

THE LANCASTER COUNTY CONSERVANCY

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2022 AND 2021
AND
INDEPENDENT AUDITOR'S REPORT



McKONLY & ASBURY
CPAs & Business Advisors

THE LANCASTER COUNTY CONSERVANCY

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	4
Statements of Activities	6
Statements of Functional Expenses	8
Statements of Cash Flows	10
Notes to the Financial Statements	11
Supplementary Information	
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	26
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance	29
Schedule of Findings, Questioned Costs, and Recommendations	32
Schedule of the Status of Prior Audit Findings, Questioned Costs, and Recommendations	33

MEMBERS

AMERICAN AND PENNSYLVANIA INSTITUTES
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT MEMBER OF



INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Lancaster County Conservancy

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Lancaster County Conservancy (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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, 2022 and 2021, 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) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for the purpose of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2023 on our consideration of The Lancaster County Conservancy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Lancaster County Conservancy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Lancaster County Conservancy's internal control over financial reporting and compliance.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
July 12, 2023

THE LANCASTER COUNTY CONSERVANCY

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
Current assets		
Cash and cash equivalents	\$ 6,663,129	\$ 1,552,877
Grants receivable	1,737,974	3,011,091
Promises to give	2,013,813	1,414,868
Other current assets	43,534	43,179
	<hr/>	<hr/>
Total current assets	10,458,450	6,022,015
	<hr/>	<hr/>
Property and equipment		
Land	53,349,763	54,904,574
Conservation easements	59,463	59,463
Office furniture and equipment	111,868	210,098
Stewardship equipment	173,139	266,853
Transportation equipment	240,698	195,764
Computer software	44,838	27,584
Property improvements	880,339	728,574
Land improvements	229,043	-
Construction/projects in progress	173,166	241,570
	<hr/>	<hr/>
Total property and equipment	55,262,317	56,634,480
	<hr/>	<hr/>
Accumulated depreciation	(759,561)	(801,735)
	<hr/>	<hr/>
Net property and equipment	54,502,756	55,832,745
	<hr/>	<hr/>
Other assets		
Investments	1,826,358	1,400,349
Restricted investments	6,146,661	8,271,172
Promises to give - net	6,162,221	6,732,116
Escrow and related costs for properties to be acquired	68,645	28,350
Interest in charitable remainder trust	108,791	140,845
	<hr/>	<hr/>
Total other assets	14,312,676	16,572,832
	<hr/>	<hr/>
Total assets	\$ 79,273,882	\$ 78,427,592
	<hr/>	<hr/>

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

LIABILITIES AND NET ASSETS

	2022	2021
Current liabilities		
Accounts payable	\$ 50,096	\$ 94,906
Accrued payroll and taxes	9,120	94,399
Accrued interest	-	2,035
Prepaid rent	-	3,720
Refundable advances	1,399,318	259,934
Other liabilities	1,830	1,830
	<hr/>	<hr/>
Total current liabilities	1,460,364	456,824
Note payable	-	1,425,000
	<hr/>	<hr/>
Total liabilities	1,460,364	1,881,824
	<hr/>	<hr/>
Net assets without donor restrictions		
Land and conservation easements	53,409,226	54,964,037
Board designated	2,091,970	870,719
Other	1,528,030	3,204,991
	<hr/>	<hr/>
Total net assets without donor restrictions	57,029,226	59,039,747
Net assets with donor restrictions	20,784,292	17,506,021
	<hr/>	<hr/>
Total net assets	77,813,518	76,545,768
	<hr/>	<hr/>
Total liabilities and net assets	<u><u>\$ 79,273,882</u></u>	<u><u>\$ 78,427,592</u></u>

THE LANCASTER COUNTY CONSERVANCY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Grants	\$ 637,056	\$ 2,157,000	\$ 2,794,056
Contributions	906,231	2,808,860	3,715,091
Program revenue	195,995	-	195,995
In-kind contributions	37,043	-	37,043
Special events, net	619,412	-	619,412
Net investment return	(1,059,389)	(215,664)	(1,275,053)
Other income, net	(8,422)	44,265	35,843
Change in value of charitable remainder trust	-	(32,054)	(32,054)
Net assets released from restrictions	1,484,136	(1,484,136)	-
Total revenue and other support	2,812,062	3,278,271	6,090,333
Expenses			
Program services			
Land			
Protection and Acquisition	2,090,009	-	2,090,009
Stewardship	1,322,833	-	1,322,833
Community Impact	575,821	-	575,821
Total program services	3,988,663	-	3,988,663
Supporting services			
Management and general	348,541	-	348,541
Fundraising and development	485,379	-	485,379
Total supporting services	833,920	-	833,920
Total expenses	4,822,583	-	4,822,583
Change in net assets	(2,010,521)	3,278,271	1,267,750
Net assets, beginning	59,039,747	17,506,021	76,545,768
Net assets, ending	\$ 57,029,226	\$ 20,784,292	\$ 77,813,518

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

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	1,638,886	7,229,137	8,868,023
In-kind contributions	24,652	-	24,652
Special events, net	540,142	-	540,142
Preserve management income	24,227	-	24,227
Net investment return	112,935	1,053,170	1,166,105
Other income	55,874	8,371	64,245
Change in value of charitable remainder trust	-	9,097	9,097
Gain on extinguishment of debt	200,000	-	200,000
Net assets released from restrictions	4,924,628	(4,924,628)	-
Total revenue and other support	11,091,539	3,375,147	14,466,686
Expenses			
Program services			
Land			
Protection and Acquisition	363,310	-	363,310
Stewardship	1,124,710	-	1,124,710
Community Impact	461,992	-	461,992
Total program services	1,950,012	-	1,950,012
Supporting services			
Management and general	278,169	-	278,169
Fundraising and development	294,931	-	294,931
Total supporting services	573,100	-	573,100
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 FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Programs						
	Land Protection & Acquisition	Land Stewardship	Community Impact	Total Programs	Management and General	Fundraising & Development	Total
Expenses							
Salaries and wages	\$ 263,094	\$ 585,260	\$ 302,046	\$ 1,150,400	\$ 137,338	\$ 167,045	\$ 1,454,783
Payroll taxes and benefits	46,562	120,994	74,429	241,985	36,208	33,402	311,595
Member events	-	170	30,526	30,696	-	7,579	38,275
Rent	-	92,743	8,024	100,767	67,108	-	167,875
Supplies	24	349	640	1,013	11,199	-	12,212
Postage	-	-	1,034	1,034	1,822	201	3,057
Bank fees	-	356	-	356	7,507	7	7,870
Professional fees	1,332	142,779	-	144,111	26,335	65,975	236,421
Taxes and fees	-	17,981	-	17,981	-	-	17,981
Auto and travel	2,778	36,752	7,374	46,904	1,715	742	49,361
Insurance	100	19,707	3,286	23,093	23,576	-	46,669
Printing and publications	-	5	88	93	113	9,919	10,125
Office expense	88	60,455	76,478	137,021	58,293	8,210	203,524
Depreciation	-	123,876	-	123,876	16,908	-	140,784
Maintenance	-	20,465	9,063	29,528	350	-	29,878
Provision for uncollectible pledges	-	-	-	-	-	149,726	149,726
Miscellaneous expense	14,270	72,362	30,833	117,465	(62,231)	10,710	65,944
Fundraising and development	-	-	-	-	-	31,863	31,863
Grant expenses	-	10,000	32,000	42,000	22,300	-	64,300
Goodno Riverlands Fund expenses	1,761,761	18,579	-	1,780,340	-	-	1,780,340
Total expenses	<u>\$ 2,090,009</u>	<u>\$ 1,322,833</u>	<u>\$ 575,821</u>	<u>\$ 3,988,663</u>	<u>\$ 348,541</u>	<u>\$ 485,379</u>	<u>\$ 4,822,583</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						
	Land Protection & Acquisition	Land Stewardship	Community Impact	Total Programs	Management and General	Fundraising & Development	Total
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
Total expenses	<u>\$ 363,310</u>	<u>\$ 1,124,710</u>	<u>\$ 461,992</u>	<u>\$ 1,950,012</u>	<u>\$ 278,169</u>	<u>\$ 294,931</u>	<u>\$ 2,523,112</u>

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

THE LANCASTER COUNTY CONSERVANCY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 1,267,750	\$ 11,943,574
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Net realized and unrealized (gain) loss on investments	1,430,167	(1,166,105)
Change in value of split-interest agreement	32,054	(9,097)
Provision for uncollectible promises to give	149,726	-
Change in discount of long-term promises to give	(297,392)	103,121
Depreciation	140,784	108,109
Extinguishment of debt	-	(200,000)
(Increase) decrease in assets		
Grants receivable	1,273,117	(2,352,678)
Promises to give	553,598	(1,718,265)
Other current assets	(355)	8,640
Increase (decrease) in liabilities		
Accounts payable	(44,810)	14,056
Accrued payroll and taxes	(85,279)	48,375
Prepaid rent	(3,720)	(930)
Accrued interest	(2,035)	155
Refundable advances	1,139,384	(50,540)
Contributions restricted for long-term purposes	(94,356)	(5,685,718)
Net cash and cash equivalents provided by operating activities	<u>5,458,633</u>	<u>1,042,697</u>
Cash flows from investing activities		
Purchase of property and equipment	(273,338)	(7,762,013)
Purchase of restricted investments	(1,300,918)	(673,973)
Sale of restricted investments	1,704,315	349,490
Net cash and cash equivalents provided by (used in) investing activities	<u>130,059</u>	<u>(8,086,496)</u>
Cash flows from financing activities		
Collections of contributions restricted for long-term purposes	946,560	5,685,718
Proceeds from note payable	-	1,425,000
Repayment of note payable	(1,425,000)	-
Net cash and cash equivalents provided by (used in) financing activities	<u>(478,440)</u>	<u>7,110,718</u>
Net increase in cash and cash equivalents	5,110,252	66,919
Cash and cash equivalents- beginning of the year	<u>1,552,877</u>	<u>1,485,958</u>
Cash and cash equivalents - end of the year	<u><u>\$ 6,663,129</u></u>	<u><u>\$ 1,552,877</u></u>

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 10,000 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.

An allowance for uncollectible promises to give is based on analysis of specific donor's payment history and other current relevant information available and a general allowance is also recorded in 2022.

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
Land improvements	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 \$856,738 and \$770,030 invested in money market funds as of December 31, 2022 and 2021. 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 12 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

Revenue is considered a contribution to The Conservancy if commensurate value has not been exchanged.

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 considered nonreciprocal transactions, include a right for donor to be released from the commitment and are contingent on incurring allowable costs. Accordingly, revenue is recognized when the Conservancy incurs allowable costs and the donor’s right of release has been satisfied. Amounts received in advance are reported in the statements of financial position as refundable advances.

Program revenue is recognized at the point in time services, programs or use of facilities are provided.

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 \$37,043 and \$24,652 of gifts in kind, including contributed services, recognized in the financial statements for the years ending December 31, 2022 and 2021. The Conservancy estimates the fair value of its in-kind contributions based on prices for similar products or services in the Lancaster County area.

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

There were a substantial number of volunteers that donated significant amounts of time to the Conservancy's activities during the years ended December 31, 2022 and 2021. 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 (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"). 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

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

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 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, 2022 and 2021, 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 2019.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 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 became effective for the Conservancy on January 1, 2022. Management has determined that these changes have no significant impact on the financial statements as a result of adopting this standard.

During 2022, the Foundation adopted FASB ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The changes associated with this ASU include the requirement for contributed nonfinancial assets to be reported separately in the statements of activities and additional disclosures regarding their use and valuation techniques utilized. The changes became effective for the Conservancy on January 1, 2022, and were applied retrospectively. There was no significant impact on the Conservancy's financial statements as a result of adopting this standard other than additional disclosures.

Subsequent Events

Management evaluated subsequent events through July 12, 2023, the date the financial statements were available to be issued. See Note 14.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets as of December 31, 2022 and 2021, 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:

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

	2022	2021
Cash and cash equivalents	\$ 6,663,129	\$ 1,552,877
Investments without donor restrictions	1,167,645	870,719
Grants receivable	1,737,974	3,011,091
Promises to give without restrictions	-	5,000
Total financial assets	9,568,748	5,439,687
Less: Refundable advances	(1,399,318)	(259,934)
Less: Board designated net assets	(2,091,970)	(870,719)
Less: Cash held for conservation projects	(5,483,747)	(1,561,460)
	<u>\$ 593,713</u>	<u>\$ 2,747,574</u>

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 funds of \$2,091,970 and \$870,719 in years 2022 and 2021 consist of an operating reserve, capital asset reserve and board designated endowment fund. The purpose and use of these funds is defined by the Conservancy's Reserves Policy adopted by the Board of Directors. The Conservancy does not intend to spend from the board designated funds, other than the amounts appropriated for general expenditures as part of the annual budget approval and appropriation. These amounts could be made available if necessary.

3. PROMISES TO GIVE

Promises to give at December 31, 2022 and 2021, are as follows:

	2022	2021
Restricted for Ralph H. Goodno Riverlands Fund	\$ 1,458,008	\$ 1,617,195
Restricted for conservation projects	7,181,430	7,017,243
Without restrictions	-	5,000
Total promises to give	<u>\$ 8,520,822</u>	<u>\$ 8,639,438</u>

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

	2022	2021
Receivable in less than one year	\$ 2,013,813	\$ 1,414,868
Receivable in one to five years	5,638,133	6,637,062
Receivable in more than five years	868,876	587,508
Total promises to give	8,520,822	8,639,438
Less discounts to net present value	(195,062)	(492,454)
Less allowance for uncollectible promises to give	(149,726)	-
Net promises to give	8,176,034	8,146,984
Less current portion of promises to give	(2,013,813)	(1,414,868)
Promises to give – long term	<u>\$ 6,162,221</u>	<u>\$ 6,732,116</u>

Promises to give are discounted at a rate of 4.11% and 4.13% at December 31, 2022 and 2021.

4. INVESTMENTS

The fair values of investments at December 31, 2022 and 2021, are as follows:

Description	2022	2021
Money market mutual funds	\$ 856,738	\$ 770,030
Common stock and mutual funds	4,304,340	5,473,922
Corporate and government bonds	1,643,088	2,006,203
Funds held by Lancaster County Community Foundation	1,168,854	1,421,366
Total investments	<u>\$ 7,973,019</u>	<u>\$ 9,671,521</u>

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.

5. 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:

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

- 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, 2022 and 2021.

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 LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

The following table sets forth by level, within the fair value hierarchy, the Conservancy's assets at fair value as of December 31, 2022 and 2021.

Assets at fair value as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ 856,738	\$ -	\$ -	\$ 856,738
Common stock and mutual funds	4,304,340	-	-	4,304,340
Corporate and government bonds	1,643,088	-	-	1,643,088
Funds held by LCCF	-	1,168,854	-	1,168,854
Unconditional promises to give	-	-	7,951,444	7,951,444
Charitable remainder trust	-	-	108,791	108,791
	<u>\$ 6,804,166</u>	<u>\$ 1,168,854</u>	<u>\$ 8,060,235</u>	<u>\$ 16,033,255</u>

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
	<u>\$ 8,250,155</u>	<u>\$ 1,421,366</u>	<u>\$ 8,287,829</u>	<u>\$ 17,959,350</u>

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 LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

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 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, 2022, the Conservancy held the following conservation interests:

	Carrying Amount	Acreage
Land held in fee	\$ 53,349,763	7,220
Conservation easements held	59,463	944
	<u>\$ 53,409,226</u>	
Leases, conservation land use		<u>67</u>
Total acres		<u>8,231</u>

The Conservancy has also facilitated the protection of 1,891 additional acres of land that are not held in fee or conservation easements. The long-term preservation and maintenance of these properties was determined to be better managed by a governmental agency. Thus, the Conservancy either facilitated the initial acquisition by the agency or acquired the land in fee then conveyed ownership of the properties to the designated agency. In 2022, the Conservancy acquired an 1,044-acre property in Hellam Township, York County then immediately sold the property to the Commonwealth of Pennsylvania. In 2022, the Conservancy also sold a 48-acre property in Mount Joy Township, Lancaster County to Londonderry Township and transferred ownership of a 146-acre property in Martic Township, Lancaster County to the Commonwealth of Pennsylvania. Both properties were acquired and protected in years prior to 2022.

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, 2022 and 2021, was \$115,571 and

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

\$149,622, respectively. The present value of the trust at December 31, 2022 and 2021, was \$108,791 and \$140,845, respectively, and has been included in other assets on the statements of financial position.

8. NOTE PAYABLE

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, was 3.25%. In 2021, \$1,425,000 was drawn on the loan. The loan was paid in full in April 2022.

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, 2022 and 2021:

	2022	2021
Ralph H. Goodno Riverlands Fund (Note 12)	\$ 7,245,644	\$ 8,256,850
Conservation projects	12,744,144	8,578,703
Charitable remainder trust	108,791	140,845
Conservancy operating endowment	658,713	529,630
	<u>\$ 20,784,292</u>	<u>\$ 17,506,028</u>

10. 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 \$35,279 and \$33,828 for the years ended December 31, 2022 and 2021.

11. 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.

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

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.

12. RESTRICTED INVESTMENTS

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. The terms of the Fund also require that the Susquehanna National 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 \$400,000 and \$352,348 during the years ended December 31, 2022 and 2021. The Conservancy's distribution for 2021 included \$82,000, in addition to its annual distribution for a forester and related costs. As required by the Lower Susquehanna Fund Agreement, the Conservancy distributed \$67,195 to the Susquehanna National Heritage Area during the year ended December 31, 2021. At December 31, 2021, the Conservancy held restricted investments for the Fund totaling \$8,271,172.

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 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. Restricted investments for the Ralph H. Goodno Endowment totaled \$6,146,661 at December 31, 2022.

13. 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

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

received distributions of income from the funds in the amount of \$2,451 and \$2,359 for the years ended December 31, 2022 and 2021, respectively.

14. SUBSEQUENT EVENTS

In the first half of 2023, The Conservancy purchased 78 acres of land in Elizabeth Township in Lancaster, PA for \$1,900,000, 3 acres of land in Martic Township for \$495,000, and 21 acres of land in Hellam Township for \$160,000 then subsequently sold the same 21 acre property to the Commonwealth of Pennsylvania Department of Conservation and Natural Resources.

SUPPLEMENTARY INFORMATION

THE LANCASTER COUNTY CONSERVANCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Grantor Identifying Number	Federal Expenditures
Department of the Treasury			
Pass-through programs from Lancaster County, Pennsylvania			
Coronavirus State and Local Fiscal Recovery Funds	21.027	Not available	\$ 1,319,000
Total Department of Treasury			<u>1,319,000</u>
Department of Interior			
Chesapeake Bay Gateways Network	15.930	N/A	<u>23,210</u>
Total Department of Interior			<u>23,210</u>
U.S Department of Agriculture			
Environmental Quality Incentives Program	10.912	N/A	19,755
Conservation Reserve Program	10.069	N/A	<u>14,119</u>
Total U.S Department of Agriculture			<u>33,874</u>
Total expenditures of federal awards			<u><u>\$ 1,376,084</u></u>

THE LANCASTER COUNTY CONSERVANCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The Lancaster County Conservancy, under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Lancaster County Conservancy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Lancaster County Conservancy

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

The Lancaster County Conservancy has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. PASSED THROUGH TO SUBRECIPIENTS

The Lancaster County Conservancy did not pass through any federal awards to subrecipients during the year ended December 31, 2022.

MEMBERS

AMERICAN AND PENNSYLVANIA INSTITUTES
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT MEMBER OF



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Board of Directors
The Lancaster County Conservancy

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Lancaster County Conservancy, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated July 12, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Lancaster County Conservancy's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Lancaster County Conservancy's internal control. Accordingly, we do not express an opinion on the effectiveness of The Lancaster County Conservancy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Lancaster County Conservancy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
July 12, 2023

MEMBERS

AMERICAN AND PENNSYLVANIA INSTITUTES
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT MEMBER OF



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Independent Auditor's Report

Board of Directors
The Lancaster County Conservancy

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Lancaster County Conservancy's, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of The Lancaster County Conservancy's major federal programs for the year ended December 31, 2022. The Lancaster County Conservancy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings, questioned costs, and recommendations.

In our opinion, The Lancaster complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of The Lancaster County Conservancy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to The Lancaster County Conservancy's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Lancaster County Conservancy's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Lancaster County Conservancy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Lancaster County Conservancy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Lancaster County Conservancy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The Lancaster County Conservancy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected

and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
July 12, 2023

THE LANCASTER COUNTY CONSERVANCY

SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2022

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

___ Yes X No

Significant deficiencies identified?

___ Yes X None reported

Noncompliance material to financial statements noted?

___ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

___ Yes X No

Significant deficiencies identified?

___ Yes X None reported

Type of auditors' report issued on compliance for major federal programs?

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

___ Yes X No

Identification of major programs:

Assistance Listing Number
21.027

Name of Federal Program or Cluster
Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?

___ Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

THE LANCASTER COUNTY CONSERVANCY

**SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS, QUESTIONED COST AND
RECOMMENDATIONS**

YEAR ENDED DECEMBER 31, 2022

No prior year audit findings.



www.macpas.com

MEMBERS
AMERICAN AND PENNSYLVANIA INSTITUTES
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT MEMBER OF

