

THE LANCASTER COUNTY CONSERVANCY

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

AND

INDEPENDENT AUDITOR'S REPORT



McKONLY & ASBURY
CPAs & Business Advisors

MEMBERS

AMERICAN AND PENNSYLVANIA INSTITUTES
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT MEMBER OF



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Lancaster County Conservancy

Report on the Financial Statements

We have audited the accompanying financial statements of The Lancaster County Conservancy (a nonprofit organization) (the Conservancy), 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 The Lancaster County Conservancy 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.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
July 14, 2021

THE LANCASTER COUNTY CONSERVANCY

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 1,485,958	\$ 863,791
Grants receivable	658,413	621,437
Promises to give	1,303,982	749,481
Prepaid expenses	<u>51,819</u>	<u>34,893</u>
Total current assets	<u>3,500,172</u>	<u>2,269,602</u>
Property and equipment		
Land	47,442,912	43,699,095
Conservation easements	59,463	59,463
Office furniture and equipment	191,030	174,338
Stewardship equipment	262,853	202,611
Transportation equipment	107,363	97,363
Computer software	27,584	27,584
Property improvements	524,652	515,002
Construction/projects in progress	<u>166,004</u>	<u>119,052</u>
Total property and equipment	48,781,861	44,894,508
Accumulated depreciation	(693,626)	(616,494)
Net property and equipment	<u>48,088,235</u>	<u>44,278,014</u>
Other assets		
Investments	797,854	728,913
Restricted investments - R.H.G. Riverlands Fund	7,383,079	6,850,586
Promises to give - net	5,227,858	1,413,785
Escrow and related costs for properties to be acquired	118,956	120,755
Interest in charitable remainder trust	<u>131,748</u>	<u>122,830</u>
Total other assets	<u>13,659,495</u>	<u>9,236,869</u>
Total assets	<u>\$ 65,247,902</u>	<u>\$ 55,784,485</u>

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

LIABILITIES AND NET ASSETS

	2020	2019
Current liabilities		
Accounts payable	\$ 80,850	\$ 56,646
Accrued payroll and taxes	46,024	33,780
Accrued interest	1,880	-
Prepaid rent	4,650	4,650
Deferred grant revenue	310,474	277,920
Other liabilities	1,830	1,830
PPP loan payable	200,000	-
Total current liabilities	645,708	374,826
Notes payable, net of current portion	-	820,000
Total liabilities	645,708	1,194,826
Net assets without donor restrictions		
Land and conservation easements	47,502,375	43,758,558
Board designated - Stewardship Fund	756,003	689,388
Other	2,212,942	2,076,012
Total net assets without donor restrictions	50,471,320	46,523,958
Net assets with donor restrictions	14,130,874	8,065,701
Total net assets	64,602,194	54,589,659
Total liabilities and net assets	\$ 65,247,902	\$ 55,784,485

THE LANCASTER COUNTY CONSERVANCY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Grants	\$ 834,776	\$ -	\$ 834,776
Contributions	799,527	6,522,873	7,322,400
Donated land	2,618,871	-	2,618,871
Special events, net	456,710	-	456,710
Preserve management income	21,637	-	21,637
Investment income	74,623	722,894	797,517
Other income	14,475	-	14,475
Change in value of split-interest agreement	-	8,918	8,918
Net assets released from restrictions	1,189,512	(1,189,512)	-
Total revenue and other support	6,010,131	6,065,173	12,075,304
Expenses			
Program services			
Land			
Protection and Acquisition	327,199	-	327,199
Stewardship	846,746	-	846,746
Community Impact	392,987	-	392,987
Total program services	1,566,932	-	1,566,932
Supporting services			
Management and general	256,313	-	256,313
Fundraising and development	239,524	-	239,524
Total supporting services	495,837	-	495,837
Total expenses	2,062,769	-	2,062,769
Change in net assets	3,947,362	6,065,173	10,012,535
Net assets, beginning	46,523,958	8,065,701	54,589,659
Net assets, ending	<u>\$ 50,471,320</u>	<u>\$ 14,130,874</u>	<u>\$ 64,602,194</u>

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

THE LANCASTER COUNTY CONSERVANCY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and other support			
Grants	\$ 925,097	\$ -	\$ 925,097
Contributions	4,541,105	1,122,062	5,663,167
Donated land	655,020	-	655,020
Special events, net	288,169	-	288,169
Preserve management income	18,836	-	18,836
Investment income	139,594	1,039,453	1,179,047
Other income	44,416	-	44,416
Change in value of split-interest agreement	-	10,729	10,729
Net assets released from restrictions	1,840,674	(1,840,674)	-
Total revenue and other support	<u>8,452,911</u>	<u>331,570</u>	<u>8,784,481</u>
Expenses			
Program services			
Land			
Protection and Acquisition	312,069	-	312,069
Stewardship	700,386	-	700,386
Community Impact	481,340	-	481,340
Total program services	<u>1,493,795</u>	<u>-</u>	<u>1,493,795</u>
Supporting services			
Management and general	247,996	-	247,996
Fundraising and development	238,876	-	238,876
Total supporting services	<u>486,872</u>	<u>-</u>	<u>486,872</u>
Total expenses	<u>1,980,667</u>	<u>-</u>	<u>1,980,667</u>
Change in net assets	6,472,244	331,570	6,803,814
Net assets, beginning	<u>40,051,714</u>	<u>7,734,131</u>	<u>47,785,845</u>
Net assets, ending	<u><u>\$ 46,523,958</u></u>	<u><u>\$ 8,065,701</u></u>	<u><u>\$ 54,589,659</u></u>

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

THE LANCASTER COUNTY CONSERVANCY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Programs			Total Programs	Management and General	Fundraising & Development	Total
	Land Protection & Acquisition	Land Stewardship	Community Impact				
Expenses							
Salaries and wages	\$ 207,741	\$ 404,339	\$ 166,761	\$ 778,841	\$ 96,299	\$ 125,633	\$ 1,000,773
Payroll taxes and benefits	32,739	97,549	34,128	164,416	16,750	25,043	206,209
Staff development	1,627	977	173	2,777	-	-	2,777
Member events	-	-	6,740	6,740	-	-	6,740
Rent	-	4,131	-	4,131	-	-	4,131
Supplies	-	20,347	1,209	21,556	-	-	21,556
Postage	-	-	-	-	1,522	-	1,522
Telephone	1,721	5,081	1,615	8,417	5,893	1,196	15,506
Bank fees	-	-	-	-	6,686	-	6,686
Professional fees	-	25,123	-	25,123	35,000	-	60,123
Taxes and fees	-	64,793	-	64,793	-	-	64,793
Auto and travel	1,945	16,852	693	19,490	1,917	372	21,779
Insurance	-	8,036	-	8,036	16,921	-	24,957
Memberships and dues	-	-	-	-	20,684	-	20,684
Printing and publications	-	-	55,020	55,020	-	4,055	59,075
Office expense	14,342	32,782	18,440	65,564	39,466	11,269	116,299
Depreciation	-	65,786	-	65,786	11,346	-	77,132
Maintenance	-	66,581	20,734	87,315	-	-	87,315
Interest expense	1,406	-	-	1,406	-	-	1,406
Miscellaneous expense	440	-	375	815	-	935	1,750
Education	-	-	-	-	3,829	-	3,829
Fundraising and development	-	-	-	-	-	71,021	71,021
Grant expenses	-	34,369	87,099	121,468	-	-	121,468
Goodno Riverlands Fund expenses	65,238	-	-	65,238	-	-	65,238
Total expenses	<u>\$ 327,199</u>	<u>\$ 846,746</u>	<u>\$ 392,987</u>	<u>\$ 1,566,932</u>	<u>\$ 256,313</u>	<u>\$ 239,524</u>	<u>\$ 2,062,769</u>

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

THE LANCASTER COUNTY CONSERVANCY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Programs			Total Programs	Management and General	Fundraising & Development	Total
	Land Protection & Acquisition	Land Stewardship	Community Impact				
Expenses							
Salaries and wages	\$ 192,180	\$ 319,986	\$ 176,192	\$ 688,358	\$ 87,225	\$ 150,945	\$ 926,528
Payroll taxes and benefits	30,003	75,809	35,086	140,898	17,399	30,619	188,916
Staff development	2,569	2,507	522	5,598	-	683	6,281
Member events	-	-	44,878	44,878	-	-	44,878
Rent	-	3,913	-	3,913	-	-	3,913
Supplies	-	27,061	6,173	33,234	-	-	33,234
Postage	-	-	-	-	1,214	-	1,214
Telephone	780	3,780	915	5,475	4,282	555	10,312
Bank fees	-	-	-	-	5,162	-	5,162
Professional fees	-	10,280	28,353	38,633	68,615	-	107,248
Taxes and fees	-	15,093	-	15,093	-	-	15,093
Auto and travel	6,436	17,496	1,894	25,826	8,215	2,513	36,554
Insurance	-	14,305	-	14,305	8,170	-	22,475
Memberships and dues	-	-	-	-	7,808	-	7,808
Printing and publications	-	-	79,253	79,253	-	7,087	86,340
Office expense	13,899	31,768	17,870	63,537	-	10,920	74,457
Depreciation	-	63,671	-	63,671	9,531	-	73,202
Maintenance	-	59,853	34,515	94,368	-	-	94,368
Interest expense	201	-	-	201	-	-	201
Miscellaneous expense	1,063	125	875	2,063	28,778	974	31,815
Education	-	-	-	-	1,597	-	1,597
Fundraising and development	1,600	-	-	1,600	-	34,580	36,180
Grant expenses	-	54,739	54,814	109,553	-	-	109,553
Goodno Riverlands Fund expenses	63,338	-	-	63,338	-	-	63,338
Total expenses	<u>\$ 312,069</u>	<u>\$ 700,386</u>	<u>\$ 481,340</u>	<u>\$ 1,493,795</u>	<u>\$ 247,996</u>	<u>\$ 238,876</u>	<u>\$ 1,980,667</u>

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

THE LANCASTER COUNTY CONSERVANCY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 10,012,535	\$ 6,803,814
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Net realized and unrealized gain on investments	(791,835)	(1,163,288)
Change in value of split-interest agreement	(8,918)	(10,729)
Change in discount of long-term promises to give	31,377	(62,027)
Depreciation	77,132	73,202
Donated land	(2,618,871)	(655,020)
(Increase) decrease in assets		
Grants receivable	(36,976)	18,551
Promises to give	(4,399,951)	(336,820)
Prepaid expenses	(16,926)	(19,671)
Increase (decrease) in liabilities		
Accounts payable	24,204	4,384
Accrued payroll and taxes	12,244	13,479
Accrued interest	1,880	-
Deferred grant revenue	32,554	(135,382)
Other liabilities	-	(895)
Contributions restricted for long-term purposes	(2,113,922)	(635,193)
Net cash and cash equivalents provided by operating activities	204,527	3,894,405
Cash flows from investing activities		
Purchase of property and equipment	(1,266,683)	(5,616,566)
Purchase of restricted investments	(150,049)	(152,123)
Sale of unrestricted investments	-	48,441
Sale of restricted investments	340,450	317,997
Net cash and cash equivalents used in investing activities	(1,076,282)	(5,402,251)
Cash flows from financing activities		
Collections of contributions restricted for long-term purposes	2,113,922	635,193
Proceeds from PPP loan	200,000	820,000
Repayment of notes payable	(820,000)	(219,894)
Net cash and cash equivalents provided by financing activities	1,493,922	1,235,299
Net increase (decrease) in cash and cash equivalents	622,167	(272,547)
Cash and cash equivalents - beginning of the year	863,791	1,136,338
Cash and cash equivalents - end of the year	\$ 1,485,958	\$ 863,791

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

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Lancaster County Conservancy was founded by anglers, hunters, and naturalists who witnessed the rapid development of Lancaster County. The question they faced? How do we hold back the tide of human destruction of our precious land?

Banding together in 1969, these visionaries decreed that we need to acquire and protect our remaining forests, wetlands, and streams before they are destroyed forever. The premise that “some land is so beautiful, so rare, so natural it should be protected for public benefit” has driven the acquisitions as a land trust to this day.

Inspired by these visionaries the Conservancy, as a private community non-profit land trust, stepped into the role of acquiring natural lands, a role previously led by the government who used to acquire and expand public land holdings by establishing State and National Parks and Forests.

For over 50 years, the Conservancy has acquired land—an expensive undertaking. Today the Conservancy is the largest private property owner for public benefit in Central PA. The Conservancy manages over 7,800 acres, with 45 plus miles of trails and 42 miles of streams in dozens of nature preserves. The Conservancy’s beautiful properties are a gift, enjoyed by thousands of people who can take a walk in woods not more than 10 miles away from any home in Lancaster County.

But a huge challenge with owning public lands is that the Conservancy has to steward them. This means balancing the impact of people who love to escape into nature with the ecosystems we strive to nurture and protect. The Conservancy has had to create an army of volunteers and supporters to help care for its natural lands—saving the pollinators, saving the dwindling bird populations, saving nature! The very future of the Conservancy depends on it.

The mission of the Lancaster County Conservancy is “Providing wild and forested lands and clean waterways for our community. Forever”. The charitable purposes of the Lancaster County Conservancy include preservation of natural lands, ecosystems, landscapes, and waterways for future generations.

Conservancy preserves are open to the public 365 days a year, sun up to sun down. The Conservancy’s work results in protection of critical wildlife corridors, recreation lands, water resources, and preserves mature forests that clean our air and water.

The Conservancy works with national, regional, and local partners to protect the special places within Lancaster County and along its streams and rivers. This effort also takes the Conservancy into York, Chester, and Dauphin Counties with a focus on land, water, and community.

Basis of Accounting

The Conservancy follows the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, has reflected all significant receivables, payables, and other liabilities.

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

Basis of Presentation

The Conservancy 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.

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

Cash and Cash Equivalents

The Conservancy considers all highly-liquid investments having an initial maturity of three months or less to be cash equivalents.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Any discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Property and Equipment

Property and equipment are stated at cost or fair value if donated. Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss, net of proceeds, is reflected in the change in net assets for the period. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The estimated useful lives of the Conservancy's assets are as follows:

Asset Class	Useful Life
Office furniture and equipment	3 – 10 years
Stewardship equipment	5 – 10 years
Transportation equipment	5 years
Computer software	3 – 7 years
Property improvements	7 – 15 years

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

Impairment

The Conservancy reviews its long-lived assets for impairment on an exception basis whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through future cash flows. If it is determined that an impairment loss has occurred, based on the expected cash flows, a loss is recognized in the statement of activities.

Investments

Investments are recorded at their fair values in the statements of financial position. The fair value of mutual funds and funds held by the Lancaster County Community Foundation are based on quoted net asset values of the shares held by the Conservancy. Net realized and unrealized gains and losses on investments are reflected in the statements of activities. The Conservancy has funds totaling \$1,118,545 and \$260,045 invested in money market funds as of December 31, 2020 and 2019. These funds are not insured by the Federal Deposit Insurance Corporation.

Restricted investments consist of investments held for the Ralph H. Goodno Riverlands Fund. See Note 13 for further information.

Net Assets

Net asset classification is based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

Contributions received are recorded as with or without donor restrictions support. This requirement is dependent on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as “net assets released from restrictions.”

The Conservancy has been awarded grants from various organizations. The grants are contingent on incurring allowable costs. Accordingly, revenue is recognized when the Conservancy incurs allowable costs. Amounts received in advance are reported in the statements of financial position as deferred grant revenue.

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

In-Kind Contributions

Donated in-kind contributions are recorded at fair market value at the time of receipt. These contributions are recognized as both support and expenses in the statements of activities. Only those contributed services that create or enhance non-financial assets, require specialized skills and are provided by such individuals possessing those skills and would typically need to be purchased, if not provided by donation, are so recognized in the financial statements. There were \$62,218 and \$143,596 of gifts in kind, including contributed services, recognized in the financial statements for the years ending December 31, 2020 and 2019.

There were a substantial number of volunteers that donated significant amounts of time to the Conservancy's activities during the years ended December 31, 2020 and 2019. There have been no amounts reflected in the accompanying financial statements for such donated services because such services are not subject to objective measurement or valuation. However, because recognition of donated services as support would also involve recognition of corresponding expenses, there would be no effect on the Conservancy's net assets.

Paycheck Protection Program Loan

On April 23, 2020, the Conservancy qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), from Fulton Bank, for the principal amount of \$200,000 (the "PPP loan"). The PPP loan bears interest at a fixed rate of 1.0%. The Conservancy has elected to follow loan accounting under ASC 470, Debt. The loan is recorded as a liability on the statement of financial position as of December 31, 2020. The principal amount of the PPP Loan is subject to forgiveness upon the Conservancy's request to the extent that the proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs and covered utility payments incurred by the Conservancy over a 24 week period. The Conservancy applied and was approved for forgiveness of the PPP Loan with respect to these covered expenses in February 2021 (See note 15).

Functional Allocation of Expenses

The costs of providing programs and other supporting activities have been summarized on a functional basis on the statements of functional expenses. Accordingly, certain costs have been allocated among programs and the supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Allocation Method</u>
Salaries and wages	Time and effort
Payroll taxes and benefits	Time and effort
Office expenses	Benefits received
Telephone	Benefits received

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

Program Services

Land Protection and Acquisition – The Conservancy partners with local, county, state, and national governmental entities and non-profits to identify and acquire lands of high conservation value and are one of the most successful land trusts in the Commonwealth of Pennsylvania. The Conservancy works with landowners and our partners to protect land through acquisition and conservation easements by donation, bargain sale, or a fair market value purchase.

Land Stewardship – Lands owned by the Conservancy are managed in accordance with donor wishes and best management practices as defined through comprehensive management plans prepared for each preserve. Conservancy preserves are open to the public free of charge for activities including hiking, bird watching, cross country skiing, nature walks, passive recreation, and education.

Community Impact – Community Impact initiatives support the Conservancy’s purpose in three areas: 1) Marketing and Communications through publications, reports, website, and social media outreach to increase awareness and support of our mission to protect and restore forested land and waterways; 2) Community Engagement events and programs to build knowledge and understanding about our natural world and increase supporters of our mission; 3) Volunteer recruitment and training to support the restoration of habitat and care of the Conservancy’s nature preserves.

Income Taxes

The Conservancy is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). The Conservancy adheres to the provisions of FASB ASC 740, *Income Taxes*. ASC 740 establishes rules for recognizing and measuring tax positions taken in an income tax return, including disclosures of uncertain tax positions (UTPs). ASC 740 mandates that companies evaluate all material income tax positions for periods that remain open under applicable statutes of limitation, as well as positions expected to be taken in future returns. The UTP rules then impose a recognition threshold on each tax position. A company can recognize an income tax benefit only if the position has a "more likely than not" (i.e., more than 50 percent) chance of being sustained on the technical merits. For the years ended December 31, 2020 and 2019, the Conservancy has taken no material tax positions on its applicable tax filings that do not meet the “more likely than not” threshold. As a result, no amount for UTPs has been included in the financial statements. Management believes it is no longer subject to income tax examinations for years prior to 2017.

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The pronouncement, and related subsequent pronouncements, requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The changes became effective for the Conservancy on January 1, 2020. Management has determined the impact of these changes on the Conservancy’s financial statements were minimal.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The changes associated with this ASU include the requirement for lessees to recognize the underlying assets and liabilities associated with all operating leases with terms greater than 12 months. The changes become effective

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NOTES TO FINANCIAL STATEMENTS

for the Conservancy on January 1, 2022. Management has not determined the impact of these changes on the Conservancy's financial statements.

Reclassifications

Certain items have been reclassified in the year ended December 31, 2019, financial statements to conform to their presentation in the year ended December 31, 2020, financial statements.

Subsequent Events

Management evaluated subsequent events through July 14, 2021, the date the financial statements were available to be issued. See Note 15.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets as of December 31, 2020 and 2019, available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position dates, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 1,485,958	\$ 863,791
Investments without restrictions	756,003	689,388
Grants receivable without restrictions	658,413	539,857
Promises to give without restrictions	11,000	70,000
	<hr/>	<hr/>
Total financial assets	2,911,374	2,163,036
Less: Deferred revenue	(310,474)	(277,920)
Less: Board designated - Stewardship Fund	(756,003)	(689,388)
Less: Cash restricted for conservation projects	(1,363,733)	(825,855)
	<hr/>	<hr/>
	\$ 481,164	\$ 369,873
	<hr/>	<hr/>

The Conservancy manages its liquidity and cash reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. As part of the Conservancy's liquidity management plan, the Conservancy invests cash in excess of daily requirements in money market accounts. The Conservancy forecasts its future cash flows and monitors its liquidity and cash balances on a monthly basis.

The Conservancy's board designated stewardship fund of \$756,003 and \$689,388 in years 2020 and 2019 are subject to an annual spending rate of 5%. The Conservancy does not intend to spend from this board designated stewardship fund, other than amounts appropriated for general expenditure as part of the annual budget approval and appropriation. These amounts could be made available if necessary.

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS

The fair values of investments at December 31, 2020 and 2019, are as follows:

Description	2020	2019
Money market mutual funds	\$ 1,118,545	\$ 260,045
Common stock and mutual funds	4,408,415	4,446,916
Corporate and government bonds	1,348,117	1,594,711
Funds held by Lancaster County Community Foundation	1,305,856	1,277,827
Total investments	\$ 8,180,933	\$ 7,579,499

The Conservancy has invested in a common pool of investments managed by Lancaster County Community Foundation (LCCF). Income from the investments are to be used for the Ralph H. Goodno Riverlands Fund and the acquisition of land in Lancaster County.

4. FAIR VALUE MEASUREMENTS

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820, *Fair Value Measurements and Disclosures* are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Conservancy 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, the 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 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 LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Mutual funds: The fair value of mutual funds is based on quoted net asset values of the shares as reported by the fund.

Common stock, corporate and government bonds: Fair values of investments including common stocks, government bonds, and corporate bonds are based on quoted market prices or dealer quotes, valued at the closing price reported on the active market on which the individual securities are traded.

Funds held by LCCF: Valued at the net asset value of the allocable portion of the common pool investments.

Unconditional promises to give: Valued at net realizable value for any pledges expected to be collected within one year. Pledges expected to be collected in future years are recorded at the present value of their estimated future cash flows. Unconditional promises to give expected to be received in more than one year are discounted using a rate comparable to the governmental bond rate for the term of the pledges.

Charitable remainder trust: Valued at the net asset value of trust assets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Conservancy believes its valuation methods are 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 sets forth by level, within the fair value hierarchy, the Conservancy's assets at fair value as of December 31, 2020 and 2019.

Assets at fair value as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market mutual funds	\$ 1,118,545	\$ -	\$ -	\$ 1,118,545
Common stock and mutual funds	4,408,415	-	-	4,408,415
Corporate and government bonds	1,348,117	-	-	1,348,117
Funds held by LCCF	-	1,305,856	-	1,305,856
Unconditional promises to give	-	-	6,531,840	6,531,840
Charitable remainder trust	-	-	131,748	131,748
	<u>\$ 6,875,077</u>	<u>\$ 1,305,856</u>	<u>\$ 6,663,588</u>	<u>\$ 14,844,521</u>

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

Assets at fair value as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ 260,045	\$ -	\$ -	\$ 260,045
Common stock and mutual funds	4,446,916	-	-	4,446,916
Corporate and government bonds	1,594,711	-	-	1,594,711
Funds held by LCCF	-	1,277,827	-	1,277,827
Unconditional promises to give	-	-	2,163,266	2,163,266
Charitable remainder trust	-	-	122,830	122,830
	\$ 6,301,672	\$ 1,277,827	\$ 2,286,096	\$ 9,865,595

The following table sets forth a summary of changes in the fair value of the Conservancy's unconditional promises to give for the years ended December 31, 2020 and 2019.

	2020	2019
Balance, beginning of year	\$ 2,163,266	\$ 1,764,419
Establishment of new unconditional promises to give	5,520,000	599,432
Change in discount	(31,377)	62,027
Payment of unconditional promises to give	(1,120,049)	(262,612)
Balance, end of year	\$ 6,531,840	\$ 2,163,266

The change in discount of (\$31,377) and \$62,027 during the years ended December 31, 2020 and 2019, is attributable to the change in pledges due in future years and the rate used to calculate the discount factor that is comparable to the governmental bond rate for the term of the pledges.

The following table sets forth a summary of changes in the fair value of the Conservancy's charitable remainder trust for the years ended December 31, 2020 and 2019.

	2020	2019
Balance, beginning of year	\$ 122,830	\$ 112,101
Change in present value	8,918	10,729
Balance, end of year	\$ 131,748	\$ 122,830

The change in present value during the years ended December 31, 2020 and 2019, is attributable to the change in the investment value of the underlying assets and the rate used to calculate the present value.

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

5. PROMISES TO GIVE

Promises to give at December 31, 2020 and 2019, are as follows:

	2020	2019
Restricted for Ralph H. Goodno Riverlands Fund	\$ 1,771,741	\$ 1,921,790
Restricted for Conservation Projects	5,138,432	529,432
Without restrictions	11,000	70,000
Total promises to give	\$ 6,921,173	\$ 2,521,222
	2020	2019
Receivable in less than one year	\$ 1,303,982	\$ 749,481
Receivable in one to five years	4,845,145	820,529
Receivable in more than five years	772,046	951,212
Total promises to give	6,921,173	2,521,222
Less discounts to net present value	(389,333)	(357,956)
Net promises to give	6,531,840	2,163,266
Less current portion of promises to give	(1,303,982)	(749,481)
Promises to give – long term	\$ 5,227,858	\$ 1,413,785

Promises to give are discounted at a rate of 2.19% and 4.13% at December 31, 2020 and 2019.

6. CONSERVATION INTEREST IN LAND HELD IN FEE

The Conservancy acquires conservation interests in land, including land held in fee, conservation easements, and leasehold interests in land by donation and purchase. Land purchased and held in fee is recorded at cost. Land held in fee that is received by donation is recorded at fair value at the date of donation. Donated land, totaling approximately 88 acres, received prior to December 31, 1991, is not recorded in the financial statements because no appraisal was performed at the time of the donation to obtain the fair market value of the property.

The Conservancy holds conservation easements on various properties in Lancaster County that are designed to prohibit the development or alteration of the property in any way inconsistent with the easement. Although conservation easements bring significant value to the Conservancy's purpose, they have no financial value, other than the direct acquisition costs. For this reason, only direct costs incurred to acquire easements are capitalized, whereas donated conservation easements are not reflected in the financial statements.

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

The Conservancy also holds a conservation interest in the form of a lease. The lease is being renewed on a year-to-year basis and payments are expensed as they are paid.

The Conservancy has the ongoing commitment to ensure the preservation and maintenance of its conservation interests. Although the amounts for land held in fee are shown as unrestricted net assets in the statements of financial position, it is the Conservancy's intention to hold them indefinitely. In most cases, the Conservancy would need to obtain the permission of the original funder from which the grant or contribution proceeds used to purchase the land held in fee were received before selling a parcel of land.

As of December 31, 2020, the Conservancy held the following conservation interests:

	<u>Carrying Amount</u>	<u>Acreage</u>
Land held in fee	\$ 47,442,912	6,862
Conservation easements held		
Directly	35,525	559
Jointly	<u>23,938</u>	379
	<u>\$ 47,502,375</u>	
Leases, conservation land use		<u>67</u>
Total acres		<u><u>7,867</u></u>

7. INTEREST IN CHARITABLE REMAINDER TRUST

The Conservancy received a donation of trust assets in August 2006. Under the terms of the charitable remainder trust agreement, the donors are to receive 6.50% annually, of the value of the assets paid quarterly. The fair value of the investments as of December 31, 2020 and 2019, was \$139,958 and \$137,207, respectively. The present value of the trust at December 31, 2020 and 2019, was \$131,748 and \$122,830, respectively, and has been included in other assets on the statements of financial position.

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

8. NOTES PAYABLE

Notes payable at December 31, 2020 and 2019, consist of:

	2020	2019
Effective September 19, 2019, Fulton Bank issued a 2year unsecured note payable in the amount of \$180,000. Payments of interest at the Bank’s prime rate were due monthly and the full principal balance and unpaid interest was paid in full on February 27, 2020.	-	70,000
Effective December 19, 2019, Fulton Bank issued a 2year unsecured note payable in the amount of \$750,000. Payments of interest were due monthly at the Bank’s prime rate and the full principal balance and unpaid interest was paid in full on December 31, 2020.	-	750,000
Less current maturities	-	-
Total long-term debt net of current maturities	\$ -	\$ 820,000

The Conservancy incurred interest costs totaling \$4,147 and \$2,032 for the years ended December 31, 2020 and 2019. The Conservancy paid interest in the amount of \$2,267 and \$2,032 for the years ended December 31, 2020 and 2019. Interest of \$2,741 and \$1,831 was capitalized to land for the years ended December 31, 2020 and 2019.

9. NET ASSETS WITH DONOR RESTRICTIONS

The Conservancy has received contributions to be used specifically for conservation projects, including land acquisition and land stewardship. Some of these contributions have geographic limitations.

Net assets with donor restrictions consisted of the following as of December 31, 2020 and 2019:

	2020	2019
Ralph H. Goodno Riverlands Fund (see note 13)	\$ 7,462,079	\$ 7,082,134
Conservation projects	6,502,165	825,855
Charitable remainder trust	131,748	122,830
Conservancy land acquisition endowment	34,882	34,882
	\$ 14,130,874	\$ 8,065,701

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

10. OPERATING LEASE OBLIGATIONS

The Conservancy leases office space under a non-cancelable operating lease that expired in February 28, 2021. The lease has been extended to February 28, 2022. Rent expense totaled \$34,762 and \$30,599 for the years ended December 31, 2020 and 2019, respectively.

The following is a schedule of future minimum rental payments required under the operating lease as of December 31, 2020:

Year Ending:

2021	\$ 39,412
2022	\$ 6,670

11. RETIREMENT PLAN

The Conservancy provides a qualified 403(b) retirement plan for the benefit of substantially all of the employees that allows employees to contribute a portion of their compensation. The Conservancy has the option to match employee contributions. The Conservancy provided matching contributions of \$27,418 and \$25,944 for the years ended December 31, 2020 and 2019.

12. CONCENTRATIONS

Credit Risk

The Conservancy maintains cash accounts that, at times, may exceed federally insured limits. The Conservancy has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management monitors the financial condition of its depository banks on a regular basis.

Geographic Risk

The Conservancy is vulnerable to fluctuations in the real estate market in Lancaster and surrounding counties. Events affecting the market value of real estate in the region could affect the ability of the Conservancy to purchase land held in fee or obtain conservation easements.

13. RALPH H. GOODNO RIVERLANDS FUND

The Conservancy acquired land from PPL (and its successors) along the lower Susquehanna River in Lancaster County from 2010 through 2016. As part of the agreement, PPL donated their proceeds of \$5,732,623 from the land sales to the Conservancy to The Lower Susquehanna Fund (Fund). In addition, PPL committed to contribute \$115,000 per year, increasing by 3% each year, to the Fund for twenty years. The Fund is restricted and the funds are to be used to protect, operate, maintain, improve, and promote the lands and facilities along the Lower Susquehanna River in Lancaster and York counties for public conservation and recreation use. Effective June 12, 2014, the Lower Susquehanna Fund was officially renamed the Ralph H. Goodno Riverlands Fund.

THE LANCASTER COUNTY CONSERVANCY

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Under the terms of the Lower Susquehanna Fund Agreement, the Conservancy may receive a distribution annually of \$150,000 increased by 3% each year for the life of the Fund. In addition, for the years ended December 31, 2011, through December 31, 2015, the Conservancy received an additional \$50,000 per year for the settling of issues related to taxes, leases, subdivision of properties and other short-term real estate issues related to the Fund. The terms of the Fund also require that the Susquehanna Gateway Heritage Area receive an annual distribution from the fund of \$50,000 increased by 3% through the year 2031. The Fund also requires, upon transfer of Phase 2 land to York County, that York County receive an annual distribution of \$5,000 increased by 3% for the life of the Fund. Distributions from the fund are subject to change based upon the terms of the agreement.

The Conservancy received a distribution from the fund in the amount of \$342,953 and \$367,444 during the years ended December 31, 2020 and 2019. The Conservancy's distributions for years ending December 31, 2020 and 2019 includes \$82,000, respectively, in addition to its annual distribution for a forester and related costs. In addition, as required by the Lower Susquehanna Fund Agreement, the Conservancy distributed \$65,238 and \$63,338 to the Susquehanna Gateway Heritage Area during the years ended December 31, 2020 and 2019. At December 31, 2020 and 2019, the Conservancy held restricted investments for the Fund totaling \$7,383,079 and \$6,850,586.

14. COMMUNITY FOUNDATION DESIGNATED FUNDS

The Conservancy has been designated the interest in the earnings of three funds held by LCCF. LCCF retains variance power over the funds and may modify the interest in the funds under certain circumstances. Thus, the assets of each fund are not reported on the Conservancy's financial statements. However, distributions of income from the funds can be received by the Conservancy. The Conservancy received distributions of income from the funds in the amount of \$2,312 and \$2,302 for the years ended December 31, 2020 and 2019, respectively.

15. SUBSEQUENT EVENT

In February 2021, the Conservancy applied for and received approval from Fulton Bank for the debt forgiveness on the full principal and interest related to the PPP Loan obtained in April 2020.



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