

Land Preservation Trust, Inc.

Financial Statements together with Independent Auditor's Report

As of and For the Years Ended December 31, 2018 and 2017



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, 2018 and 2017, and the related statements of activities, functional expenses 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, 2018 and 2017, 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.

### **Effect of Adopting New Accounting Standard**

As discussed in Note 1, the Trust adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to the matter.

C. E. A. Scholtes & Associates

Baltimore, Maryland  
September 16, 2019

**LAND PRESERVATION TRUST, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**As of December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 6,074	\$ 207,196
Funds Held by Attorney	26,694	14,457
Rural Legacy Program Escrow Fund - Cash and Cash Equivalents	26,702	399,236
Investments, at fair value	201,828	79,170
Rural Legacy Program Escrow Fund - Investments, at fair value	400,065	-
Total Current Assets	661,363	700,059
Property and Equipment, net	2,433,321	2,539,315
Other Assets		
Cash and Cash Equivalents, Restricted for Endowment	50,000	50,000
Conservation Easements	12,577	12,232
Total Other Assets	62,577	62,232
Total Assets	\$ 3,157,261	\$ 3,301,606
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Current Maturities of Note Payable	\$ 1,175	\$ 4,680
Accounts Payable and Accrued Expenses	17,111	5,001
Total Liabilities	18,286	9,681
Net Assets		
Without Donor Restrictions		
Operations	291,760	275,318
Investment in Property and Equipment	2,432,146	2,534,635
Total Net Assets Without Donor Restrictions	2,723,906	2,809,953
With Donor Restrictions		
Temporarily Restricted	365,069	431,972
Permanently Restricted	50,000	50,000
Total Net Assets With Donor Restrictions	415,069	481,972
Total Net Assets	3,138,975	3,291,925
Total Liabilities and Net Assets	\$ 3,157,261	\$ 3,301,606

See accompanying notes and independent auditor's report.

**LAND PRESERVATION TRUST, INC.**  
**STATEMENTS OF ACTIVITIES**

For the Year Ended December 31, 2018 (with Comparative Totals for the Year Ended December 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenues, Gains and Other Support</b>				
Contributions	\$ 99,609	\$ 1,466,979	\$ 1,566,588	\$ 794,368
Contract Revenue - Legacy Chase	158,584	-	158,584	133,045
Special Events, net of expenses of \$2,243 and \$2,971, respectively	17,507	-	17,507	23,698
Rental Income	32,840	-	32,840	36,600
Investment Income, net	6,137	-	6,137	19,976
Other Income	345	-	345	5,648
Interest Income	2,118	-	2,118	1,025
	<u>317,140</u>	<u>1,466,979</u>	<u>1,784,119</u>	<u>1,014,360</u>
Satisfaction of Purpose Restrictions	1,533,882	(1,533,882)	-	-
Total Revenues, Gains and Other Support	<u>1,851,022</u>	<u>(66,903)</u>	<u>1,784,119</u>	<u>1,014,360</u>
<b>Expenses</b>				
Program Services	1,874,115	-	1,874,115	1,527,147
Supporting Services				
Management and General	35,792	-	35,792	22,801
Fundraising	27,162	-	27,162	39,522
Total Supporting Services	<u>62,954</u>	<u>-</u>	<u>62,954</u>	<u>62,323</u>
Total Expenses	<u>1,937,069</u>	<u>-</u>	<u>1,937,069</u>	<u>1,589,470</u>
<b>Change in Net Assets</b>	(86,047)	(66,903)	(152,950)	(575,110)
Net Assets, Beginning of Year	<u>2,809,953</u>	<u>481,972</u>	<u>3,291,925</u>	<u>3,867,035</u>
Net Assets, End of Year	<u>\$ 2,723,906</u>	<u>\$ 415,069</u>	<u>\$ 3,138,975</u>	<u>\$ 3,291,925</u>

See accompanying notes and independent auditor's report.

**LAND PRESERVATION TRUST, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2017**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 147,807	\$ 646,561	\$ 794,368
Contract Revenue - Legacy Chase	133,045	-	133,045
Special Events, net of direct expenses of \$2,971	23,698	-	23,698
Rental Income	36,600	-	36,600
Investment Income, net	19,976	-	19,976
Other Income	5,648	-	5,648
Interest Income	1,025	-	1,025
	<u>367,799</u>	<u>646,561</u>	<u>1,014,360</u>
Satisfaction of Purpose Restrictions	<u>1,152,651</u>	<u>(1,152,651)</u>	<u>-</u>
<b>Total Revenues, Gains and Other Support</b>	<b>1,520,450</b>	<b>(506,090)</b>	<b>1,014,360</b>
<b>Expenses</b>			
Program Services	1,527,147	-	1,527,147
Supporting Services			
Management and General	22,801	-	22,801
Fundraising	39,522	-	39,522
<b>Total Supporting Services</b>	<u>62,323</u>	<u>-</u>	<u>62,323</u>
<b>Total Expenses</b>	<u>1,589,470</u>	<u>-</u>	<u>1,589,470</u>
<b>Change in Net Assets</b>	<b>(69,020)</b>	<b>(506,090)</b>	<b>(575,110)</b>
Net Assets, Beginning of Year	<u>2,878,973</u>	<u>988,062</u>	<u>3,867,035</u>
Net Assets, End of Year	<u><u>\$ 2,809,953</u></u>	<u><u>\$ 481,972</u></u>	<u><u>\$ 3,291,925</u></u>

See accompanying notes and independent auditor's report.

**LAND PRESERVATION TRUST, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2018 (with comparative totals for the year ended December 31, 2017 )**

	2018			2017		
	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	\$ -	\$ 253	\$ -	\$ 253	\$ 253	\$ 255
Contract Labor	94,996	9,302	6,260	15,562	110,558	51,688
Course and Land Maintenance	5,913	-	-	-	5,913	12,674
Depreciation	87,968	8,483	9,543	18,026	105,994	111,003
Dues and Subscriptions	5,168	498	560	1,058	6,226	3,376
Easements	1,439,322	-	-	-	1,439,322	1,145,091
Equine	2,904	-	-	-	2,904	1,500
JR Hunt Cup	-	-	8,229	8,229	8,229	8,114
Legacy Chase	191,102	-	-	-	191,102	168,795
Insurance and Taxes	-	3,654	-	3,654	3,654	3,511
Interest	-	84	-	84	84	373
Loss on Disposal of Fixed Assets	-	-	-	-	-	20,563
Maintenance and Repairs	-	1,499	-	1,499	1,499	1,935
Miscellaneous	1,878	177	199	376	2,254	120
Office	5,520	23	26	49	5,569	6,589
Payroll and Payroll Related Expense	18,309	2,060	1,985	4,045	22,354	16,336
Postage and Delivery	224	22	24	46	270	294
Printing and Reproduction	199	19	22	41	240	257
Professional Fees	17,714	9,439	-	9,439	27,153	33,354
Telephone	603	58	65	123	726	1,609
Utilities	1,955	188	212	400	2,355	2,033
Website	340	33	37	70	410	-
Total Expenses	<u>\$ 1,874,115</u>	<u>\$ 35,792</u>	<u>\$ 27,162</u>	<u>\$ 62,954</u>	<u>\$ 1,937,069</u>	<u>\$ 1,589,470</u>

See accompanying notes and independent auditor's report.

**LAND PRESERVATION TRUST, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2017**

	Supporting Services			Total Supporting Services	Total
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Bank Service Charges	\$ -	\$ 255	\$ -	\$ 255	\$ 255
Contract Labor	34,567	-	17,121	17,121	51,688
Course and Land Maintenance	12,674	-	-	-	12,674
Depreciation	92,133	8,880	9,990	18,870	111,003
Dues and Subscriptions	2,802	270	304	574	3,376
Easements	1,145,091	-	-	-	1,145,091
Equine	1,500	-	-	-	1,500
JR Hunt Cup	-	-	8,114	8,114	8,114
Legacy Chase	168,795	-	-	-	168,795
Insurance and Taxes	-	3,511	-	3,511	3,511
Interest	-	373	-	373	373
Loss on Disposal of Fixed Assets	17,067	1,645	1,851	3,496	20,563
Maintenance and Repairs	1,935	-	-	-	1,935
Miscellaneous	118	1	1	2	120
Office	6,034	261	294	555	6,589
Payroll and Payroll Related Expense	13,559	1,307	1,470	2,777	16,336
Postage and Delivery	244	24	26	50	294
Printing and Reproduction	213	21	23	44	257
Professional Fees	27,393	5,961	-	5,961	33,354
Telephone	1,335	129	145	274	1,609
Utilities	1,687	163	183	346	2,033
Total Expenses	\$ 1,527,147	\$ 22,801	\$ 39,522	\$ 62,323	\$ 1,589,470

See accompanying notes and independent auditor's report.



**LAND PRESERVATION TRUST, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ (152,950)	\$ (575,110)
Adjustments to Reconcile Changes in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:		
Depreciation	105,994	111,003
Unrealized Gains, net	(6,137)	(19,976)
Loss on Disposal of Fixed Assets	-	20,563
Changes in Assets and Liabilities:		
Increase in Funds Held by Attorney	(12,237)	(4,907)
Decrease in Rural Legacy Program Escrow Fund - Cash and Cash Equivalents	372,534	553,128
Increase in Conservation Easements	(345)	(103)
Increase (Decrease) in Accounts Payable and Accrued Expenses	12,110	(9,766)
Net Cash and Cash Equivalents Provided by Operating Activities	<u>318,969</u>	<u>74,832</u>
<b>Cash Flows from Investing Activities:</b>		
Cash Purchases of Investments	(1,277,549)	-
Sales of Investments	760,963	-
Cash Paid for Property and Equipment	-	(2,237)
Net Cash and Cash Equivalents Used in Investing Activities	<u>(516,586)</u>	<u>(2,237)</u>
<b>Cash Flows from Financing Activities:</b>		
Principal Repayments of Note Payable	(3,505)	(8,379)
Net Cash and Cash Equivalents Used in Financing Activities	<u>(3,505)</u>	<u>(8,379)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(201,122)	64,216
Cash and Cash Equivalents, Beginning of Year	<u>257,196</u>	<u>192,980</u>
Cash and Cash Equivalents, End of Year	<u>\$ 56,074</u>	<u>\$ 257,196</u>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash Payments for Interest	\$ 84	\$ 373
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**See accompanying notes and independent auditor's report.**

**LAND PRESERVATION TRUST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2018 and 2017**

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**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 343 properties containing 12,577 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 ASC No. 958, the Trust is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are the net assets that are not restricted by donor imposed stipulations.

**LAND PRESERVATION TRUST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2018 and 2017**

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

**Basis of Presentation and Net Assets – (continued)**

Net assets with donor restrictions 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 or 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 be removed by actions of the Trust. Net assets may be restricted for various purposes; such as use in future periods or use for specified purposes or restricted in perpetuity. The Trust had net assets with donor restrictions totaling \$415,069 and \$481,972 as of December 31, 2018 and 2017, respectively.

**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.

**Liquidity**

The following reflects the Trust's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor imposed restrictions within one year of the statement of financial position date.

Cash and Cash Equivalents	\$ 56,074
Funds Held by Attorney	26,694
Rural Legacy Program Escrow Fund – Cash and Cash Equivalents	26,702
Investments	<u>601,893</u>
	711,363
Less Those Unavailable for General Expenditures	
Within One Year, Due To:	
Net Assets With Donor Restrictions	<u>(415,069)</u>
Financial Assets Available to Meet Cash Needs for	
General Expenditures Within One Year	<u><u>\$ 296,294</u></u>

As a part of the Trust's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**LAND PRESERVATION TRUST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2018 and 2017**

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

**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 Property Improvements	5-20
Furniture and Equipment	5-10
Computer Equipment	3-5

Depreciation totaled \$105,994 and \$111,003 for the years ended December 31, 2018 and 2017, respectively.

**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 12,577 and 12,232 acres as of December 31, 2018 and 2017, 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

**LAND PRESERVATION TRUST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2018 and 2017**

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

**Valuation of Long-Lived Assets**

value, less costs to sell. The Trust's management believes that there are no impaired long-lived assets as of December 31, 2018 and 2017, and, therefore, no impairment loss has been recorded during the year ended December 31, 2018 and 2017.

**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. Temporarily and permanently restricted net assets are reported together as net assets with donor restrictions.

**Functional Allocation of Expenses**

Expenses are charged directly to program services and management and general based on specific identification. Indirect expenses are allocated based on the percentages of direct costs. Payroll and payroll related expenses are allocated according to specific job duties per employee/contractor.

**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, 2018 and 2017. 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

**LAND PRESERVATION TRUST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2018 and 2017**

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

**Use of Estimates in Financial Statements – (continued)**

amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Adoption of New Accounting Pronouncement**

For the year ended December 31, 2018, the Trust adopted the FASB ASU No. 2016-14 – *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided by expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in the financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

**Accounting Pronouncements Pending**

In February 2015, the FASB issued Accounting Standards Update (ASU) No. 2017-02, *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 June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Recorded and Contributions Made*. This ASU provides guidance to determine whether a transaction should be accounted for as a contribution or an exchange transaction. This ASU is effective for fiscal years beginning after December 15, 2018, with an option for early adoption.

**LAND PRESERVATION TRUST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2018 and 2017**

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

**Reclassification**

Certain prior year balances have been reclassified to conform with the current year presentation.

**Subsequent Events**

The Trust evaluated the accompanying financial statements for subsequent events and transactions through September 16, 2019, 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.

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.

**LAND PRESERVATION TRUST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2018 and 2017**

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**2. Fair Value of Financial Instruments - (continued)**

**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, 2018 and 2017 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, 2018.

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, 2018 and 2017:

*Government Bonds and 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.



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**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, 2018:

	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)
Government Bonds	\$523,536	\$523,536	\$ -	\$ -
Mutual Funds	78,357	78,357	\$ -	\$ -
Total	\$601,893	\$601,893	\$ -	\$ -

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	\$ -	\$ -

**3. Investments**

Investments are stated at fair market value. The market value of the Trust's investments in mutual funds totaled \$601,893 and \$79,170 as of December 31, 2018 and 2017, respectively.

Net investment income consisted of \$6,137 and \$19,976 in unrealized gains, net of fees, for the years ended December 31, 2018 and 2017.

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**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 contributions without donor restrictions. The Trust received \$54,890 and \$48,702 in fiscal years 2018 and 2017, respectively, for such administrative purposes.

The Trust allocated \$345 (\$1 per acre, see Note 1) and \$103 in fiscal years ended December 31, 2018 and 2017, respectively, to the value of the easements obtained.

**5. Property and Equipment**

Property and equipment consisted of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 2,072,064	\$ 2,072,064
Land Improvements	1,396,589	1,396,589
Other Property Improvements	729,953	729,953
Furniture and Equipment	58,317	59,556
Computer Equipment	10,994	10,953
	<u>4,267,917</u>	<u>4,269,115</u>
less: accumulated depreciation	(1,834,596)	(1,729,800)
Property and Equipment, net	<u>\$ 2,433,321</u>	<u>\$ 2,539,315</u>

**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% (6.125% as of December 31, 2018), has a term of 157 months, maturing June 2018 and principal payments approximating \$9,000 per year. The loan expired June 30, 2018; however, the bank has not called the loan. The principal balance of the loan was \$1,175 and \$4,680 as of December 31, 2018 and 2017, respectively.

Scheduled principal payments as of December 31, 2018 under the note payable through maturity total \$1,175.

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**7. Line of Credit**

Effective October 2018, the Trust obtained a line of credit of \$50,000, expiring October 1, 2020. The line bears interest at LIBOR plus 3.75%. As of December 31, 2018, the balance of the line was \$0.

**8. Satisfaction of Purpose and Time Restrictions**

Net assets released from purpose restrictions for the years ended December 31, 2018 and 2017 are as follows:

Purpose Restrictions:	<u>2018</u>	<u>2017</u>
Conservation Easement Settlements	\$1,421,879	\$1,122,516
Race Purses	25,000	-
Strategic Planning	69,560	-
Future Monitoring of Conservation Easements	17,443	30,135
Total Releases from Restriction	<u>\$1,533,882</u>	<u>\$1,152,651</u>

**9. Net Assets With Donor Restrictions**

The Trust had net assets with donor restrictions of \$415,069 and \$481,972 as of December 31, 2018 and 2017, respectively, restricted as to the following purposes:

	<u>2018</u>	<u>2017</u>
Temporarily Restricted:		
Future Easement Monitoring	\$ 333,277	\$ 330,620
Land Improvements	31,792	31,792
Strategic Planning	-	69,560
Total Temporarily Restricted Net Assets	<u>365,069</u>	<u>431,972</u>
Permanently Restricted (See Note 10)	<u>50,000</u>	<u>50,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 415,069</u>	<u>\$ 481,972</u>

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**10. 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, 2018 and 2017 total \$50,000.

**11. 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, 2018 and 2017 total \$50,000.

**12. Concentrations**

One donor made up 80% of total revenues, gains and other support for the year ended December 31, 2018.

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

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**13. 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.

**14. 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 \$694,731 and \$674,445 as of December 31, 2018 and 2017, respectively. These funds consist primarily of cash and cash equivalents.

A board members' immediate family member provided mowing and maintenance services for the Trust. The Trust paid the related party \$6,138 and \$8,666 for the years ended December 31, 2018 and 2017, respectively.

A board member is president of a company that pays a fee for the use of Shawan Downs for a race. The Trust received \$5,000 from the company for the years ended December 31, 2018 and 2017.