

HARFORD LAND TRUST, INC.

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

HARFORD LAND TRUST, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Harford Land Trust, Inc.
Bel Air, Maryland

We have audited the accompanying financial statements of Harford Land Trust, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harford Land Trust, Inc. as of December 31, 2017 and 2016, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 12 – 13 are presented for purposes of additional analysis and are 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Weyrich, Crain & Soria, LLC

May 2, 2018
Bel Air, MD

HARFORD LAND TRUST, INC.Statements of Financial Position
December 31, 2017 and 2016ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash and cash equivalents - operating fund	\$ 248,158	\$ 190,403
Cash and cash equivalents - land acquisition	27,077	94,671
Accounts receivable	<u>12,971</u>	<u>- 0 -</u>
Total Current Assets	<u>288,206</u>	<u>285,074</u>
PROPERTY AND EQUIPMENT - AT COST:		
Land	1,848,699	1,842,349
Computers and equipment	4,426	4,426
Less: accumulated depreciation	<u>(4,426)</u>	<u>(4,426)</u>
	<u>1,848,699</u>	<u>1,842,349</u>
OTHER ASSETS:		
Investments - supplemental income fund	38,742	31,500
Investments - land conservation fund	<u>440,784</u>	<u>381,274</u>
	<u>479,526</u>	<u>412,774</u>
	<u>\$ 2,616,431</u>	<u>\$ 2,540,197</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 2,265	\$ 5,401
Total Current Liabilities	<u>2,265</u>	<u>5,401</u>
NET ASSETS:		
Unrestricted	2,424,212	2,364,947
Temporarily restricted	<u>189,954</u>	<u>169,849</u>
Total Net Assets	<u>2,614,166</u>	<u>2,534,796</u>
	<u>\$ 2,616,431</u>	<u>\$ 2,540,197</u>

See accompanying notes to financial statements

HARFORD LAND TRUST, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Campaign income	\$ 1,100	\$ - 0 -	\$ 1,100	\$ 596	\$ - 0 -	\$ 596
Fundraising income	70,325	- 0 -	70,325	47,471	- 0 -	47,471
Grants	70,038	5,000	75,038	239,313	4,500	243,813
Donations	7,168	17,355	24,523	3,638	9,000	12,638
In-kind income	15,093	- 0 -	15,093	- 0 -	- 0 -	- 0 -
Fall and spring appeals	6,303	- 0 -	6,303	7,200	- 0 -	7,200
Membership dues	10,865	- 0 -	10,865	9,830	- 0 -	9,830
Memorial gifts	940	- 0 -	940	55,272	- 0 -	55,272
Investment income	28,706	- 0 -	28,706	14,711	- 0 -	14,711
Miscellaneous	- 0 -	- 0 -	- 0 -	3,670	- 0 -	3,670
Loss on disposal of property and equipment	- 0 -	- 0 -	- 0 -	(62)	- 0 -	(62)
Loss on sale of land	- 0 -	- 0 -	- 0 -	(97,943)	- 0 -	(97,943)
Realized and unrealized gain (loss) on investments	38,570	- 0 -	38,570	7,932	- 0 -	7,932
Net assets released from restrictions	2,250	(2,250)	- 0 -	3,963	(3,963)	- 0 -
Total support and revenue	251,358	20,105	271,463	295,591	9,537	305,128
EXPENSES:						
Program services	148,117	- 0 -	148,117	143,407	- 0 -	143,407
Management and general	38,142	- 0 -	38,142	10,255	- 0 -	10,255
Fundraising	5,834	- 0 -	5,834	3,997	- 0 -	3,997
CHANGE IN NET ASSETS	192,093	- 0 -	192,093	157,659	- 0 -	157,659
NET ASSETS AT BEGINNING OF YEAR	59,265	20,105	79,370	137,932	9,537	147,469
NET ASSETS AT END OF YEAR	\$ 2,424,212	\$ 189,954	\$ 2,614,166	\$ 2,364,947	\$ 169,849	\$ 2,534,796

See accompanying notes to financial statements

HARFORD LAND TRUST, INC.Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 79,370	\$ 147,469
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	- 0 -	264
Unrealized and realized (gain) loss on investments	(38,570)	(7,932)
Loss on disposal of property and equipment	- 0 -	62
Loss on sale of land	- 0 -	97,943
Donated land costs	(2,000)	- 0 -
Increase in current assets:		
Accounts receivable	(12,971)	- 0 -
Increase (decrease) in current liabilities:		
Deferred revenue	- 0 -	(156,405)
Accrued expenses	(3,136)	3,722
	<u>22,693</u>	<u>85,123</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(28,182)	(14,444)
Proceeds from sale of land	- 0 -	144,555
Acquisition of land costs	(4,350)	(205,641)
	<u>(32,532)</u>	<u>(75,530)</u>
Net cash used in investing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,839)	9,593
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>285,074</u>	<u>275,481</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 275,235</u>	<u>\$ 285,074</u>

See accompanying notes to financial statements

HARFORD LAND TRUST, INC.

Notes to the Financial Statements December 31, 2017 and 2016

1. Organization and Summary of Significant Accounting Policies

Nature of Operations - The Harford Land Trust, Inc. (the Organization) is a nonprofit organization established under the laws of Maryland in 1991. The purpose of the Organization is to protect and preserve, in a natural state, significant tracts of land in Harford County. Activities include providing technical assistance to land owners wishing to keep property undeveloped through conservation easements, buying and holding threatened lands until they can be transferred to conservation minded ownership, and fostering an increased public awareness of the County's natural resources.

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 certain reported amounts of assets, liabilities and disclosures at the date of the financial statements and certain reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect receivables, payables, and other assets and liabilities. As such, revenue is recognized when earned and expenses when incurred.

Basis of Presentation - The Organization follows the presentation requirements that all contributions received or made are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Organization is required to report information regarding the financial position and activities according to three classes of net assets: (a) unrestricted net assets; (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Unrestricted: accounts for net assets without donor imposed restrictions that are available for the support of the Organization.

Temporarily restricted - accounts for net assets that have donor imposed restrictions that permit the Organization to expend the donated assets as specified, and is satisfied either by the passage of time or by actions of the Organization. When the donor restriction expires, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as "net assets released from restrictions".

Permanently restricted - accounts for net assets that have donor imposed restrictions that permit the Organization to expend the income earned from the gifts. However, the Organization cannot expend the original principal. During the years ended December 31, 2017 and 2016, there were no permanently restricted net assets.

HARFORD LAND TRUST, INC.

Notes to the Financial Statements
December 31, 2017 and 2016

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

Revenue Recognition - The Organization recognizes all contributions and support as income in the period received. These amounts are recorded at fair value at the date of the contributions. Contribution support and investment income is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statements of activities and changes in net assets released from restrictions. Donor-restricted contributions are recorded as unrestricted revenues if the restrictions on the use of these funds are satisfied in the same fiscal year in which the contribution is received.

When grants or other fees are exchange transactions, wherein the Organization has to perform services in order to earn the income, revenue is recognized when the services are performed. Accordingly, deferred revenue is recorded on these types of grants when funds are received but revenue has not been earned.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all money market accounts and certificates of deposit with a maturity of three months or less to be cash equivalents. The Organization segregates cash designated for specific purposes.

Accounts Receivable - Accounts receivable consists of reimbursements under grant agreements and miscellaneous receivables. An allowance is not considered necessary by management.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Property and Equipment - Fixed assets are stated at cost. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the assets are capitalized. The Organization's policy is to capitalize fixed asset expenditures greater than \$1,000 with useful lives of five or more years. The cost of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. The following represents the estimated useful lives:

<u>Category</u>	<u>Years</u>
Computers and equipment	5 - 6

Land - Parcels of land purchased by the Organization are recorded at cost. Other parcels that are donated to the Organization are recognized at their appraised fair market value at date of contribution. The Organization does not record the easements that they are a party to but bear no monetary value to the Organization.

HARFORD LAND TRUST, INC.

Notes to the Financial Statements
December 31, 2017 and 2016

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

Income Taxes - Harford Land Trust, Inc., a nonprofit organization operating under section 501(c)(3) of the Internal Revenue Code, is exempt from federal, state, and local income taxes. Accordingly, no provision for income taxes is included in the financial statements. The Organization is not a private foundation.

The Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2014.

Donated Services - The Organization receives a significant amount of donated services from unpaid volunteers. Contributed professional services are recognized if the services received a) create or enhance long-lived assets, or b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services for the years ended December 31, 2017 and 2016 were \$15,093 and \$- 0 -, respectively.

Functional allocation of expenses - The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising - It is the Organization's policy to expense advertising costs as incurred. Advertising expense for the years ended December 31, 2017 and 2016 was \$473 and \$1,508, respectively.

2. Fair Value of Investments

The Organization has determined the fair value of investments as follows at December 31:

	2017		
	Cost	Fair Value at Quoted Prices for Active Markets for Identical Assets (Level 1)	Unrealized Loss
Mutual Funds	<u>\$ 492,725</u>	<u>\$ 479,526</u>	<u>\$ 13,199</u>
	2016		
	Cost	Fair Value at Quoted Prices for Active Markets for Identical Assets (Level 1)	Unrealized Loss
Mutual Funds	<u>\$ 464,662</u>	<u>\$ 412,774</u>	<u>\$ 51,888</u>

HARFORD LAND TRUST, INC.

Notes to the Financial Statements
December 31, 2017 and 2016

2. Fair Value of Investments (continued)

The Organization measures the investments at fair value on a recurring basis as of December 31, 2017 and 2016 using level 1 inputs.

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Valuation techniques utilized to determine fair value are consistently applied.

The Organization's policy does not permit the acquisition of Level 3 assets therefore there were no transfers into or out of Level 3 for the years ended December 31, 2017 or 2016.

3. Land

The Organization owned the following parcels of land as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Forest Greens Lot	\$ 1,456	\$ 1,456
James R. Kelly Property	83,109	81,059
Raven Rock	266,684	264,384
Otter Creek Woods	57,614	57,614
Rodgers Property	32,090	32,090
Ward Property	105,380	105,380
Welzenbach Property	627,989	625,989
Stewart Property	107,536	107,536
Terra Firma Property	369,464	369,464
Harford Hospice Property	92,166	92,166
Kosczielski Property	<u>105,211</u>	<u>105,211</u>
Total owned land	<u>\$ 1,848,699</u>	<u>\$ 1,842,349</u>

Total acreage owned by the Organization as of December 31, 2017 and 2016 was 334.31. Other parcels under conservation restrictions held jointly with other organizations in Harford County total 1,022 acres. The Organization does not hold title to these properties, but are a party to these conservation easements.

4. Retirement Program

The Organization has a contributory defined contribution pension plan covering substantially all employees. Contributions by employees are voluntary and are matched by the Organization up to 3% of total wages. Total contributions by the Organization during the years ended December 31, 2017 and 2016 were \$1,334 and \$2,667, respectively.

HARFORD LAND TRUST, INC.

Notes to the Financial Statements
December 31, 2017 and 2016

5. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Hegeman Land Fund	\$ 157,849	\$ 157,349
LTA Accreditation Grant	2,750	- 0 -
Riverwalk II Campaign	16,855	- 0 -
Land monitoring/management	<u>12,500</u>	<u>12,500</u>
	<u>\$ 189,954</u>	<u>\$ 169,849</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows at December 31:

	<u>2017</u>	<u>2016</u>
LTA Accreditation Grant	\$ 2,250	\$ - 0 -
Tourism	<u>- 0 -</u>	<u>3,963</u>
	<u>\$ 2,250</u>	<u>\$ 3,963</u>

During the year ended December 31, 2017, management determined \$8,000 classified as temporarily restricted for "Land monitoring/management" should have been \$12,500. Temporarily restricted net assets have been reclassified in the Statements of Financial Position for the year ended December 31, 2017.

6. Concentrations of Credit Risk

In the ordinary course of business, the Organization's cash and cash equivalents balances and investment balances may exceed the FDIC and SIPC insurance limits. The Organization continually reviews credit concentrations as part of its asset and liability management.

7. Risk and Uncertainties

The Organization may invest in various types of marketable securities. Marketable securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain marketable securities, it is possible that changes in the values of these securities may occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

HARFORD LAND TRUST, INC.

Notes to the Financial Statements
December 31, 2017 and 2016

8. Commitments

In May 2014, the Organization signed an agreement with Mission and Installation Contracting Command on behalf of U.S. Army Environmental Command. The purpose of this contract is to support and sustain the military testing and training missions of the Army by avoiding land use conflicts, encouraging conservation of natural resources on the private property adjacent to Aberdeen Proving Grounds and to enhance relationships with affected civilian communities. Through this agreement, the U.S. Army will assist the Organization in acquiring land and/or easements on the adjacent property. The total value of the contract is up to \$4,300,000 and the term is five years from the date of signature. The Organization will be responsible for covering 10% of the cost of properties acquired and will be soliciting funds from state and local governments as well as private organizations to assist with these costs. As of December 31, 2017, the Organization acquired five properties under this agreement.

9. Contingencies

The Organization participates in a federal award program. This program is subject to program compliance audits by the grantors or their representatives. Accordingly, the Organization's compliance with applicable grant requirements will be established at some future date.

The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although management expects such amounts, if any, will not be significant.

10. Subsequent Events

Management has evaluated subsequent events through May 2, 2018, the date which the financial statements were available to be issued.

SUPPLEMENTARY FINANCIAL INFORMATION

HARFORD LAND TRUST, INC.

Schedule of Functional Expenses
For the Year Ended December 31, 2017

	Program Services					Management and General	Fundraising	Total
	Land - Projects	Land - Management	Outreach	Program Services	Total			
Wages	\$ 19,717	\$ 16,260	\$ 32,877	\$ 68,854	\$ 18,806	\$ 2,235	\$ 89,895	
Advertising & promotion	132	76	240	448	15	10	473	
Annual meeting expense	651	300	261	1,212	52	39	1,303	
Bank charges & credit card fees	- 0 -	- 0 -	- 0 -	- 0 -	662	3	665	
Computer expense	606	324	730	1,660	64	44	1,768	
Conferences & seminars	333	473	1,245	2,051	109	67	2,227	
Contract labor	20	9	- 8 -	37	3,051	1	3,089	
Dues	188	332	930	1,450	78	47	1,575	
Fundraising	234	216	455	905	45	369	1,319	
Insurance - general	3,623	1,666	426	5,715	290	1,240	7,245	
Insurance health	931	428	373	1,732	75	56	1,863	
Insurance- workers' compensation	267	125	115	507	22	16	545	
Meetings	12	5	5	22	1	1	24	
Miscellaneous expense	8,168	237	414	8,819	45	35	8,899	
Newsletter & member mailings	55	116	335	506	28	17	551	
Office rent	3,024	1,260	1,575	5,859	252	189	6,300	
Office supplies	1,227	760	1,251	3,238	35	124	3,397	
Outreach	154	159	389	702	160	27	889	
Outreach events	3,082	2,542	6,289	11,913	470	560	12,943	
Payroll service	105	59	116	280	- 0 -	11	291	
Payroll taxes	1,535	1,115	2,235	4,885	2,234	165	7,284	
Postage	415	300	524	1,239	211	47	1,497	
Printing expense	84	80	717	881	16	11	908	
Professional fees	2,870	5,098	3,688	11,656	5,494	325	17,475	
Project development	8,052	89	- 0 -	8,141	5,677	- 0 -	13,818	
Strategic planning	125	57	50	232	10	7	249	
Retirement benefits	667	307	267	1,241	53	40	1,334	
Tax - state registration	20	42	122	184	10	6	200	
Telephone	470	336	624	1,430	71	54	1,555	
Travel reimbursement	166	141	326	633	35	34	702	
Utilities	875	360	450	1,685	71	54	1,810	
Total Expenses	\$ 57,808	\$ 33,272	\$ 57,037	\$ 148,117	\$ 38,142	\$ 5,834	\$ 192,093	

HARFORD LAND TRUST, INC.

Schedule of Functional Expenses
For the Year Ended December 31, 2016

	Program Services				Management and General	Fundraising	Total
	Land - Projects	Land - Management	Outreach	Total Program Services			
Wages	\$ 35,449	\$ 15,710	\$ 13,395	\$ 64,554	\$ 2,695	\$ 2,080	\$ 69,329
Advertising & promotion	695	304	417	1,416	92	- 0 -	1,508
Annual meeting expense	1,297	590	476	2,363	58	49	2,470
Bank charges & credit card fees	- 0 -	- 0 -	- 0 -	- 0 -	282	13	295
Charitable contributions	35	20	30	85	10	5	100
Computer expense	1,143	526	457	2,126	91	69	2,286
Conferences & seminars	687	303	257	1,247	253	35	1,535
Contract labor	2,737	- 0 -	- 0 -	2,737	1,876	- 0 -	4,613
Depreciation	- 0 -	- 0 -	- 0 -	- 0 -	264	- 0 -	264
Dues	713	328	285	1,326	57	43	1,426
Fundraising	20	9	8	37	3	- 0 -	40
Insurance - general	4,192	1,372	1,193	6,757	417	- 0 -	7,174
Insurance health	1,654	691	570	2,915	116	94	3,125
Insurance- workers' compensation	258	119	103	480	36	- 0 -	516
Meetings	159	65	52	276	11	8	295
Miscellaneous expense	4,076	58	409	4,543	745	38	5,326
Newsletter & member mailings	264	122	106	492	21	16	529
Office rent	3,024	1,260	1,575	5,859	252	189	6,300
Office supplies	1,189	485	563	2,237	221	11	2,469
Outreach	439	183	751	1,373	40	16	1,429
Outreach events	5,866	2,756	2,349	10,971	688	332	11,991
Payroll service	370	138	106	614	22	20	656
Payroll taxes	2,609	1,155	984	4,748	223	153	5,124
Postage	501	206	168	875	37	25	937
Printing expense	484	223	194	901	39	29	969
Professional fees	5,276	4,163	3,620	13,059	724	543	14,326
Project development	4,027	216	- 0 -	4,243	672	- 0 -	4,915
Retirement benefits	1,327	604	549	2,480	107	80	2,667
Tax - state registration	100	46	40	186	8	6	200
Telephone	920	406	346	1,672	73	51	1,796
Travel reimbursement	626	288	250	1,164	50	38	1,252
Utilities	863	359	449	1,671	72	54	1,797
Total Expenses	\$ 81,000	\$ 32,705	\$ 29,702	\$ 143,407	\$ 10,255	\$ 3,997	\$ 157,659