATION

LAND PRESERVATION TRUST, INC.
SCHEDULES OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017 (with comparative totals for the year ended December 31, 2016)

| | 2017 | | | 2016 | | |
|-------------------------------------|-----------------------------|-----------------------------------|--------------------|--|---------------------|---------------------|
| | Supporting Services | | | | | |
| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total Supporting Services</u> | <u>Total</u> | <u>Total</u> |
| Bank Service Charges | \$ - | \$ 255 | \$ - | \$ 255 | \$ 255 | \$ 40 |
| Contract Labor | 68,039 | - | 12,463 | 12,463 | 80,502 | 20,871 |
| Course and Land Maintenance | 12,674 | - | - | - | 12,674 | 18,960 |
| Depreciation | 92,133 | 8,880 | 9,990 | 18,870 | 111,003 | 111,693 |
| Dues and Subscriptions | 2,802 | 270 | 304 | 574 | 3,376 | 4,879 |
| Easements | 1,145,091 | - | - | - | 1,145,091 | 1,702,198 |
| Equine | 5,400 | - | - | - | 5,400 | 400 |
| Fundraising | - | - | 129,308 | 129,308 | 129,308 | 127,642 |
| Insurance and Taxes | - | 6,368 | - | 6,368 | 6,368 | 6,565 |
| Interest | - | 373 | - | 373 | 373 | 572 |
| Loss on Disposal of Fixed Assets | 17,067 | 1,645 | 1,851 | 3,496 | 20,563 | 52 |
| Maintenance and Repairs | 13,965 | - | - | - | 13,965 | 16,011 |
| Miscellaneous | 118 | 1 | 1 | 2 | 120 | 824 |
| Office | 6,034 | 261 | 294 | 555 | 6,589 | 3,174 |
| Payroll and Payroll Related Expense | 13,559 | 1,307 | 1,470 | 2,777 | 16,336 | 8,453 |
| Postage and Delivery | 244 | 24 | 26 | 50 | 294 | 160 |
| Printing and Reproduction | 213 | 21 | 23 | 44 | 257 | 2,372 |
| Professional Fees | 27,393 | 5,961 | - | 5,961 | 33,354 | 15,859 |
| Telephone | 1,335 | 129 | 145 | 274 | 1,609 | 2,224 |
| Utilities | 1,687 | 163 | 183 | 346 | 2,033 | 2,302 |
| Total Expenses | <u>\$ 1,407,754</u> | <u>\$ 25,658</u> | <u>\$ 156,058</u> | <u>\$ 181,716</u> | <u>\$ 1,589,470</u> | <u>\$ 2,045,251</u> |

See accompanying notes and independent auditor's report.

LAND PRESERVATION TRUST, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

| | Supporting Services | | | Total Supporting Services | Total |
|-------------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------------------|--------------|
| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | | |
| Bank Service Charges | \$ - | \$ 40 | \$ - | \$ 40 | \$ 40 |
| Contract Labor | 17,850 | 1,422 | 1,599 | 3,021 | 20,871 |
| Course and Land Maintenance | 18,960 | - | - | - | 18,960 |
| Depreciation | 92,705 | 8,935 | 10,053 | 18,988 | 111,693 |
| Dues and Subscriptions | 4,050 | 390 | 439 | 829 | 4,879 |
| Easements | 1,702,198 | - | - | - | 1,702,198 |
| Equine | 400 | - | - | - | 400 |
| Fundraising | - | - | 127,642 | 127,642 | 127,642 |
| Insurance and Taxes | - | 6,565 | - | 6,565 | 6,565 |
| Interest | - | 572 | - | 572 | 572 |
| Loss on Disposal of Fixed Assets | 43 | 4 | 5 | 9 | 52 |
| Maintenance and Repairs | 16,011 | - | - | - | 16,011 |
| Miscellaneous | 684 | 66 | 74 | 140 | 824 |
| Office | 2,633 | 254 | 287 | 541 | 3,174 |
| Payroll and Payroll Related Expense | 7,016 | 676 | 761 | 1,437 | 8,453 |
| Postage and Delivery | 133 | 13 | 14 | 27 | 160 |
| Printing and Reproduction | 1,969 | 190 | 213 | 403 | 2,372 |
| Professional Fees | - | 15,859 | - | 15,859 | 15,859 |
| Telephone | 1,846 | 178 | 200 | 378 | 2,224 |
| Utilities | 1,911 | 184 | 207 | 391 | 2,302 |
| Total Expenses | \$ 1,868,409 | \$ 35,348 | \$ 141,494 | \$ 176,842 | \$ 2,045,251 |

See accompanying notes and independent auditor's report.