

Land Preservation Trust, Inc.

Financial Statements together with Independent Auditor's Report

As of and For the Years Ended December 31, 2021 and 2020



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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Land Preservation Trust, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Land Preservation Trust, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Land Preservation Trust, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Land Preservation Trust, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

C.E.A. Scholtes & Associates

Baltimore, Maryland
October 21, 2022

LAND PRESERVATION TRUST, INC.
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 176,251	\$ 112,819
Funds Held by Attorney	32,000	136,199
Investments, at fair value	725,368	701,026
Grants Receivable	154,619	-
Pledges Receivable	2,500	5,000
Prepaid Expenses and Other Assets	7,810	6,762
Total Current Assets	1,098,548	961,806
Property and Equipment, net	2,322,876	2,382,827
Other Assets		
Cash and Cash Equivalents, Restricted for Endowment	50,000	50,000
Conservation Easements	13,540	13,196
Total Other Assets	63,540	63,196
Total Assets	\$ 3,484,964	\$ 3,407,829
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 156,562	\$ 7,205
Refundable Advance - SBA Loan	-	17,835
Unearned Revenue	-	72,201
Total Liabilities	156,562	97,241
Commitments and Contingencies (Note 12)		
Net Assets		
Without Donor Restrictions		
Operations	512,748	459,246
Investment in Property and Equipment	2,322,876	2,382,827
Total Net Assets Without Donor Restrictions	2,835,624	2,842,073
With Donor Restrictions		
Temporarily Restricted	442,778	418,515
Permanently Restricted	50,000	50,000
Total Net Assets With Donor Restrictions	492,778	468,515
Total Net Assets	3,328,402	3,310,588
Total Liabilities and Net Assets	\$ 3,484,964	\$ 3,407,829

See accompanying notes and independent auditor's report.

LAND PRESERVATION TRUST, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2021
(with comparative totals For the Year Ended December 31, 2020)

	2021		2020	
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>	<u>Total</u>
Revenues, Gains and Other Support				
Contributions	\$ 705,694	\$ 1,964,105	\$ 2,669,799	\$ 2,121,833
SBA Loan Forgiveness	35,670	-	35,670	-
Legacy Chase Event Management	48,127	-	48,127	-
Special Events	32,640	-	32,640	26,120
Rental Income	44,172	-	44,172	34,336
Insurance Proceeds		-	-	21,105
Investment Income, net	25,411	-	25,411	50,182
Gain on Sale of Property and Equipment		-	-	3,500
Interest Income	30	-	30	5,749
Other Income	4,295	-	4,295	282
	<u>896,039</u>	<u>1,964,105</u>	<u>2,860,144</u>	<u>2,263,107</u>
Satisfaction of Purpose and Time Restrictions	1,939,842	(1,939,842)	-	-
Total Revenues, Gains and Other Support	<u>2,835,881</u>	<u>24,263</u>	<u>2,860,144</u>	<u>2,263,107</u>
Expenses				
Program Services				
Easements	2,468,961	-	2,468,961	1,827,741
Legacy Chase	232,213	-	232,213	240,784
Total Program Services	<u>2,701,174</u>	<u>-</u>	<u>2,701,174</u>	<u>2,068,525</u>
Supporting Services				
Management and General	74,083	-	74,083	43,317
Fundraising	67,073	-	67,073	22,537
Total Supporting Services	<u>141,156</u>	<u>-</u>	<u>141,156</u>	<u>65,854</u>
Total Expenses	<u>2,842,330</u>	<u>-</u>	<u>2,842,330</u>	<u>2,134,379</u>
Change in Net Assets	(6,449)	24,263	17,814	128,728
Net Assets, Beginning of Year	<u>2,842,073</u>	<u>468,515</u>	<u>3,310,588</u>	<u>3,181,860</u>
Net Assets, End of Year	<u>\$ 2,835,624</u>	<u>\$ 492,778</u>	<u>\$ 3,328,402</u>	<u>\$ 3,310,588</u>

See accompanying notes and independent auditor's report.

LAND PRESERVATION TRUST, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 341,247	\$ 1,780,586	\$ 2,121,833
Special Events	26,120	-	26,120
Rental Income	34,336	-	34,336
Insurance Proceeds	21,105	-	21,105
Investment Income, net	50,182	-	50,182
Gain on Sale of Property and Equipment	3,500	-	3,500
Interest Income	5,749	-	5,749
Other Income	282	-	282
	<u>482,521</u>	<u>1,780,586</u>	<u>2,263,107</u>
Satisfaction of Purpose Restrictions	1,750,404	(1,750,404)	-
Total Revenues, Gains and Other Support	<u>2,232,925</u>	<u>30,182</u>	<u>2,263,107</u>
Expenses			
Program Services			
Easements	1,827,741	-	1,827,741
Legacy Chase	240,784	-	240,784
Total Program Services	<u>2,068,525</u>	<u>-</u>	<u>2,068,525</u>
Supporting Services			
Management and General	43,317	-	43,317
Fundraising	22,537	-	22,537
Total Supporting Services	<u>65,854</u>	<u>-</u>	<u>65,854</u>
Total Expenses	<u>2,134,379</u>	<u>-</u>	<u>2,134,379</u>
Change in Net Assets	98,546	30,182	128,728
Net Assets, Beginning of Year	<u>2,743,527</u>	<u>438,333</u>	<u>3,181,860</u>
Net Assets, End of Year	<u>\$ 2,842,073</u>	<u>\$ 468,515</u>	<u>\$ 3,310,588</u>

See accompanying notes and independent auditor's report.

LAND PRESERVATION TRUST, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021 (with comparative totals For the Year Ended December 31, 2020)

	2021					2020		
	Program Services			Supporting Services				
	<u>Easements</u>	<u>Legacy Chase</u>	<u>Total 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	\$ -	\$ 29	\$ 29	\$ 706	\$ 15	\$ 721	\$ 750	\$ 1,450
Contract Labor	49,119	14,320	63,439	4,965	17,175	22,140	85,579	82,994
Course and Land Maintenance	-	5,518	5,518	-	5,070	5,070	10,588	35,912
Depreciation	-	60,275	60,275	1,649	1,653	3,302	63,577	90,409
Dues and Subscriptions	-	-	-	9,309	-	9,309	9,309	7,882
Easements	1,926,326	-	1,926,326	-	-	-	1,926,326	1,749,622
Employee Benefits	-	-	-	4,613	-	4,613	4,613	4,642
Equine	-	6,150	6,150	-	730	730	6,880	6,330
JR Hunt Cup	-	-	-	-	7,788	7,788	7,788	-
Legacy Chase	-	143,421	143,421	-	-	-	143,421	8,530
King's Eye Restoration	468,440	-	468,440	-	-	-	468,440	-
Insurance and Taxes	-	2,500	2,500	2,327	11,519	13,846	16,346	8,406
Maintenance and Repairs	-	-	-	-	6,530	6,530	6,530	3,367
Miscellaneous	-	-	-	201	-	201	201	1,528
Office	2,416	-	2,416	7,853	-	7,853	10,269	8,715
Payroll and Payroll Related	3,190	-	3,190	11,349	10,449	21,798	24,988	72,130
Postage and Delivery	-	-	-	693	-	693	693	744
Printing and Reproduction	364	-	364	7,007	-	7,007	7,371	7,296
Professional Fees	19,106	-	19,106	13,823	-	13,823	32,929	15,649
Social Media	-	-	-	9,413	-	9,413	9,413	20,319
Special Events - Other	-	-	-	-	4,331	4,331	4,331	532
Special Projects	-	-	-	-	-	-	-	5,110
Telephone	-	-	-	175	-	175	175	691
Utilities	-	-	-	-	1,813	1,813	1,813	2,121
Total Expenses	<u>\$ 2,468,961</u>	<u>\$ 232,213</u>	<u>\$ 2,701,174</u>	<u>\$ 74,083</u>	<u>\$ 67,073</u>	<u>\$ 141,156</u>	<u>\$ 2,842,330</u>	<u>\$ 2,134,379</u>

See accompanying notes and independent auditor's report.

LAND PRESERVATION TRUST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program Services			Supporting Services			
	<u>Easements</u>	<u>Legacy Chase</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Bank Service Charges	\$ -	\$ -	\$ -	\$ 1,450	\$ -	\$ 1,450	\$ 1,450
Contract Labor	71,791	10,850	82,641	353	-	353	82,994
Course and Land Maintenance	-	35,912	35,912	-	-	-	35,912
Depreciation	-	87,619	87,619	1,835	955	2,790	90,409
Dues and Subscriptions	-	7,382	7,382	500	-	500	7,882
Easements	1,749,622	-	1,749,622	-	-	-	1,749,622
Employee Benefits	-	4,499	4,499	94	49	143	4,642
Equine	-	6,330	6,330	-	-	-	6,330
Legacy Chase	-	8,530	8,530	-	-	-	8,530
Insurance and Taxes	-	2,684	2,684	5,722	-	5,722	8,406
Maintenance and Repairs	-	3,367	3,367	-	-	-	3,367
Miscellaneous	1,218	263	1,481	31	16	47	1,528
Office	-	386	386	8,329	-	8,329	8,715
Payroll and Payroll Related Expense	-	70,183	70,183	1,281	666	1,947	72,130
Postage and Delivery	-	278	278	466	-	466	744
Printing and Reproduction	-	-	-	7,296	-	7,296	7,296
Professional Fees	-	-	-	15,649	-	15,649	15,649
Social Media	-	-	-	-	20,319	20,319	20,319
Special Events - Other	-	-	-	-	532	532	532
Special Projects	5,110	-	5,110	-	-	-	5,110
Telephone	-	380	380	311	-	311	691
Utilities	-	2,121	2,121	-	-	-	2,121
	<u>\$ 1,827,741</u>	<u>\$ 240,784</u>	<u>\$ 2,068,525</u>	<u>\$ 43,317</u>	<u>\$ 22,537</u>	<u>\$ 65,854</u>	<u>\$ 2,134,379</u>

See accompanying notes and independent auditor's report.

LAND PRESERVATION TRUST, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 17,814	\$ 128,728
Adjustments to Reconcile Changes in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:		
Depreciation	63,577	90,409
Gain on Sale of Property and Equipment	-	(3,500)
Unrealized and Realized Gains, net	(25,411)	(50,182)
SBA Loan Forgiveness	(35,670)	-
Changes in Assets and Liabilities:		
Decrease (Increase) in Funds Held by Attorney	104,199	(136,199)
Increase in Grants Receivable	(154,619)	-
Decrease (Increase) in Pledges Receivable	2,500	(5,000)
Increase in Prepaid Expenses	(1,048)	(6,762)
Increase in Conservation Easements	(344)	(182)
Increase (Decrease) in Accounts Payable and Accrued Expenses	149,357	(12,491)
(Decrease) Increase in Unearned Revenue	<u>(72,201)</u>	<u>72,201</u>
Net Cash and Cash Equivalents Provided by Operating Activities	48,154	77,022
Cash Flows from Investing Activities:		
Cash Purchases of Investments	(8,886)	(601,561)
Sales of Investments	9,955	177,418
Cash Paid for Property and Equipment	<u>(3,626)</u>	<u>(54,490)</u>
Net Cash and Cash Equivalents Used in Investing Activities	(2,557)	(478,633)
Cash Flows from Financing Activities:		
Cash Proceeds from Refundable Advance - SBA Loan	<u>17,835</u>	<u>17,835</u>
Net Cash and Cash Equivalents Provided by Financing Activities	<u>17,835</u>	<u>17,835</u>
Net Increase (Decrease) in Cash and Cash Equivalents	63,432	(383,776)
Cash and Cash Equivalents, Beginning of Year	<u>162,819</u>	<u>546,595</u>
Cash and Cash Equivalents, End of Year	<u>\$ 226,251</u>	<u>\$ 162,819</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

SBA Loan Forgiveness	\$ 35,670	\$ -
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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, 2021 and 2020

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 352 properties containing 13,540 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, 2021 and 2020

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 (temporary restrictions) 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 (permanent restrictions). 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 \$492,778 and \$468,515 as of December 31, 2021 and 2020, respectively.

Reclassification

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

Risks and Uncertainties

In March 2020, The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Trust, COVID-19 may impact various parts of its fiscal year 2022 operations and financial results including, but not limited to, declines in contributions. Management believes the Trust is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

The Trust maintains cash in bank deposit accounts at a financial institution, and the cash balances may exceed the federally insured limits. The Trust has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk with respect to its cash and cash equivalents.

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.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

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

Liquidity

The following reflects the Trust's financial assets as of December 31, 2021, 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	\$ 226,251
Funds Held by Attorney	32,000
Investments, at fair value	725,368
Grants Receivable	154,619
Pledges Receivable	<u>2,500</u>
	1,140,738
Less Those Unavailable for General Expenditures Within One Year, Due To:	
Net Assets With Donor Restrictions	<u>(492,778)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 647,960</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.

Grants Receivable

Grants receivable was \$154,619 as of December 31, 2021 and is due from the State of Maryland for reimbursement of expenses related to the King's Eye Restoration project. The balance was collected subsequent to December 31, 2021; therefore, an allowance for doubtful grants was not provided.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

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 more than one year. 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 \$63,577 and \$90,409 for the years ended December 31, 2021 and 2020, 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 3). However, the Trust assigns a nominal value of \$1 per acre for each easement purchased or donated. The Trust owned easements covering 13,540 and 13,196 acres as of December 31, 2021 and 2020, 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, 2021 and 2020

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

Valuation of Long-Lived Assets – (continued)

value, less costs to sell. The Trust's management believes that there are no impaired long-lived assets as of December 31, 2021 and 2020, and, therefore, no impairment loss has been recorded during the years ended December 31, 2021 and 2020.

Revenue Recognition and Unearned Revenue

Contributions are recognized when received from the donor or when pledged as an unconditional promise to give, if pledged. Contributions are recorded as without donor restrictions (unrestricted) or as with donor restrictions (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. Unearned revenue consists of advance payments from Baltimore County for King's Eye Restoration project; where revenue is recognized as expenses are incurred.

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, 2021 and 2020. The Trust files federal and state information returns. The Trust's Federal Form 990 remains open for three years for federal and state examination.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

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

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. 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, 2021. 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 21, 2022, 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.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

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.

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, 2021 and 2020 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, 2021.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

2. Fair Value of Financial Instruments - (continued)

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, 2021 and 2020:

Stocks and Exchange Traded Funds 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.

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, 2021:

	Total	Fair Value Measurement Using		
		Quoted Prices in Active Market For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	\$569,999	\$569,999	\$ -	\$ -
Stocks/Exchange Traded	155,369	155,369	-	-
Total	\$725,368	\$725,368	\$ -	\$ -

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

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, 2020:

	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	\$542,005	\$542,005	\$ -	\$ -
Stocks/Exchange Traded	159,021	159,021	-	-
Total	\$701,026	\$701,026	\$ -	\$ -

Net investment income consisted of \$25,411 and \$50,182 for the years ended December 31, 2021 and 2020.

3. 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 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 over 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 \$60,268 and \$24,446 in fiscal years 2021 and 2020, respectively, for such administrative purposes.

The Trust allocated \$344 (\$1 per acre, see Note 1) and \$182 in fiscal years ended December 31, 2021 and 2020, respectively, to the value of the easements obtained.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

4. Pledges Receivable

Pledges receivable consists of amounts due from a donor totaling \$2,500 and \$5,000 as of December 31, 2021 and 2020, respectively. The pledges were collected subsequent to December 31, 2021 and 2020 and, accordingly; an allowance for doubtful pledges was not provided.

5. Property and Equipment

Property and equipment consisted of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 2,140,564	\$ 2,140,564
Land Improvements	1,396,589	1,396,589
Other Property Improvements	809,683	806,057
Furniture and Equipment	52,527	52,527
Computer Equipment	10,994	10,994
	<u>4,410,357</u>	<u>4,406,731</u>
less: accumulated depreciation	(2,087,481)	(2,023,904)
Property and Equipment, net	<u>\$ 2,322,876</u>	<u>\$ 2,382,827</u>

6. Line of Credit

Effective October 2018, the Trust obtained a line of credit of \$50,000, expiring October 1, 2022. The line is in the process of being renewed. The line bears interest at LIBOR plus 3.75%. As of December 31, 2021 and 2020, the balance of the line was \$0.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

7. Satisfaction of Purpose and Time Restrictions

Net assets released from purpose and time restrictions for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Purpose Restrictions:		
Conservation Easement Settlements	\$1,924,521	\$1,746,139
King's Eye Project	3,676	-
Future Monitoring of Conservation Easements	6,645	4,265
Pledges Receivable – Time Only	5,000	-
Total Releases from Restrictions	<u>\$1,939,842</u>	<u>\$1,750,404</u>

8. Net Assets With Donor Restrictions

The Trust had net assets with donor restrictions of \$492,778 and \$468,515 as of December 31, 2021 and 2020, respectively, restricted as to the following purposes:

	<u>2021</u>	<u>2020</u>
Temporarily Restricted:		
Future Easement Monitoring	\$ 397,453	\$ 376,723
Land Improvements	31,792	31,792
King's Eye Project	<u>13,533</u>	<u>10,000</u>
Total Temporarily Restricted Net Assets	442,778	418,515
Permanently Restricted (See Note 9)	<u>50,000</u>	<u>50,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 492,778</u>	<u>\$ 468,515</u>

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, 2021 and 2020 was \$50,000.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

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, 2021 and 2020 was \$50,000.

11. Concentrations

One donor made up 73% and 77% of total revenues, gains and other support for the years ended December 31, 2021 and 2020, respectively.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

12. Commitments and Contingencies

Office Lease

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.

Small Business Administration Loan

In May 2020 and March 2021, the Trust was granted two loans totaling \$17,835 each under the Paycheck Protection Program administered by the Small Business Administration (SBA). The Trust is eligible for loan forgiveness of up to one hundred percent of the loan, upon meeting certain requirements. As of December 31, 2021, the Trust met requirements to be eligible for full forgiveness of the loan. Accordingly, the forgiveness total is reflected in the statement of activities for the year ended December 31, 2021 in contribution revenue. The SBA reserves the right to audit loan recipients for up to six years from the date the loan was forgiven.

13. Related Party Transactions

A board member is president of a company that was custodian for certain funds of the Trust in the amounts of \$32,000 and \$136,199 as of December 30, 2021 and 2020, respectively.

A board members' immediate family member provided mowing and maintenance services for the Trust. The Trust paid the related party \$9,515 and \$2,390 for the years ended December 31, 2021 and 2020, respectively.