

Land Preservation Trust, Inc.

Financial Statements together with Independent Auditor's Report

As of and For the Years Ended December 31, 2020 and 2019



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, 2020 and 2019, 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 audits 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, 2020 and 2019, 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.

C. E. A. Scholtes & Associates

Baltimore, Maryland
October 14, 2021

LAND PRESERVATION TRUST, INC.
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 112,819	\$ 496,595
Funds Held by Attorney	136,199	-
Investments, at fair value	701,026	226,701
Pledges Receivable	5,000	-
Prepaid Expenses	6,762	-
Total Current Assets	961,806	723,296
Property and Equipment, net	2,382,827	2,415,246
Other Assets		
Cash and Cash Equivalents, Restricted for Endowment	50,000	50,000
Conservation Easements	13,196	13,014
Total Other Assets	63,196	63,014
Total Assets	\$ 3,407,829	\$ 3,201,556
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 7,205	\$ 19,696
Refundable Advance - SBA Loan	17,835	-
Unearned Revenue	72,201	-
Total Liabilities	97,241	19,696
Net Assets		
Without Donor Restrictions		
Operations	459,246	328,281
Investment in Property and Equipment	2,382,827	2,415,246
Total Net Assets Without Donor Restrictions	2,842,073	2,743,527
With Donor Restrictions		
Temporarily Restricted	418,515	388,333
Permanently Restricted	50,000	50,000
Total Net Assets With Donor Restrictions	468,515	438,333
Total Net Assets	3,310,588	3,181,860
Total Liabilities and Net Assets	\$ 3,407,829	\$ 3,201,556

See accompanying notes and independent auditor's report.

LAND PRESERVATION TRUST, INC.
STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2020 (with Comparative Totals for the Year Ended December 31, 2019)

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, Gains and Other Support				
Contributions	\$ 341,247	\$ 1,780,586	\$ 2,121,833	\$ 1,923,537
Legacy Chase Event Management	-	-	-	178,834
Special Events, net of expenses of \$0 and \$480, respectively	26,120	-	26,120	23,925
Rental Income	34,336	-	34,336	41,600
Insurance Proceeds	21,105	-	21,105	-
Investment Income, net	50,182	-	50,182	15,495
Gain on Sale of Property and Equipment	3,500	-	3,500	-
Interest Income	5,749	-	5,749	22,970
Other Income	282	-	282	7,474
	<u>482,521</u>	<u>1,780,586</u>	<u>2,263,107</u>	<u>2,213,835</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>	<u>2,213,835</u>
Expenses				
Program Services	2,068,525	-	2,068,525	2,185,787
Supporting Services				
Management and General	43,317	-	43,317	39,558
Fundraising	22,537	-	22,537	14,105
Total Supporting Services	<u>65,854</u>	<u>-</u>	<u>65,854</u>	<u>53,663</u>
Total Expenses	<u>2,134,379</u>	<u>-</u>	<u>2,134,379</u>	<u>2,239,450</u>
Change in Net Assets	98,546	30,182	128,728	(25,615)
Net Assets, Beginning of Year	<u>2,743,527</u>	<u>438,333</u>	<u>3,181,860</u>	<u>3,207,475</u>
Net Assets, End of Year	<u>\$ 2,842,073</u>	<u>\$ 468,515</u>	<u>\$ 3,310,588</u>	<u>\$ 3,181,860</u>

See accompanying notes and independent auditor's report.

LAND PRESERVATION TRUST, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 210,208	\$ 1,713,329	\$ 1,923,537
Legacy Chase Event Management	178,834	-	178,834
Special Events, net of direct expenses of \$480	23,925	-	23,925
Rental Income	41,600	-	41,600
Investment Income, net	15,495	-	15,495
Interest Income	22,970	-	22,970
Other Income	7,474	-	7,474
	<u>500,506</u>	<u>1,713,329</u>	<u>2,213,835</u>
Satisfaction of Purpose Restrictions	1,690,065	(1,690,065)	-
Total Revenues, Gains and Other Support	<u>2,190,571</u>	<u>23,264</u>	<u>2,213,835</u>
Expenses			
Program Services	2,185,787	-	2,185,787
Supporting Services			
Management and General	39,558	-	39,558
Fundraising	14,105	-	14,105
Total Supporting Services	<u>53,663</u>	<u>-</u>	<u>53,663</u>
Total Expenses	<u>2,239,450</u>	<u>-</u>	<u>2,239,450</u>
Change in Net Assets	(48,879)	23,264	(25,615)
Net Assets, Beginning of Year	<u>2,792,406</u>	<u>415,069</u>	<u>3,207,475</u>
Net Assets, End of Year, restated	<u>\$ 2,743,527</u>	<u>\$ 438,333</u>	<u>\$ 3,181,860</u>

See accompanying notes and independent auditor's report.

LAND PRESERVATION TRUST, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020 (with Comparative Totals for the Year Ended December 31, 2019)

	2020			2019		
	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	\$ -	\$ 1,450	\$ -	\$ 1,450	\$ 1,450	\$ -
Contract Labor	82,641	353	-	353	82,994	99,155
Course and Land Maintenance	35,912	-	-	-	35,912	44,285
Depreciation	87,619	1,835	955	2,790	90,409	104,689
Dues and Subscriptions	7,382	500	-	500	7,882	8,814
Easements	1,749,622	-	-	-	1,749,622	1,676,011
Employee Benefits	4,499	94	49	143	4,642	7,807
Equine	6,330	-	-	-	6,330	4,500
JR Hunt Cup	-	-	-	-	-	3,615
Legacy Chase	8,530	-	-	-	8,530	135,286
Insurance and Taxes	2,684	5,722	-	5,722	8,406	7,063
Interest	-	-	-	-	-	259
Maintenance and Repairs	3,367	-	-	-	3,367	16,233
Miscellaneous	1,481	31	16	47	1,528	1,934
Office	386	8,329	-	8,329	8,715	8,648
Payroll and Payroll Related Expense	70,183	1,281	666	1,947	72,130	92,354
Postage and Delivery	278	466	-	466	744	460
Printing and Reproduction	-	7,296	-	7,296	7,296	4,642
Professional Fees	-	15,649	-	15,649	15,649	14,230
Social Media	-	-	20,319	20,319	20,319	-
Special Events - Other	-	-	532	532	532	1,081
Special Projects	5,110	-	-	-	5,110	-
Telephone	380	311	-	311	691	764
Travel	-	-	-	-	-	4,130
Utilities	2,121	-	-	-	2,121	2,266
Website	-	-	-	-	-	1,224
Total Expenses	<u>\$ 2,068,525</u>	<u>\$ 43,317</u>	<u>\$ 22,537</u>	<u>\$ 65,854</u>	<u>\$ 2,134,379</u>	<u>\$ 2,239,450</u>

See accompanying notes and independent auditor's report.

LAND PRESERVATION TRUST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Supporting Services			Total Supporting Services	Total
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Contract Labor	\$ 95,005	\$ -	\$ 4,150	\$ 4,150	\$ 99,155
Course and Land Maintenance	42,985	-	1,300	1,300	44,285
Depreciation	102,114	1,849	726	2,575	104,689
Dues and Subscriptions	51	8,663	100	8,763	8,814
Easements	1,676,011	-	-	-	1,676,011
Employee Benefits	7,615	138	54	192	7,807
Equine	2,650	-	1,850	1,850	4,500
JR Hunt Cup	-	-	3,615	3,615	3,615
Legacy Chase	135,286	-	-	-	135,286
Insurance and Taxes	5,788	885	390	1,275	7,063
Interest	-	259	-	259	259
Maintenance and Repairs	16,233	-	-	-	16,233
Miscellaneous	1,898	26	10	36	1,934
Office	1,849	6,778	21	6,799	8,648
Payroll and Payroll Related Expense	90,082	1,631	641	2,272	92,354
Postage and Delivery	88	242	130	372	460
Printing and Reproduction	-	4,642	-	4,642	4,642
Professional Fees	-	14,230	-	14,230	14,230
Special Events - Other	-	-	1,081	1,081	1,081
Telephone	644	120	-	120	764
Travel	4,028	73	29	102	4,130
Utilities	2,266	-	-	-	2,266
Website	1,194	22	8	30	1,224
Total Expenses	\$ 2,185,787	\$ 39,558	\$ 14,105	\$ 53,663	\$ 2,239,450

See accompanying notes and independent auditor's report.

LAND PRESERVATION TRUST, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 128,728	\$ (25,615)
Adjustments to Reconcile Changes in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:		
Depreciation	90,409	104,689
Unrealized and Realized Gains, net	(50,182)	(15,495)
Changes in Assets and Liabilities:		
Increase in Funds Held by Attorney	(136,199)	-
Increase in Pledges Receivable	(5,000)	-
Increase in Prepaid Expenses	(6,762)	-
Increase in Conservation Easements	(182)	(437)
(Decrease) Increase in Accounts Payable and Accrued Expenses	(12,491)	2,585
Increase in Unearned Revenue	72,201	-
Net Cash and Cash Equivalents Provided by Operating Activities	<u>80,522</u>	<u>65,727</u>
Cash Flows from Investing Activities:		
Cash Purchases of Investments	(601,561)	(339,172)
Sales of Investments	177,418	729,859
Cash Paid for Property and Equipment	<u>(57,990)</u>	<u>(18,114)</u>
Net Cash and Cash Equivalents (Used in) Provided by Investing Activities	(482,133)	372,573
Cash Flows from Financing Activities:		
Principal Repayments of Note Payable	-	(1,175)
Cash Proceeds from Refundable Advance - SBA Loan	<u>17,835</u>	<u>-</u>
Net Cash and Cash Equivalents Provided by (Used in) Financing Activities	<u>17,835</u>	<u>(1,175)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(383,776)	437,125
Cash and Cash Equivalents, Beginning of Year	<u>546,595</u>	<u>109,470</u>
Cash and Cash Equivalents, End of Year	<u>\$ 162,819</u>	<u>\$ 546,595</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash Payments for Interest	\$ -	\$ 259
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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, 2020 and 2019

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 349 properties containing 13,196 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, 2020 and 2019

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 \$468,515 and \$438,333 as of December 31, 2020 and 2019, respectively.

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 2021 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, 2020 and 2019

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

Liquidity

The following reflects the Trust's financial assets as of December 31, 2020, 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	\$ 112,819
Funds Held by Attorney	136,199
Investments, at fair value	<u>701,026</u>
	950,044
Less Those Unavailable for General Expenditures Within One Year, Due To:	
Net Assets With Donor Restrictions	<u>(468,515)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 481,529</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.

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 \$90,409 and \$104,689 for the years ended December 31, 2020 and 2019, respectively.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

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 3). However, the Trust assigns a nominal value of \$1 per acre for each easement purchased or donated. The Trust owned easements covering 13,196 and 13,014 acres as of December 31, 2020 and 2019, 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, 2020 and 2019, and, therefore, no impairment loss has been recorded during the years ended December 31, 2020 and 2019.

Refundable Advance – Small Business Administration

In May 2020, the Trust was granted a loan totaling \$17,835 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. The Trust has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the SBA loan or when such conditions are explicitly waived.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

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

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 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, 2020 and 2019. The Trust files federal and state information returns. The Trust's Federal Form 990 remains open for three years for federal and state examination.

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.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

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

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 14, 2021, 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.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

2. Fair Value of Financial Instruments - (continued)

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, 2020 and 2019 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, 2020.

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, 2020 and 2019:

Stocks and Exchange Traded Fund and Mutual Funds: Valued at the closing price reported on the active market on which the fund is traded.

LAND PRESERVATION TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

2. Fair Value of Financial Instruments - (continued)

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, 2020:

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

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, 2019:

	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	\$226,701	\$226,701	\$ -	\$ -
Total	\$226,701	\$226,701	\$ -	\$ -

Net investment income consisted of \$50,182 and \$15,495 for the years ended December 31, 2020 and 2019.

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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 \$24,446 and \$23,594 in fiscal years 2020 and 2019, respectively, for such administrative purposes.

The Trust allocated \$182 (\$1 per acre, see Note 1) and \$437 in fiscal years ended December 31, 2020 and 2019, respectively, to the value of the easements obtained.

4. Pledges Receivable

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

5. Property and Equipment

Property and equipment consisted of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 2,140,564	\$ 2,140,564
Land Improvements	1,396,589	1,396,589
Other Property Improvements	806,057	734,367
Furniture and Equipment	52,527	58,317
Construction in Process	-	13,700
Computer Equipment	10,994	10,994
	<u>4,406,731</u>	<u>4,354,531</u>
less: accumulated depreciation	(2,023,904)	(1,939,285)
Property and Equipment, net	<u>\$ 2,382,827</u>	<u>\$ 2,415,246</u>

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6. Line of Credit

Effective October 2018, the Trust obtained a line of credit of \$50,000, expiring October 1, 2020. The line is in the process of being renewed. The line bears interest at LIBOR plus 3.75%. As of December 31, 2020 and 2019, the balance of the line was \$0.

7. Satisfaction of Purpose Restrictions

Net assets released from purpose restrictions for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Purpose Restrictions:		
Conservation Easement Settlements	\$1,746,139	\$1,664,735
Future Monitoring of Conservation Easements	4,265	330
Race Purses	-	25,000
Total Releases from Restrictions	<u>\$1,750,404</u>	<u>\$1,690,065</u>

8. Net Assets With Donor Restrictions

The Trust had net assets with donor restrictions of \$468,515 and \$438,333 as of December 31, 2020 and 2019, respectively, restricted as to the following purposes:

	<u>2020</u>	<u>2019</u>
Temporarily Restricted:		
Future Easement Monitoring	\$ 376,723	\$ 356,541
Land Improvements	31,792	31,792
King's Eye Project	10,000	-
Total Temporarily Restricted Net Assets	<u>418,515</u>	<u>388,333</u>
Permanently Restricted (See Note 9)	<u>50,000</u>	<u>50,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 468,515</u>	<u>\$ 438,333</u>

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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, 2020 and 2019 was \$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, 2020 and 2019 was \$50,000.

11. Concentrations

One donor made up 77% and 75% of total revenues, gains and other support for the years ended December 31, 2020 and 2019, respectively.

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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.

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 \$136,199 and \$0 as of December 30, 2020 and 2019, respectively.

A past board member (2019) was president of the company that was custodian to the Trust's investment portfolio of \$707,116 as of December 31, 2019. These funds consisted 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 \$2,390 and \$6,446 for the years ended December 31, 2020 and 2019, 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 \$0 and \$10,000 from the company for the years ended December 31, 2020 and 2019, respectively.