

**THE LANCASTER COUNTY CONSERVANCY**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

AND

INDEPENDENT AUDITOR'S REPORT



**McKONLY & ASBURY**  
CPAs & Business Advisors

# THE LANCASTER COUNTY CONSERVANCY

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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

### *Opinion*

We have audited the financial statements of The Lancaster County Conservancy (a nonprofit organization) (the Conservancy), 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 accompanying financial statements present fairly, in all material respects, the financial position of The Lancaster County Conservancy 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 (GAAS). 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 The Lancaster County Conservancy 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 The Lancaster County Conservancy's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 The Lancaster County Conservancy'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 The Lancaster County Conservancy'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.

*McKonly & Asbury, LLP*

Camp Hill, Pennsylvania  
July 12, 2022

**THE LANCASTER COUNTY CONSERVANCY**

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

**ASSETS**

	2021	2020
Current assets		
Cash and cash equivalents	\$ 1,552,877	\$ 1,485,958
Grants receivable	3,011,091	658,413
Promises to give	1,414,868	1,303,982
Prepaid expenses	43,179	51,819
	6,022,015	3,500,172
 Total current assets		
Property and equipment		
Land	54,904,574	47,442,912
Conservation easements	59,463	59,463
Office furniture and equipment	210,098	191,030
Stewardship equipment	266,853	262,853
Transportation equipment	195,764	107,363
Computer software	27,584	27,584
Property improvements	728,574	524,652
Construction/projects in progress	241,570	166,004
	56,634,480	48,781,861
 Total property and equipment		
Accumulated depreciation	(801,735)	(693,626)
 Net property and equipment	55,832,745	48,088,235
Other assets		
Investments	1,400,349	797,854
Restricted investments - R.H.G. Riverlands Fund	8,271,172	7,383,079
Promises to give - net	6,732,116	5,227,858
Escrow and related costs for properties to be acquired	28,350	118,956
Interest in charitable remainder trust	140,845	131,748
	16,572,832	13,659,495
 Total other assets		
 Total assets	\$ 78,427,592	\$ 65,247,902

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

## LIABILITIES AND NET ASSETS

	2021	2020
Current liabilities		
Accounts payable	\$ 94,906	\$ 80,850
Accrued payroll and taxes	94,399	46,024
Accrued interest	2,035	1,880
Prepaid rent	3,720	4,650
Deferred grant revenue	259,934	310,474
Other liabilities	1,830	1,830
PPP loan payable	-	200,000
Total current liabilities	456,824	645,708
Note payable	1,425,000	-
Total liabilities	1,881,824	645,708
Net assets without donor restrictions		
Land and conservation easements	54,964,037	47,502,375
Board designated - Stewardship Fund	870,719	756,003
Other	3,204,991	2,212,942
Total net assets without donor restrictions	59,039,747	50,471,320
Net assets with donor restrictions	17,506,021	14,130,874
Total net assets	76,545,768	64,602,194
Total liabilities and net assets	\$ 78,427,592	\$ 65,247,902

**THE LANCASTER COUNTY CONSERVANCY**

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Grants	\$ 3,570,195	\$ -	\$ 3,570,195
Contributions	1,663,538	7,229,137	8,892,675
Special events, net	540,142	-	540,142
Preserve management income	24,227	-	24,227
Investment income	112,935	1,053,170	1,166,105
Other income	55,874	8,371	64,245
Change in value of split-interest agreement	-	9,097	9,097
Gain on extinguishment of debt	200,000	-	200,000
Net assets released from restrictions	4,924,628	(4,924,628)	-
	11,091,539	3,375,147	14,466,686
Total revenue and other support			
Expenses			
Program services			
Land			
Protection and Acquisition	363,310	-	363,310
Stewardship	1,124,710	-	1,124,710
Community Impact	461,992	-	461,992
	1,950,012	-	1,950,012
Total program services			
Supporting services			
Management and general	278,169	-	278,169
Fundraising and development	294,931	-	294,931
	573,100	-	573,100
Total supporting services			
Total expenses	2,523,112	-	2,523,112
Change in net assets	8,568,427	3,375,147	11,943,574
Net assets, beginning	50,471,320	14,130,874	64,602,194
Net assets, ending	\$ 59,039,747	\$ 17,506,021	\$ 76,545,768

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

**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)	-
	<u>6,010,131</u>	<u>6,065,173</u>	<u>12,075,304</u>
Total revenue and other support			
Expenses			
Program services			
Land			
Protection and Acquisition	327,199	-	327,199
Stewardship	846,746	-	846,746
Community Impact	392,987	-	392,987
	<u>1,566,932</u>	<u>-</u>	<u>1,566,932</u>
Supporting services			
Management and general	256,313	-	256,313
Fundraising and development	239,524	-	239,524
	<u>495,837</u>	<u>-</u>	<u>495,837</u>
Total expenses	<u>2,062,769</u>	<u>-</u>	<u>2,062,769</u>
Change in net assets	3,947,362	6,065,173	10,012,535
Net assets, beginning	<u>46,523,958</u>	<u>8,065,701</u>	<u>54,589,659</u>
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 FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Programs			Total Programs	Management and General	Fundraising & Development	Total
	Land Protection & Acquisition	Land Stewardship	Community Impact				
Expenses							
Salaries and wages	\$ 235,568	\$ 474,562	\$ 254,028	\$ 964,158	\$ 123,576	\$ 147,103	\$ 1,234,837
Payroll taxes and benefits	36,861	120,840	59,799	217,500	25,263	32,542	275,305
Staff development	1,811	3,146	680	5,637	-	320	5,957
Member events	-	-	5,013	5,013	-	-	5,013
Rent	-	4,320	-	4,320	-	-	4,320
Supplies	-	58,947	10,075	69,022	-	-	69,022
Postage	-	-	-	-	1,880	-	1,880
Telephone	2,295	6,109	3,420	11,824	5,908	1,778	19,510
Bank fees	-	-	-	-	7,622	-	7,622
Professional fees	-	105,341	-	105,341	36,255	-	141,596
Taxes and fees	-	59,564	-	59,564	-	-	59,564
Auto and travel	2,099	31,265	2,357	35,721	1,212	875	37,808
Insurance	-	18,429	-	18,429	18,306	-	36,735
Memberships and dues	-	-	-	-	7,566	-	7,566
Printing and publications	-	-	53,900	53,900	562	8,900	63,362
Office expense	14,745	41,286	20,643	76,674	35,061	11,796	123,531
Depreciation	-	93,953	-	93,953	14,156	-	108,109
Maintenance	-	58,137	21,658	79,795	-	-	79,795
Miscellaneous expense	2,736	1,131	419	4,286	-	750	5,036
Education	-	-	-	-	802	-	802
Fundraising and development	-	-	-	-	-	90,867	90,867
Grant expenses	-	47,680	30,000	77,680	-	-	77,680
Goodno Riverlands Fund expenses	67,195	-	-	67,195	-	-	67,195
<b>Total expenses</b>	<b>\$ 363,310</b>	<b>\$ 1,124,710</b>	<b>\$ 461,992</b>	<b>\$ 1,950,012</b>	<b>\$ 278,169</b>	<b>\$ 294,931</b>	<b>\$ 2,523,112</b>

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
<b>Total expenses</b>	<b>\$ 327,199</b>	<b>\$ 846,746</b>	<b>\$ 392,987</b>	<b>\$ 1,566,932</b>	<b>\$ 256,313</b>	<b>\$ 239,524</b>	<b>\$ 2,062,769</b>

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

# THE LANCASTER COUNTY CONSERVANCY

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 11,943,574	\$ 10,012,535
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Net realized and unrealized gain on investments	(1,166,105)	(791,835)
Change in value of split-interest agreement	(9,097)	(8,918)
Change in discount of long-term promises to give	103,121	31,377
Depreciation	108,109	77,132
Donated land	-	(2,618,871)
Extinguishment of debt	(200,000)	-
(Increase) decrease in assets		
Grants receivable	(2,352,678)	(36,976)
Promises to give	(1,718,265)	(4,399,951)
Prepaid expenses	8,640	(16,926)
Increase (decrease) in liabilities		
Accounts payable	14,056	24,204
Accrued payroll and taxes	48,375	12,244
Prepaid rent	(930)	
Accrued interest	155	1,880
Deferred grant revenue	(50,540)	32,554
Contributions restricted for long-term purposes	(5,685,718)	(2,113,922)
Net cash and cash equivalents provided by operating activities	1,042,697	204,527
Cash flows from investing activities		
Purchase of property and equipment	(7,762,013)	(1,266,683)
Purchase of restricted investments	(673,973)	(150,049)
Sale of restricted investments	349,490	340,450
Net cash and cash equivalents used in investing activities	(8,086,496)	(1,076,282)
Cash flows from financing activities		
Collections of contributions restricted for long-term purposes	5,685,718	2,113,922
Proceeds from PPP loan	-	200,000
Proceeds from note payable	1,425,000	-
Repayment of notes payable	-	(820,000)
Net cash and cash equivalents provided by financing activities	7,110,718	1,493,922
Net increase in cash and cash equivalents	66,919	622,167
Cash and cash equivalents - beginning of the year	1,485,958	863,791
Cash and cash equivalents - end of the year	\$ 1,552,877	\$ 1,485,958

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*

Lancaster County Conservancy is an accredited nonprofit land trust that protects and restores natural lands for future generations. The mission of the Conservancy is “Providing wild and forested lands and clean waterways for our community. Forever.” Since its founding in 1969 by local anglers, hunters and naturalists, the Conservancy has saved over 8,000 acres of land to protect the ecosystems and landscapes upon which we depend for food, clean water, clean air, economic and public health, and the restoration of the soul and spirit.

The Conservancy manages the lands it owns in 50 nature preserves and cares for over 45 miles of hiking trails. Conservancy preserves, located in Lancaster County as well as along the Susquehanna River in York County, are open to the public free of charge 365 days a year and provide opportunities for passive recreation like hiking, fishing, hunting, and swimming. The Conservancy has protected some of the most beautiful and beloved natural places in the area – places like Climbers Run, Welsh Mountain, Tucquan Glen & Pyfer, and Shenks Ferry Wildflower preserves.

The Conservancy’s work cultivates a connection with nature and educates the community on the importance of clean water, native species, biodiversity, and proper land use. By partnering with other non-profit organizations and government entities, the Conservancy works to protect the health of our lands, watersheds, and local wildlife – forever. As a member supported organization, the Conservancy relies on community support through both contributions and volunteers to save nature.”

#### *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.

#### *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.

# THE LANCASTER COUNTY CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS

### *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

### *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 \$770,030 and \$1,118,545 invested in money market funds as of December 31, 2021 and 2020. 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.

# THE LANCASTER COUNTY CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS

### *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.

### *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 \$24,652 and \$62,218 of gifts in kind, including contributed services, recognized in the financial statements for the years ending December 31, 2021 and 2020.

There were a substantial number of volunteers that donated significant amounts of time to the Conservancy’s activities during the years ended December 31, 2021 and 2020. 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.

# THE LANCASTER COUNTY CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS

### ***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 (SBA) 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 bore interest at a fixed rate of 1.0%. The Conservancy had elected to follow loan accounting under ASC 470, *Debt*. The loan was recorded as a liability on the statement of financial position as of December 31, 2020. The principal amount of the PPP Loan was subject to forgiveness upon the Conservancy’s request to the extent that the proceeds were 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. In February 2021, the Conservancy received PPP Loan forgiveness from Fulton Bank and the SBA. As a result of the loan forgiveness and release of obligation from the loan, \$200,000 was recognized as a gain on extinguishment of debt on the statement of activities for the year end December 31, 2021.

### ***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

### ***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.

# THE LANCASTER COUNTY CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS

### *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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (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, 2021 and 2020, 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 2018.

### *Recently Issued Accounting Pronouncements*

In February 2016, the FASB issued Accounting Standards Update (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 for the Conservancy on January 1, 2022. Management is in the process of determining the impact of these changes on the Conservancy's financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is expected to increase transparency around contributed nonfinancial assets (gifts-in-kind) received by not-for-profit entities by requiring the contributed nonfinancial assets to be reported separately in the statement of activities and additional disclosures regarding the use and valuation technique. The changes become effective for the Conservancy on January 1, 2022. Management is in the process of determining the impact of these changes on the Conservancy's financial statements.

### *Subsequent Events*

Management evaluated subsequent events through July 12, 2022, the date the financial statements were available to be issued. See Note 15.



# THE LANCASTER COUNTY CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS

### 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets as of December 31, 2021 and 2020, 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:

	2021	2020
Cash and cash equivalents	\$ 1,552,877	\$ 1,485,958
Investments without donor restrictions	870,719	756,003
Grants receivable without restrictions	3,011,091	658,413
Promises to give without restrictions	5,000	11,000
 Total financial assets	 5,439,687	 2,911,374
Less: Deferred revenue	(259,934)	(310,474)
Less: Board designated - Stewardship Fund	(870,719)	(756,003)
Less: Cash restricted for conservation projects	(1,561,460)	(1,363,733)
	 \$ 2,747,574	 \$ 481,164

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 \$870,719 and \$756,003 in years 2021 and 2020 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.

### 3. INVESTMENTS

The fair values of investments at December 31, 2021 and 2020, are as follows:

Description	2021	2020
Money market mutual funds	\$ 770,030	\$ 1,118,545
Common stock and mutual funds	5,473,922	4,408,415
Corporate and government bonds	2,006,203	1,348,117
Funds held by Lancaster County Community Foundation	1,421,366	1,305,856
 Total investments	 \$ 9,671,521	 \$ 8,180,933

# THE LANCASTER COUNTY CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS

The Conservancy has invested in a common pool of investments managed by Lancaster County Community Foundation (LCCF). Income from the investments is 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.

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, 2021 and 2020.

*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.

# THE LANCASTER COUNTY CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS

*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, 2021 and 2020.

Assets at fair value as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ 770,030	\$ -	\$ -	\$ 770,030
Common stock and mutual funds	5,473,922	-	-	5,473,922
Corporate and government bonds	2,006,203	-	-	2,006,203
Funds held by LCCF	-	1,421,366	-	1,421,366
Unconditional promises to give	-	-	8,146,984	8,146,984
Charitable remainder trust	-	-	140,845	140,845
	\$ 8,250,155	\$ 1,421,366	\$ 8,287,829	\$ 17,959,350

# THE LANCASTER COUNTY CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS

Assets at fair value as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
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 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, 2021 and 2020.

	2021	2020
Balance, beginning of year	\$ 6,531,840	\$ 2,163,266
Establishment of new unconditional promises to give	8,700,162	5,520,000
Change in discount	(103,121)	(31,377)
Payment of unconditional promises to give	(6,981,897)	(1,120,049)
Balance, end of year	\$ 8,146,984	\$ 6,531,840

The change in discount of (\$103,121) and (\$31,377) during the years ended December 31, 2021 and 2020, 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, 2021 and 2020.

	2021	2020
Balance, beginning of year	\$ 131,748	\$ 122,830
Change in present value	9,097	8,918
Balance, end of year	\$ 140,845	\$ 131,748

The change in present value during the years ended December 31, 2021 and 2020, 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, 2021 and 2020, are as follows:

	2021	2020
Restricted for Ralph H. Goodno Riverlands Fund	\$ 1,617,195	\$ 1,771,741
Restricted for conservation projects	7,017,243	5,138,432
Without restrictions	5,000	11,000
Total promises to give	\$ 8,639,438	\$ 6,921,173
	2021	2020
Receivable in less than one year	\$ 1,414,868	\$ 1,303,982
Receivable in one to five years	6,637,062	4,845,145
Receivable in more than five years	587,508	772,046
Total promises to give	8,639,438	6,921,173
Less discounts to net present value	(492,454)	(389,333)
Net promises to give	8,146,984	6,531,840
Less current portion of promises to give	(1,414,868)	(1,303,982)
Promises to give – long term	\$ 6,732,116	\$ 5,227,858

Promises to give are discounted at a rate of 4.13% and 2.19% at December 31, 2021 and 2020.

### 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, 2021, the Conservancy held the following conservation interests:

	Carrying Amount	Acreage
Land held in fee	\$ 54,904,574	7,401
Conservation easements held	59,463	888
	\$ 54,964,037	
Leases, conservation land use		67
Total acres		8,356

### 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, 2021 and 2020, was \$149,622 and \$139,958, respectively. The present value of the trust at December 31, 2021 and 2020, was \$140,845 and \$131,748, respectively, and has been included in other assets on the statements of financial position.

### 8. NOTE PAYABLE

Note payable at December 31, 2021, consist of:

	2021
Effective September 15, 2021, Fulton Bank issued a 2-year unsecured note payable in the amount of \$1,850,000. Payments of interest were due monthly at the Bank’s prime rate. The interest rate as of December 31, 2021, is 3.25%. In 2021, \$1,425,000 was drawn on the loan. The full principal balance and unpaid interest are due in full on September 15, 2023. The loan was paid in full during April 2022. See Note 15.	\$ 1,425,000

# THE LANCASTER COUNTY CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS

The Conservancy incurred interest costs totaling \$4,147 for the year ended December 31, 2020. There were no interest costs incurred during the year ended December 31, 2021. The Conservancy paid interest in the amount of \$1,800 and \$2,267 for the years ended December 31, 2021 and 2020. Interest of \$3,981 and \$2,741 was capitalized to land for the years ended December 31, 2021 and 2020.

### 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Ralph H. Goodno Riverlands Fund (Note 13)	\$ 8,256,850	\$ 7,462,079
Conservation projects	8,578,703	6,502,165
Charitable remainder trust	140,845	131,748
Conservancy land acquisition endowment	<u>529,630</u>	<u>34,882</u>
	<u>\$ 17,506,028</u>	<u>\$ 14,130,874</u>

### 10. OPERATING LEASE OBLIGATIONS

The Conservancy leases office space under a non-cancelable operating lease that expired in February 28, 2022. The lease has been extended to February 28, 2023. Rent expense totaled \$35,645 and \$34,762 for the years ended December 31, 2021 and 2020, respectively.

The following is a schedule of future minimum rental payments required under the operating lease as of December 31, 2021:

Year Ending:

2022	\$ 43,744
2023	\$ 6,179

### 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 \$33,828 and \$27,418 for the years ended December 31, 2021 and 2020.

# THE LANCASTER COUNTY CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS

### 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.

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 \$352,348 and \$342,953 during the years ended December 31, 2021 and 2020. The Conservancy's distributions for years ending December 31, 2021 and 2020 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 \$67,195 and \$65,238 to the Susquehanna Gateway Heritage Area during the years ended December 31, 2021 and 2020. At December 31, 2021 and 2020, the Conservancy held restricted investments for the Fund totaling \$8,271,172 and \$7,383,079.

On February 28, 2022, the Ralph H. Goodno Riverlands Fund Agreement was terminated. As a part of the termination of the original agreement, the Conservancy made final distributions of \$703,124 to the Susquehanna National Heritage Area and \$50,100 to York County making the Conservancy the sole beneficiary of the fund. The remaining funds are to be governed by the Ralph H. Goodno Endowment Fund Agreement which was signed by the Conservancy and DCNR on February 28, 2022. Under this



# THE LANCASTER COUNTY CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS

new agreement, the funds are restricted to the same purposes described above and will be managed in accordance with the Conservancy's investment and spending policies adopted by its Board of Directors.

### **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 \$2,359 and \$2,312 for the years ended December 31, 2021 and 2020, respectively.

### **15. SUBSEQUENT EVENTS**

In January 2022, the Conservancy entered into an agreement with Keesey Farm LP and Mary Stauffer Skold and Manufacturers and Traders Trust Company to purchase 1,066 acres of land in York, PA for a purchase price of \$11,000,000. The seller and the Conservancy entered a note payable agreement for \$10,000,000. An installment of \$2,000,000 will be due in December 2022 and \$8,000,000 will be due in December 2023 by the Conservancy to the seller.

In March 2022, in accordance with an agreement with the DCNR signed in September 2020, the Conservancy donated to DCNR approximately 139 acres of land valued at \$999,197, located in Martic Township in Lancaster, PA.

On April 26, 2022, the Conservancy paid off the remaining balance of the Fulton Bank note totaling \$1,425,000 that was obtained during September 2021.



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