

**DUTCHESS LAND CONSERVANCY, INC.
AND SUBSIDIARY**

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019
(with memorandum totals for the year ended December 31, 2018)

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7
SUPPLEMENTARY INFORMATION	
Consolidating Statement of Financial Position	22
Consolidating Statement of Activities	23

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Dutchess Land Conservancy, Inc.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Dutchess Land Conservancy, Inc. (a non-profit organization) and its wholly owned subsidiary Keeler Lane Development Corporation (an S Corporation), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dutchess Land Conservancy, Inc, and its wholly owned subsidiary as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities for the year ended December 31, 2019 are presented for the purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

Pattison, Koskey, Howe, & Bucci, CPAs, P.C., who combined with UHY LLP effective January 1, 2020, previously audited Dutchess Land Conservancy, Inc. and its wholly owned subsidiary's December 31, 2018 financial statements and they expressed an unmodified audit opinion on those audited financial statements in their report dated June 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it is derived.

UHY LLP

Hudson, New York
July 6, 2020

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2019
(with memorandum totals for December 31, 2018)

	<u>2019</u>	2018 (memorandum only)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 967,205	\$ 758,968
Unconditional promises to give	103,296	23,176
Accounts receivable	2,166	3,955
Prepaid expenses	64,639	45,307
Certificates of deposit	280,540	130,830
Total current assets	<u>1,417,846</u>	<u>962,236</u>
PROPERTY AND EQUIPMENT, NET	<u>1,002,195</u>	<u>1,022,189</u>
OTHER ASSETS		
Tradeland	7,465,120	7,359,120
Investments	6,865,240	5,865,178
Restricted cash- for investment	15,319	31,210
Property held for sale	-	106,000
Total other assets	<u>14,345,679</u>	<u>13,361,508</u>
Total assets	<u>\$ 16,765,720</u>	<u>\$ 15,345,933</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 68,462	\$ 34,820
Accrued expenses	886	2,030
Contract liability	273,072	6,500
Total current liabilities	<u>342,420</u>	<u>43,350</u>
LONG-TERM LIABILITIES		
Deferred tax liability	500,215	553,506
Total long-term liabilities	<u>500,215</u>	<u>553,506</u>
Total liabilities	<u>842,635</u>	<u>596,856</u>
NET ASSETS		
Without donor restrictions	12,217,138	11,525,206
With donor restrictions	3,705,947	3,223,871
Total net assets	<u>15,923,085</u>	<u>14,749,077</u>
Total liabilities and net assets	<u>\$ 16,765,720</u>	<u>\$ 15,345,933</u>

See notes to financial statements.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2019
(with memorandum totals for the year ended December 31, 2018)

	2019			2018 (memorandum only)
	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING ACTIVITIES				
OPERATING REVENUES AND OTHER SUPPORT				
Contributions:				
General	\$ 794,078	\$ 21,805	\$ 815,883	\$ 831,696
Land and building	-	-	-	656,000
Land easement acquisition fund	-	-	-	5,000
Time restricted	-	2,500	2,500	-
Grants	254,512	350,000	604,512	659,214
Purchase of development rights grants	3,157,945	-	3,157,945	-
Total contributions and grants	4,206,535	374,305	4,580,840	2,151,910
Special events:				
Contributions	246,768	-	246,768	216,293
Special events revenue	95,025	-	95,025	97,070
Cost of direct benefit to donors	(100,110)	-	(100,110)	(100,139)
Net special events revenue	241,683	-	241,683	213,224
Miscellaneous income	9,429	-	9,429	8,030
Donated rent	25,200	-	25,200	25,200
Dividend and interest income - bank	3,054	-	3,054	1,405
Releases from restrictions	139,961	(139,961)	-	-
Total operating revenues and other support	4,625,862	234,344	4,860,206	2,399,769
OPERATING EXPENSES				
Program				
Land conservation:				
Purchase of development rights	3,097,806	-	3,097,806	363,063
Other land conservation costs	544,940	-	544,940	454,871
Keeler Lane project expenses	159,852	-	159,852	153,350
Total land conservation	3,802,598	-	3,802,598	971,284
Stewardship	398,478	-	398,478	402,884
Education	302,401	-	302,401	253,105
Total program expenses	4,503,477	-	4,503,477	1,627,273
Management and general	227,822	-	227,822	186,914
Fundraising	130,265	-	130,265	124,024
Total operating expenses	4,861,564	-	4,861,564	1,938,211
(Decrease) increase in net assets from operating activities, before income taxes	(235,702)	234,344	(1,358)	461,558
Income tax benefit - Keeler Lane	53,291	-	53,291	49,489
(Decrease) increase in net assets from operating activities, after income taxes	(182,411)	234,344	51,933	511,047
NON-OPERATING ACTIVITIES				
Investment return, net	874,343	220,372	1,094,715	(226,271)
Stewardship endowment contributions	-	27,360	27,360	49,431
Interest expense	-	-	-	(1,116)
Increase (decrease) in net assets from non-operating activities	874,343	247,732	1,122,075	(177,956)
NET INCREASE IN NET ASSETS	691,932	482,076	1,174,008	333,091
NET ASSETS, Beginning of year	11,525,206	3,223,871	14,749,077	14,415,986
NET ASSETS, End of year	\$ 12,217,138	\$ 3,705,947	\$ 15,923,085	\$ 14,749,077

See notes to financial statements.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2019
(with memorandum totals for the year ended December 31, 2018)

	2019						2018	
	Land Conservation	Stewardship	Education	Total Program	Management & General	Fund-raising	(memorandum only) Total	
Salaries	\$ 239,102	\$ 236,359	\$ 178,758	\$ 654,219	\$ 96,268	\$ 75,460	\$ 825,947	\$ 788,606
Employment insurance	1,403	1,325	1,035	3,763	870	431	5,064	4,189
Health insurance	17,238	20,597	12,781	50,616	6,225	4,344	61,185	53,974
Payroll taxes	16,427	16,723	12,394	45,544	7,040	5,527	58,111	55,792
Retirement benefits	6,509	6,741	5,114	18,364	2,792	2,092	23,248	23,769
Professional fees	190,801	47,819	24,260	262,880	32,756	-	295,636	166,499
Marketing and development	-	-	-	-	-	16,229	16,229	18,378
Travel and meetings	3,584	3,358	1,118	8,060	3,213	1,494	12,767	12,446
Conferences and seminars	6,285	149	400	6,834	-	1,263	8,097	9,068
Office supplies	3,191	6,124	3,020	12,335	4,696	1,106	18,137	16,264
Equipment rental, repairs and maintenance	27,571	4,899	5,141	37,611	11,635	2,393	51,639	31,792
Education programs	-	-	35,048	35,048	-	-	35,048	17,626
Maps	786	632	-	1,418	-	-	1,418	657
Dues and publications	13,211	-	2,607	15,818	3,446	325	19,589	16,906
Postage	1,025	1,145	408	2,578	401	1,723	4,702	4,307
Printing and copying	611	516	497	1,624	373	5,646	7,643	8,936
Telephone	2,232	1,455	1,348	5,035	877	880	6,792	6,558
Utilities	16,852	1,395	1,472	19,719	2,286	628	22,633	23,039
Insurance	11,862	26,268	2,572	40,702	13,380	1,102	55,184	51,055
Computer related expenses	3,214	2,864	2,524	8,602	2,797	1,752	13,151	13,707
Bank and credit card fees	25	-	-	25	8,319	-	8,344	9,215
Filing and recording	2,037	756	-	2,793	800	-	3,593	2,898
Stewardship expenses	-	7,791	-	7,791	-	-	7,791	7,295
Project expenses	-	-	-	-	-	-	-	50,000
Purchase of development rights	3,097,806	-	-	3,097,806	-	-	3,097,806	363,063
Property taxes	92,191	-	-	92,191	8,482	-	100,673	82,307
Lobbying expense	1,203	-	-	1,203	-	-	1,203	-
Rent expense	5,041	5,040	5,292	15,373	7,560	2,268	25,201	25,201
Loss on insurance proceeds	-	-	-	-	-	-	-	3,300
Miscellaneous	200	222	-	422	4,161	2,766	7,349	4,777
Depreciation	42,191	6,300	6,612	55,103	9,445	2,836	67,384	66,587
Subtotal	<u>3,802,598</u>	<u>398,478</u>	<u>302,401</u>	<u>4,503,477</u>	<u>227,822</u>	<u>130,265</u>	<u>4,861,564</u>	<u>1,938,211</u>
Cost of direct benefits to donors:								
Food and beverage	-	-	-	-	-	51,024	51,024	51,468
Entertainment	-	-	-	-	-	5,400	5,400	5,050
Rentals/facility costs	-	-	-	-	-	36,844	36,844	34,306
Other	-	-	-	-	-	6,842	6,842	9,315
Total cost of direct benefits to donors	-	-	-	-	-	100,110	100,110	100,139
	<u>\$ 3,802,598</u>	<u>\$ 398,478</u>	<u>\$ 302,401</u>	<u>\$ 4,503,477</u>	<u>\$ 227,822</u>	<u>\$ 230,375</u>	<u>\$ 4,961,674</u>	<u>\$ 2,038,350</u>

See notes to financial statements.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2019
(with memorandum totals for the year ended December 31, 2018)

	2019	2018 (memorandum only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,174,008	\$ 333,091
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	67,384	66,587
Restricted contributions for stewardship endowment	(27,360)	(49,431)
(Gain) loss on investments	(1,004,860)	307,161
Donated land and building	-	(656,000)
Income taxes - Keeler Lane	(53,291)	(49,489)
Changes in:		
Unconditional promises to give	(80,120)	63,724
Accounts receivable	1,789	4,284
Prepaid expenses	(19,332)	(7,408)
Accounts payable	33,642	(607)
Accrued expenses	(1,144)	(2,667)
Contract liability	266,572	-
Total adjustments	<u>(816,720)</u>	<u>(323,846)</u>
Net cash provided by operating activities	<u>357,288</u>	<u>9,245</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,898,595	1,409,149
Purchases of investments	(1,893,797)	(1,403,859)
Purchase of certificates of deposit, net	(395,973)	(16,651)
Purchases of property and equipment	(47,390)	(5,047)
Net cash used for investing activities	<u>(192,302)</u>	<u>(16,408)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted contributions for stewardship endowment	27,360	49,431
Net cash provided by financing activities	<u>27,360</u>	<u>49,431</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	192,346	42,268
CASH AND CASH EQUIVALENTS, Beginning of year	790,178	747,910
CASH AND CASH EQUIVALENTS, End of year	\$ 982,524	\$ 790,178
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 967,205	\$ 758,968
Restricted cash - for endowment	15,319	31,210
	<u>\$ 982,524</u>	<u>\$ 790,178</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Donated stock	<u>\$ 16,691</u>	<u>\$ 18,071</u>

See notes to financial statements.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 – NATURE OF OPERATIONS

The Dutchess Land Conservancy, Inc., located in Millbrook, New York, was formed to preserve and protect the scenic, agricultural and environmental resources on land located primarily in Dutchess County, New York. The primary activities of the Organization are:

- A. Land conservation through acquisition of conservation easements (both donated and purchased) and other approaches to preserve open land.
- B. Stewardship of the land the Organization holds under conservation easement through monitoring, management assistance through referrals and education, and enforcement.
- C. Public education regarding techniques for open space preservation and land stewardship by hosting and participating in events, seminars, meetings and conferences, as well as public speaking, writing and disseminating information through the Organization’s website, e-mail, the press, newsletters, annual reports, brochures, and meeting with community members and public officials.
- D. Providing expert consulting services to landowners, municipalities and other non-profit groups on land conservation.

The Organization relies primarily on income derived from public support, grants, special events and consulting services to fund operations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Dutchess Land Conservancy, Inc. and its wholly owned subsidiary, Keeler Lane Development Corporation (“Keeler Lane”) (collectively, the “Organization”) effective December 31, 2016, the date 100% of Keeler Lane’s stock was contributed to Dutchess Land (see “trade lands”). Keeler Lane’s wholly owned subsidiary, Millbrook Property Holdings, LLC (“Millbrook Holdings”) is consolidated with Keeler Lane. On January 23, 2017, Millbrook Holdings was merged into Keeler Lane. All activity of Keeler Lane is included in these consolidated financial statements. All significant intercompany transactions have been eliminated in consolidation.

Financial Statement Presentation and Basis of Accounting

The Organization follows standards of accounting and financial reporting for certain not-for-profit organizations. Accordingly, the consolidated financial statements are prepared on the accrual basis of accounting.

The consolidated financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”).

Under the provisions of the ASC, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

- *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation and Basis of Accounting (Continued)

- *Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Endowment earnings are restricted until “appropriated by expenditure” by the Organization’s board.

Expenses are reported as decreases in net assets without donor restrictions.

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in FASB ASC 958-605, “Accounting for Contributions Received and Contributions Made.” In accordance with FASB ASC 958-605, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions support.

The Organization reports gifts of goods and equipment as net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit donor stipulations that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions upon acquisition of the assets and the assets are placed in service.

The Organization implemented Financial Accounting Standards Board’s (FASB) Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* as of January 1, 2019. The implementation of this ASU had no significant effect on the financial statements for the year ended December 31, 2019.

Property Held for Sale

Property held for sale are recorded based on appraisals obtained and written down, as needed, when the Organization determines the value is impaired. As of December 31, 2019, the Organization does not have any property held for sale.

Trade Land

In the land conservation world, a trade land is any piece of donated real property that is sold to generate funding, whether it possesses conservation value or not. The Organization accepts fee interest donations of land with the understanding that it will resell the property and apply the proceeds to help further its mission. If the donated land has conservation value, a conservation easement will be placed on the property at the time of sale. Funds generated from the sale of the trade land help fund the Organization’s work to protect land in Dutchess County and the surrounding area, and its long-term stewardship responsibilities for the land it protects in perpetuity.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trade Land (Continued)

The Organization currently owns three trade land properties. Properties are located in the Town of Pawling, NY, the Town of Washington, NY and the Town of North East, NY. The property located in the Town of North East, NY was received as a gift on December 31, 2016 through a donation of 100% of the stock in Keeler Lane. The Keeler Lane property has significant conservation value and is located in an area that is of key conservation interest to the Organization. See Note 9 for additional information.

Carrying costs associated with the properties until time of sale that are periodic in nature are expensed as incurred. Costs that extend the useful life of the underlying buildings for property held and used are capitalized and depreciated (see Note 6). Often a sale takes many years due to the Organizations' commitment to careful conservation planning prior to resale. In addition, the value to the Organization will be reduced at the time of sale by the placement of a conservation easement restricting future use and development.

Conservation Easements

The Organization does not record donated easements at fair value. Donated easements are carried at zero book value primarily because a typical conservation easement provides the Organization with no affirmative rights except to monitor and enforce the easement and this constitutes a burden. Costs incurred by the Organization to purchase development rights are expensed in the period incurred.

Prior Year Amounts

Amounts shown for December 31, 2018, in the accompanying statements are included to provide a basis for comparison with December 31, 2019, and present summarized totals only. Accordingly, the December 31, 2018, amounts are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash equivalents include time deposits, certificates of deposit and highly liquid investments with maturities of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments

In accordance with FASB ASC 958-320, "Accounting for Certain Investments Held by Not-for-Profit Organizations" investments in debt and equity securities are reported at fair value on the statement of financial position with the net appreciation (depreciation) in the fair value investments, which consists of the realized gains or losses and the unrealized gains (depreciation) on those investments, is presented in the statement of activities in accordance with donor restrictions as investment return. Investment return is presented net of investment fees.

The Organization accounts for its investments at market value on a trade date basis. The value of publicly traded common stocks is based upon quoted market prices. Bonds not actively traded without a readily determinable market value are recorded at estimated fair value based on pricing techniques used by the Organization's fund manager based primarily on discounted cash flows and comparable activity in an active market. The average cost method is primarily used to determine the basis for computing realized gains or losses.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

FASB ASC 820-10 "Fair Value Measurements" defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. FASB 820-10 does not require any new fair value measurements but applies to other GAAP accounting pronouncements that use fair value as a relevant measurement attribute.

Investments are measured at fair value on a recurring basis. In accordance with FASB ASC 820-10, fair value measurements are identified as Level 1, Level 2 or Level 3. Level 1 fair value is based on quoted prices in active markets for identical assets/liabilities. Level 2 fair value is based on significant other observable inputs such as quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets in markets that are not active, and inputs other than quoted prices. Level 3 fair value is based on significant unobservable inputs for the asset or liability.

Donated Services, Goods and Facilities

A substantial number of volunteers have donated hours to the Organization's program services, educational events, and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services, legal services and specialized skills, which enhanced or created a financial asset, are reflected in the statement of activities at their fair value. The Organization's office space is donated and during the year ended December 31, 2019, an estimated rental value of \$25,200 was recorded by the Organization (see Note 7). The Organization received donated stock in the amount of \$16,691 during the year ended December 31, 2019. Other than the services stated above, no other donated goods or services were recorded.

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

In accordance with the Organization's policy, the Organization applies Accounting Standards Update, "Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows" which requires not-for-profit entities to classify unrestricted cash receipts from the sale of donated financial assets that were nearly immediately converted into cash as cash inflows from operating activities. Cash receipts in which the donor restricts the use of contributed resources to long-term purposes should be classified as cash flows from financing activities.

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give are shown as receivables. Pledges receivable may be paid in full or over a period of years based on the terms of the pledge. The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on the prior years' experience and management's analysis of specific promises made. As of December 31, 2019, all promises to give are considered collectible. Given the short duration of the outstanding unconditional promises to give at December 31, 2019, no discounting was applied to the receivable balance.

Contract Liabilities

Payments received on grants with contingencies are treated as contract liabilities until the contingency is met. Unspent funds, if any, are payable to the grantor upon completion of the grant specifications. Contract liabilities of \$273,072 was recorded as of December 31, 2019.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates are related to the fair value of the property held for sale. Actual amounts could differ from those estimates.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents, certificates of deposits, and investments. Cash is maintained at FDIC insured financial institutions and credit exposure is limited to any one institution. The Organization has not experienced any losses on its cash balances. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents. The Organization places its cash and cash equivalents with high credit quality institutions.

Investments are exposed to various risks. Due to the level of risk associated with these securities and the level of uncertainty related to the changes in their value, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the consolidated statement of financial position and consolidated statement of activities as of and for the year ended December 31, 2019.

Income Taxes

Dutchess Land Conservancy is exempt from Federal income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. Effective December 31, 2016, Dutchess Land Conservancy received a donation of 100% of the stock of Keeler Lane Development Corporation.

Dutchess Land Conservancy has been indemnified by the prior owners of Keeler Lane for any past tax liability. See Note 9 for additional information on the transaction.

Keeler Lane, with the consent of its shareholders, elected under the Internal Revenue Code to be taxed as an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the company's taxable income. Therefore, income passed to Dutchess Land Conservancy from Keeler Lane, if any, is subject to taxation as unrelated business income.

Dutchess Land Conservancy utilizes the method of accounting for income taxes set forth in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740 *Income Taxes*. Deferred income tax assets and liabilities are computed annually for differences between the consolidated financial statements and the tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change in deferred tax assets and liabilities.

The Organization has evaluated any uncertain tax positions and related income tax contingencies and determined uncertain positions, if any, are not material to the financial statements, according to FASB ASC 740-10. Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred. None of the Organization's returns are currently under examination.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or fair market value at the date of donation. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. The Organization capitalizes assets valued at \$500 or greater. Expenditures for maintenance and repairs are charged to expense when incurred. Gains and losses from sales or other dispositions of depreciable property are included in current operations.

Functional Expenses

The cost of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and 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>Method of Allocation</u>
Office supplies	Full time equivalents
Equipment rental, repairs and maintenance	Square Footage
Postage	Full time equivalents
Printing and copying	Full time equivalents
Telephone	Full time equivalents
Utilities	Square Footage
Insurance	Square Footage
Computer related expenses	Full time equivalents
Rent	Square Footage
Depreciation	Square Footage

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities including interest and dividend income generated from the Organization's bank accounts and investment return to support the current year operating budget. Non-operating activities are limited to resources that generate return from board and donor restricted endowments, less amounts authorized to support the current year operating budget, as well as donor restricted endowment contributions, financing costs, contributions of land and property restricted as to use by donors, and other activities considered to be of a more unusual or nonrecurring nature.

Subsequent Events

Subsequent events have been evaluated through July 6, 2020, which is the date the financial statements were available to be issued.

In December 2019, a novel strain of coronavirus disease ("COVID-19") was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic.

The extent of COVID-19's effect on the Organization's operational and financial performance will depend on future developments, including duration, spread, and intensity of the pandemic, all of which are uncertain and difficult considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Organization's finances. However, if the pandemic continues to evolve into a severe worldwide health crisis, the disease could have an adverse material effect on the Organization's activities, results of operations, financial condition, and cash flow.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events (Continued)

In April 2020, the Organization submitted for a Paycheck Protection Act under the CARES Act and received a \$161,910 loan under the Act.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2019 comprised the following:

Bank	Book Balance	Bank Balance	FDIC Insurance	In Excess
Dutchess Land Conservancy:				
Bank of Millbrook	\$ 660,972	\$ 679,280	\$ 250,000	\$ 429,280
M&T Bank	65,381	65,381	250,000	-
Petty Cash	167	-	N/A	-
Bank of America - Speeter Project	246,263	246,263	250,000	-
Keeler Lane:				
Bank of Millbrook	9,741	9,875	250,000	-
	<u>\$ 982,524</u>	<u>\$ 1,000,799</u>		<u>\$ 429,280</u>

At December 31, 2019, within cash and cash equivalents is \$13,200 restricted for the Organization's board designated stewardship fund and \$2,119 for the stewardship endowment.

NOTE 4 – CERTIFICATES OF DEPOSIT

The certificates of deposit balance consists of five certificates of deposit with a total balance at December 31, 2019 of \$280,540. The certificates of deposit have maturities that range from six months to a year and earn interest at rates ranging from 0.125% - 1.0%. The certificates of deposit are held within a Certificate of Deposit Account Registry Service (CDARS) account with various financial institutions and fully covered by FDIC.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 – INVESTMENTS

Investments, stated at fair value, at December 31, 2019, are as follows:

	Cost	Unrealized Gain	Fair Market Value	FASB ASC 820-10 Measurements
Common Stocks	\$ 1,240,639	\$ 1,106,912	\$ 2,347,551	Level 1
Exchange Traded / Closed-end Funds	1,697,450	358,311	2,055,761	Level 1
Government Securities	765,674	4,730	770,404	Level 1
Mutual Funds	175,147	1,651	176,798	Level 1
Corporate Fixed Income	1,276,869	31,940	1,308,809	Level 2
Cash and Cash equivalents	205,917	-	205,917	N/A
Total Investments	<u>\$ 5,361,696</u>	<u>\$ 1,503,544</u>	<u>\$ 6,865,240</u>	

NOTE 6 – PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2019, is as follows:

		Useful Life
Buildings and building improvements	\$ 991,612	15-40 years
Leasehold improvements	394,888	4-18 years
Office furniture and equipment	114,530	5-7 years
Keeler Lane equipment	79,966	5-15 years
	<u>1,580,996</u>	
Less: accumulated depreciation	<u>(578,801)</u>	
	<u>\$ 1,002,195</u>	

Depreciation is calculated over the useful lives of the assets. Leasehold improvements are depreciated over the remaining term of the office lease. Total depreciation expense recorded for the year ended December 31, 2019 was \$67,384.

NOTE 7 – COMMITMENTS AND RELATED PARTIES

Office lease:

The Organization leases its office in Millbrook, New York under a twenty-year operating lease that expires in November 2020 from an individual who is a former board member, a current advisory board member and a relative of a current officer of the board. The lease agreement requires annual rent payments of \$1. The lease agreement gives the tenant (the Organization) the right to make substantial improvements to the property. Under the terms of the lease, all improvements made shall become the property of the landlord at the lease's termination, without any obligation to reimburse the Organization. In 2019, the Organization recorded donated rent income based on an estimated rental value of \$25,200 and a corresponding rent expense of \$25,201. This amount was based on a realtor estimate of the fair rental value of the property.

The Organization leases approximately 25 acres of the Keeler Lane property to the Coon Brothers Partnership, owners of a local dairy farm operation, for agricultural purposes. The Organization leases the Carriage House Apartment on the Keeler Lane property as a benefit to and for the convenience of the Landlord/Organization, with regard to building and property oversight.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 8 – DEFINED CONTRIBUTION PENSION PLAN

The Organization has a 403(b) contribution retirement plan covering all full and part-time employees, excluding interns. Employees are eligible to participate in the plan on the date of hire, if they so elect. The 403(b) is a voluntary retirement savings program and is classified as a “defined contribution plan”. In 2019, the Organization elected to contribute 3% of each employee’s compensation. The total contribution expense for the year ended December 31, 2019 was \$23,248.

NOTE 9 – KEELER LANE DEVELOPMENT CORPORATION / DEFERRED TAXES

Keeler Lane Development Corporation (Keeler Lane) is a for-profit entity taxed as an “S” corporation. At the time the stock was donated to Dutchess Land Conservancy (DLC) in 2016 it had an appraised fair market value of \$7,590,000 which was used to step up the book basis of Keeler Lane’s assets in accordance with generally accepted accounting principles which treat the donation as a purchase of the Corporation’s assets. That value was allocated between the Corporation’s only assets as follows: 435.75 acres of land - \$6,709,120 and buildings - \$880,880. The tax basis of the assets at the time of the donation of the stock was \$5,143,703.

As of December 31, 2019, the tax basis was \$5,898,714, an increase from the time of donation due to expenses incurred since receipt that are being capitalized for tax purposes. The difference between the book basis and the tax basis of \$2,446,297 at the date of donation is considered a temporary difference and would be treated as Unrelated Business Income (UBI) if the property was sold since DLC received stock in the corporation versus the actual assets of the Corporation. The estimated unrelated business income tax (UBIT) on that difference was calculated at \$977,051 and was recorded on the books as a deferred tax liability for the year ended December 31, 2016.

Since Keeler Lane is not currently an income generating entity for tax purposes, all expenses incurred by Keeler Lane have been treated as deferred costs. The following is a summary of deferred taxes for Keeler Lane activity as of December 31, 2019:

Initial liability on difference between book and tax basis:	\$ 977,051
Reduction of deferred tax liability for book losses not on return:	
\$113,779 loss for December 31, 2016	(45,443)
\$187,394 loss for December 31, 2017	(52,676)
\$176,056 loss for December 31, 2018	(49,489)
\$189,580 loss for December 31, 2019	(53,291)
Impact of change in federal tax rate for 2018	<u>(275,937)</u>
Deferred tax liability at December 31, 2019	<u>\$ 500,215</u>

During the year ended December 31, 2017, Keeler Lane reduced its net deferred tax balances for the effect of the Tax Cuts and Jobs Act enacted in December 2017.

In addition, due to the significant conservation value of the Keeler Lane property, a conservation easement would be placed on the property restricting future use and development prior to any sale. An additional reduction in the value of the property would be recorded at that time to reflect the conservation easement.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 10 – NET ASSETS

Net Assets With Donor Restrictions

The Organization has several funds designated as net assets with donor restrictions.

Endowment Funds

The donor restricted Stewardship Endowment Fund (“SEF”) was created to meet two needs: to provide a long term, ongoing source of funds to help cover the annual costs associated with monitoring and managing the Organization’s conservation easements and to be available to cover expenses associated with managing, upholding or defending an easement should its terms or validity be at risk. The endowment is comprised of restricted contributions invested to generate earnings specifically designated for easement stewardship. If the Board of Directors decides that operating cash flows are sufficient to cover the annual stewardship costs, earnings are generally reinvested. Periodically, the Board of Directors will appropriate a portion of the accumulated earnings for expenditure based on the Organization’s spending policy.

Non-Endowment Funds

The donor restricted Land Protection Fund (“LPF”) was first created in 1996 to provide long term funding to be available to cover expenses associated with upholding or defending conservation easements should their terms or validity be at risk, or for other purposes which the Board may designate. The principal of the LPF and the income generated by the fund are available for easement violation enforcement expenses. Contributions to this fund are not required to be invested in perpetuity but are to be available when needed to uphold or defend conversation easements and/or fund the cost of land protection. Investment earnings may be used for board designated purposes to further the Organization’s mission. Investment income and increases in value from the investment of assets in the fund are treated as board designated net assets.

The donor restricted Land Easement Acquisition Fund (“LEAF”) is a fund that is restricted by donor contributions to be used to purchase land or conservation easements. It is the policy of the Organization to use these funds as directed by the donor. These funds are invested by the Organization in order to generate investment returns in the Land Protection Fund but are tracked as Land Easement Acquisition Funds. Investment income and increases in value from the investment of assets in the fund are treated as board designated net assets.

The donor restricted Molly Schaefer Memorial Education Fund was established in 2015 from a bequest from long time board member Molly Schaefer and matching gifts made by her family and friends and is to be used for education purposes.

The donor restricted Milan Window Fund was established in 1993 to protect land in the Milan Window Area, a unique habitat area in the Towns of Milan and Clinton.

The donor restricted Hunt Country Fund was established in 2018 through an anonymous and generous gift to incentivize conservation activities within a specific area of the county to ensure land stays open and available for equestrian pursuits. Its purpose is to broaden awareness about the rich history of this area as it relates to the conservation work of DLC and the equestrian use of the land and to encourage area landowners to place conservation easements on their properties by providing the resources necessary to offset expenses of placing and stewarding easements.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 10 – NET ASSETS (Continued)

Donor restricted net assets consist for the following purposes as of December 31, 2019:

Management and general:	
Strategic Plan / IT Security / Video Conferencing System	\$ 43,086
Land Conservation:	
Land Protection Fund	1,198,420
Land Easement Acquisition Fund	167,020
Farmland Protection / Seven Wells	395,700
Sweetwater-Milan Window Fund	52,501
Paddle raise donations	11,428
Hunt Country Fund	48,070
Farmers' Assistance Fund	32,028
Stone Church Fund	25,184
Education:	
Enhancing Communications / Photo Project / Expanding Capacity	56,055
NYS CPP - Building Stewardship Capacity	1,447
Molly Schaefer Memorial Education Fund	74,757
Stewardship:	
Farmers Match / Stewardship Capacity / Stewardship Database Software	77,991
	<u>2,183,687</u>
Subject to the Organization's spending policy and appropriation:	
Stewardship -	
Stewardship Endowment Fund	<u>1,499,760</u>
Subject to the passage of time:	
Time restricted contributions	22,500
Total	<u>\$ 3,705,947</u>

Releases from Donor Restricted Net Assets for the year ended December 31, 2019 are as follows:

Subject to the passage of time	\$ 10,000
Subject to expenditure for specified purpose:	
Land Conservation:	
Land Conservation in Dover	2,877
Paddle raise donations	30,715
Farmland Protection	7,300
Stewardship:	
Farmers Match / Stewardship Capacity	29,076
Education:	
Molly Schaefer Memorial Fund	3,855
Enhancing Communications / Photo Project	47,634
NYS CPP - Geospatial Inventory	7,625
NYS CPP - OLC Collaboration	879
	<u>\$ 139,961</u>

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 10 – NET ASSETS (Continued)

Net Assets Without Donor Restrictions

Board Designated Net Assets

The board-designated portion of the Land Protection Fund includes the investment income and increases in value from the investment of assets in the fund as well as other contributions without restrictions and is designated by the board to provide long term funding to cover expenses associated with upholding or defending conservation easements or for other purposes which the board may designate. Investment income and earnings may be used for board designated purposes to further the Organization’s mission. Income and increases in value from the investment of assets are reinvested in the Land Protection Fund until the point in time the board feels prudent.

The board-designated portion of the Land Easement Acquisition Fund includes the investment income and increases in value from the investment of assets in the fund and is designated to be used to purchase land or conservation easements.

The board designated Reserve Fund is maintained to address unanticipated contingencies that arise during a fiscal year, or for other purposes which the board may designate. The reserve fund is made up of funds from budget surpluses, sale of property and other gifts or income so designated. At the end of each fiscal year, the board may allocate any excess funds in the Operating Fund to the Reserve Fund, or alternatively, if a fiscal year ends with an operating deficit, with Board approval, funds from the Reserve Fund may be used to make up the difference. The Board may also choose to use funds from the Reserve Fund for other purposes that meet the Organization’s mission.

The board-designated Stewardship Fund (SF) was created to enhance the fund balance of the donor restricted Stewardship Endowment Fund. As the SEF, it meets two needs: to provide a long term, ongoing source of funds to help the annual costs associated with monitoring and managing the Organization’s conservation easements and to be available to cover expenses associated with managing, upholding or defending an easement should its terms or validity be at risk. If the board of directors decides that operating cash flows are sufficient to cover the annual stewardship costs, earnings are generally reinvested. The Stewardship Fund includes funds designated by the board for Stewardship purposes and any bequests that the Organization receives that are not otherwise designated per board policy.

Periodically, the board of directors will appropriate a portion of the accumulated earnings for expenditure based on the Organization’s spending policy.

As of December 31, 2019, board designated net assets are as follows:

Land protection fund	\$ 1,096,029
Land easement acquisition fund	286,673
Stewardship fund	2,193,634
Reserve Fund	364,266
Total board designated	\$ 3,940,602

FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted and board designated (“invested net assets”) endowment funds for a not-for-profit organization that is subject Uniform Prudent Management of Institutional Funds Act (“UPMIFA”).

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 10 – NET ASSETS (Continued)

Return Objectives and Risk Parameters

It is the policy of the Organization to invest its funds in a manner which provides the highest investment return with optimum security while meeting the daily cash flow needs of the Organization.

Preservation of capital is the foremost objective of the Organization’s investment program. Investments are diversified by asset type to control risks. The Organization defines the investment time horizon as long term. The Organization holds investments within allocation ranges approved by the board of directors. Transfers from the Organization’s endowment and invested asset funds may be made with Investment Committee recommendation and board approval by the President or any officer of the Organization from the investment account to another existing organizational account. Authority to appoint and change investment managers, and to move assets among investment vehicles, is the responsibility of the board of directors. The board is advised by the Investment Committee, to which it has chosen to delegate its authority over these activities pursuant to the Organization’s Investment Policy and board resolutions delegating authority to the Investment Committee within specific investment parameters.

Strategies Employed for Achieving Objectives

The Organization’s Financial Management Policy designates that the Organization’s financial assets must support current activities as well as longer term obligations and objectives. External professional investment managers manage most of the non-cash financial assets. Both separate accounts and commingled vehicles are used. Investment managers are given investment guidelines specific to their assignments. The Organization evaluates managers’ performance on a “total return” basis, net of fees, and in relation to investment benchmarks and time periods it deems appropriate for each manager’s mandate.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization’s Financial Management and Investment Policies specify how the Organization’s investment accounts will be overseen and managed. The Organization reinvests dividends and interest earned on an annual basis as long as unrestricted donations received for support are sufficient to cover annual operating expenditures and amounts to meet the Organization’s annual fund goals. Accordingly, the Organization expects its endowments to grow over the long-term. This is consistent with the Organization’s objective that the investment portfolio remains sufficiently liquid to meet all operating requirements reasonably anticipated over the succeeding year and designed to produce a return consistent with a strong desire to preserve capital and a need to maintain the purchasing power of the endowment assets.

Endowment and invested net assets composition by type of fund as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ -	\$ 902,259	\$ 902,259
Accumulated investment gains	-	597,501	597,501
Board designated funds ("invested net assets")	3,940,602	-	3,940,602
Total funds	<u>\$ 3,940,602</u>	<u>\$ 1,499,760</u>	<u>\$ 5,440,362</u>

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 10 – NET ASSETS (Continued)

Changes in endowment and invested net assets for the year ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment and invested net assets, beginning of year	\$ 3,208,059	\$ 1,260,583	\$ 4,468,642
Contributions	23,200	27,360	50,560
Investment return, net	874,343	211,817	1,086,160
Amounts appropriated for expenditure	(165,000)	-	(165,000)
Endowment and invested net assets, end of year	<u>\$ 3,940,602</u>	<u>\$ 1,499,760</u>	<u>\$ 5,440,362</u>

Funds invested for various future land, education and stewardship expenses as of December 31, 2019 are comprised of:

Endowment and invested net assets, end of year	\$ 5,440,362
Cash and cash equivalents designated for investment in board designated stewardship fund	(13,200)
Cash and cash equivalents designated for investment in stewardship endowment	(2,119)
Donor restricted funds	1,440,197
Total investments	<u>\$ 6,865,240</u>

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYSUMIFA requires the Organization to retain as a fund of perpetual duration. There were none at December 31, 2019.

NOTE 11 – LIQUIDITY

The Organization's financial assets available within one year of December 31, 2019 for general expenditure are as follows:

Current financial assets at year end:	
Cash and cash equivalents	\$ 967,205
Unconditional promises to give	103,296
Accounts receivable, net	2,166
Certificates of deposit	280,540
Total financial assets	<u>\$ 1,353,207</u>

The Organization's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of December 31, 2019 and amounts set aside for long-term investing in endowments.

In addition, the Organization has board designated net assets of \$3,940,602 (See Note 10) which the board could make available to the Organization for general expenditures, if necessary.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 12 – SPECIAL EVENTS

Special events generate revenue for the Organization as well as raise awareness about the Organization’s mission. Some events are annual, and some are incidental to the Organization’s central activities and do not happen regularly. Incidental events are recorded net in the accompanying statement of activities.

The Organization held two annual events during the year ended December 31, 2019. Income and expenses related to these events are as follows:

	<u>Country Lunch</u>	<u>Barn Dinner Dance</u>	<u>Total</u>
Changes in net assets without donor restrictions:			
Revenues:			
Contributions	\$ 89,810	\$ 156,958	\$ 246,768
Special event revenue	52,075	42,950	95,025
Less: Costs of direct benefits to donors	<u>(43,865)</u>	<u>(56,245)</u>	<u>(100,110)</u>
Net revenues from special events	<u>8,210</u>	<u>(13,295)</u>	<u>(5,085)</u>
Total revenues	<u>98,020</u>	<u>143,663</u>	<u>241,683</u>
Expenses:			
Fundraising:			
Postage	671	688	1,359
Printing and copy	2,335	2,203	4,538
Travel	618	410	1,028
Other indirect costs	<u>580</u>	<u>2,186</u>	<u>2,766</u>
Increase in net assets without donor restrictions	<u>\$ 93,816</u>	<u>\$ 138,176</u>	<u>\$ 231,992</u>

SUPPLEMENTARY INFORMATION

**DUTCHESS LAND CONSERVANCY, INC.
AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2019**

	Dutchess Land Conservancy, Inc.	Keeler Lane Development Corporation	Eliminations	Consolidated Totals
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 957,464	\$ 9,741	\$ -	\$ 967,205
Unconditional promises to give	103,296	-	-	103,296
Accounts receivable	2,166	-	-	2,166
Due from Keeler Lane	790,927	-	(790,927)	-
Prepaid expenses	35,807	28,832	-	64,639
Certificates of deposit	280,540	-	-	280,540
Total current assets	<u>2,170,200</u>	<u>38,573</u>	<u>(790,927)</u>	<u>1,417,846</u>
PROPERTY AND EQUIPMENT, NET	<u>33,112</u>	<u>969,083</u>	<u>-</u>	<u>1,002,195</u>
OTHER ASSETS				
Tradeland	756,000	6,709,120	-	7,465,120
Investments	6,865,240	-	-	6,865,240
Investment in Keeler Lane Development Corporation	6,422,977	-	(6,422,977)	-
Restricted cash- for investment	15,319	-	-	15,319
Total other assets	<u>14,059,536</u>	<u>6,709,120</u>	<u>(6,422,977)</u>	<u>14,345,679</u>
Total assets	<u>\$ 16,262,848</u>	<u>\$ 7,716,776</u>	<u>\$ (7,213,904)</u>	<u>\$ 16,765,720</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 65,805	\$ 2,657	\$ -	\$ 68,462
Accrued expenses	886	-	-	886
Contract liability	273,072	-	-	273,072
Due to Dutchess Land	-	790,927	(790,927)	-
Total current liabilities	<u>339,763</u>	<u>793,584</u>	<u>(790,927)</u>	<u>342,420</u>
LONG-TERM LIABILITIES				
Deferred tax liability	-	500,215	-	500,215
Total long-term liabilities	<u>-</u>	<u>500,215</u>	<u>-</u>	<u>500,215</u>
Total liabilities	<u>339,763</u>	<u>1,293,799</u>	<u>(790,927)</u>	<u>842,635</u>
NET ASSETS				
Without donor restrictions	12,217,138	-	-	12,217,138
With donor restrictions	3,705,947	-	-	3,705,947
Accumulated earnings	-	(189,972)	189,972	-
Capital Stock	-	6,612,949	(6,612,949)	-
Total net assets	<u>15,923,085</u>	<u>6,422,977</u>	<u>(6,422,977)</u>	<u>15,923,085</u>
Total liabilities and net assets	<u>\$ 16,262,848</u>	<u>\$ 7,716,776</u>	<u>\$ (7,213,904)</u>	<u>\$ 16,765,720</u>

See notes to financial statements.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended December 31, 2019

	Dutchess Land Conservancy, Inc.	Keeler Lane Development Corporation	Eliminations	Total
OPERATING ACTIVITIES				
OPERATING REVENUES AND OTHER SUPPORT				
Contributions:				
General	\$ 815,883	\$ -	\$ -	\$ 815,883
Time restricted	2,500	-	-	2,500
Grants	604,512	-	-	604,512
Purchase of development rights	3,157,945	-	-	3,157,945
Total contributions and grants	<u>4,580,840</u>	<u>-</u>	<u>-</u>	<u>4,580,840</u>
Special events:				
Contributions	246,768	-	-	246,768
Special events revenue	95,025	-	-	95,025
Cost of direct benefit to donors	(100,110)	-	-	(100,110)
Net special events revenue	<u>241,683</u>	<u>-</u>	<u>-</u>	<u>241,683</u>
Loss on investment in Keeler Lane	<u>(136,289)</u>	<u>-</u>	<u>136,289</u>	<u>-</u>
Miscellaneous income	9,429	-	-	9,429
Donated rent	25,200	-	-	25,200
Interest income (expense) - Keeler Lane	29,728	(29,728)	-	-
Dividend and interest income - bank	<u>3,054</u>	<u>-</u>	<u>-</u>	<u>3,054</u>
Total operating revenues and other support	<u>4,753,645</u>	<u>(29,728)</u>	<u>136,289</u>	<u>4,860,206</u>
OPERATING EXPENSES				
Program:				
Land conservation	544,940	159,852	-	704,792
Purchase of development rights	3,097,806	-	-	3,097,806
Stewardship	398,478	-	-	398,478
Education	302,401	-	-	302,401
Total program expenses	<u>4,343,625</u>	<u>159,852</u>	<u>-</u>	<u>4,503,477</u>
Management and general	227,822	-	-	227,822
Fundraising	130,265	-	-	130,265
Total operating expenses	<u>4,701,712</u>	<u>159,852</u>	<u>-</u>	<u>4,861,564</u>
Increase (decrease) in net assets from operating activities, before income taxes	51,933	(189,580)	136,289	(1,358)
Income tax benefit - Keeler Lane	<u>-</u>	<u>53,291</u>	<u>-</u>	<u>53,291</u>
Increase (decrease) in net assets from operating activities, after income taxes	<u>51,933</u>	<u>(136,289)</u>	<u>136,289</u>	<u>51,933</u>
NON-OPERATING ACTIVITIES				
Investment return, net	1,094,715	-	-	1,094,715
Stewardship endowment contributions	<u>27,360</u>	<u>-</u>	<u>-</u>	<u>27,360</u>
Increase in net assets from non-operating activities	<u>1,122,075</u>	<u>-</u>	<u>-</u>	<u>1,122,075</u>
NET INCREASE (DECREASE) IN NET ASSETS	<u>1,174,008</u>	<u>(136,289)</u>	<u>136,289</u>	<u>1,174,008</u>
NET ASSETS (ACCUMULATED EARNINGS), Beginning of year	<u>14,749,077</u>	<u>(53,683)</u>	<u>53,683</u>	<u>14,749,077</u>
NET ASSETS (ACCUMULATED EARNINGS), End of year	<u>\$ 15,923,085</u>	<u>\$ (189,972)</u>	<u>\$ 189,972</u>	<u>\$ 15,923,085</u>

See notes to financial statements.