

HARFORD LAND TRUST, INC.

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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 statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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. 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 audit 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Prior Period Financial Statements

We have previously audited Harford Land Trust, Inc.'s December 31, 2017 financial statements in accordance with auditing standards generally accepted in the United States of America, and we expressed an unmodified opinion on those financial statements in our report dated May 2, 2018.

As discussed in Note 13 to the financial statements, certain errors resulting in the over-valuation of the historical cost of land held by the Organization and incorrect restrictions were discovered by management in the current year. Accordingly, amounts reported for land and net assets have been restated in the 2017 financial statements now presented, and an adjustment has been made to beginning net assets as of December 31, 2017, to correct the error. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2019, on our consideration of Harford Land Trust, Inc.'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 Harford Land Trust, Inc.'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 Harford Land Trust, Inc.'s internal control over financial reporting and compliance.

Weyrauch, Cronin & Sarra

September 3, 2019
Bel Air, MD

HARFORD LAND TRUST, INC.Statements of Financial Position
December 31, 2018 and 2017 (Restated)ASSETS

	2018	2017 (Restated)
CURRENT ASSETS:		
Cash and cash equivalents - operating fund	\$ 326,221	\$ 248,158
Cash and cash equivalents - restricted - land maintenance	355,779	27,077
Accounts receivable	48,092	12,971
Total Current Assets	730,092	288,206
PROPERTY AND EQUIPMENT - AT COST:		
Land	2,807,636	1,825,682
Computers and equipment	4,426	4,426
Less: accumulated depreciation	(4,426)	(4,426)
	2,807,636	1,825,682
OTHER ASSETS:		
Investments - supplemental income fund	33,845	38,742
Investments - land conservation fund	400,312	440,784
	434,157	479,526
	<u>\$ 3,971,885</u>	<u>\$ 2,593,414</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 74,475	\$ 2,265
Deferred revenue	355,779	- 0 -
Total Current Liabilities	430,254	2,265
NET ASSETS:		
Without donor restrictions		
Operating	321,183	292,578
Board designated	3,061,599	2,121,117
	3,382,782	2,413,695
With donor restrictions	158,849	177,454
Total Net Assets	3,541,631	2,591,149
	<u>\$ 3,971,885</u>	<u>\$ 2,593,414</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, 2018 and 2017 (Restated)

	2018			2017 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Campaign income	\$ 1,200	\$ 1,000	\$ 2,200	\$ 1,100	\$ - 0 -	\$ 1,100
Fundraising income	73,436	- 0 -	73,436	70,325	- 0 -	70,325
Grants	1,191,937	- 0 -	1,191,937	70,038	5,000	75,038
Donations	86,744	- 0 -	86,744	7,168	17,355	24,523
In-kind income	18,298	- 0 -	18,298	15,093	- 0 -	15,093
Fall and spring appeals	7,760	- 0 -	7,760	6,303	- 0 -	6,303
Membership dues	12,195	- 0 -	12,195	10,865	- 0 -	10,865
Memorial gifts	625	- 0 -	625	940	- 0 -	940
Investment income (loss)	(44,499)	- 0 -	(44,499)	67,276	- 0 -	67,276
Net assets released from restrictions	19,605	(19,605)	- 0 -	2,250	(2,250)	- 0 -
Total support and revenue	1,367,301	(18,605)	1,348,696	251,358	20,105	271,463
EXPENSES:						
Program services:						
Land projects	81,611	- 0 -	81,611	57,808	- 0 -	57,808
Land management	216,406	- 0 -	216,406	33,272	- 0 -	33,272
Outreach	84,183	- 0 -	84,183	57,037	- 0 -	57,037
Total program services	382,200	- 0 -	382,200	148,117	- 0 -	148,117
Management and general	8,937	- 0 -	8,937	38,142	- 0 -	38,142
Fundraising	7,077	- 0 -	7,077	5,834	- 0 -	5,834
	398,214	- 0 -	398,214	192,093	- 0 -	192,093
CHANGE IN NET ASSETS	969,087	(18,605)	950,482	59,265	20,105	79,370
NET ASSETS AT BEGINNING OF YEAR AS RESTATED	2,413,695	177,454	2,591,149	2,354,430	157,349	2,511,779
NET ASSETS AT END OF YEAR	\$ 3,382,782	\$ 158,849	\$ 3,541,631	\$ 2,413,695	\$ 177,454	\$ 2,591,149

See accompanying notes to financial statements

HARFORD LAND TRUST, INC.

Statement of Functional Expenses For the Year Ended December 31, 2018

	Program Services				Management and General	Fundraising	Total
	Land - Projects	Land - Management	Outreach	Total Program Services			
Wages	\$ 17,679	\$ 25,382	\$ 42,370	\$ 85,431	\$ 3,989	\$ 4,167	\$ 93,587
ACUB project expense	41,665	168,650	210	210,525	25	15	210,565
Advertising & promotion	401	382	1,538	2,321	80	56	2,457
Annual meeting expense	864	398	346	1,608	69	52	1,729
Bank charges & credit card fees	- 0 -	- 0 -	- 0 -	- 0 -	714	- 0 -	714
Charitable contributions	- 0 -	- 0 -	1,070	1,070	- 0 -	- 0 -	1,070
Computer expense	500	376	733	1,609	80	105	1,794
Conferences & seminars	560	570	999	2,129	112	79	2,320
Dues	375	375	1,120	1,870	75	45	1,990
Fundraising	31	31	53	115	6	4	125
Insurance - general	454	4,121	91	4,666	52	816	5,534
Insurance - workers' compensation	143	114	257	514	29	29	572
Meetings	51	51	63	165	3	2	170
Miscellaneous expense	- 0 -	- 0 -	82	82	- 0 -	- 0 -	82
Office rent	3,024	1,260	1,575	5,859	252	189	6,300
Office supplies	706	672	1,129	2,507	132	98	2,737
Outreach	- 0 -	- 0 -	628	628	- 0 -	- 0 -	628
Outreach events	813	782	15,265	16,860	137	185	17,182
Payroll service	110	98	192	400	22	18	440
Payroll taxes	1,352	1,942	3,322	6,616	305	319	7,240
Postage	203	196	846	1,245	41	27	1,313
Printing expense	224	224	4,191	4,639	45	27	4,711
Professional fees	10,678	4,056	5,971	20,705	2,493	631	23,829
Project development	- 0 -	5,484	- 0 -	5,484	- 0 -	- 0 -	5,484
Retirement benefits	459	367	826	1,652	92	92	1,836
Tax - state registration	50	50	84	184	10	6	200
Telephone	401	368	694	1,463	81	61	1,605
Travel reimbursement	4	97	78	179	21	- 0 -	200
Utilities	864	360	450	1,674	72	54	1,800
Total Expenses	<u>\$ 81,611</u>	<u>\$ 216,406</u>	<u>\$ 84,183</u>	<u>\$ 382,200</u>	<u>\$ 8,937</u>	<u>\$ 7,077</u>	<u>\$ 398,214</u>

See accompanying notes to financial statements

HARFORD LAND TRUST, INC.

Statement of Functional Expenses For the Year Ended December 31, 2017 (Restated)

	Program Services				Management and General	Fundraising	Total
	Land - Projects	Land - Management	Outreach	Total Program Services			
Wages	\$ 19,717	\$ 16,260	\$ 32,877	\$ 68,854	\$ 18,806	\$ 2,235	\$ 89,895
ACUB project expense	8,168	- 0 -	- 0 -	8,168	- 0 -	- 0 -	8,168
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	- 0 -	237	414	651	45	35	731
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	<u>\$ 57,808</u>	<u>\$ 33,272</u>	<u>\$ 57,037</u>	<u>\$ 148,117</u>	<u>\$ 38,142</u>	<u>\$ 5,834</u>	<u>\$ 192,093</u>

See accompanying notes to financial statements

HARFORD LAND TRUST, INC.Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017 (Restated)

	2018	2017 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 950,482	\$ 79,370
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized and realized (gain) loss on investments	45,349	(38,570)
Donated land costs	- 0 -	(2,000)
Acquisition of land costs	(981,954)	(4,350)
Increase in current assets:		
Accounts receivable	(35,121)	(12,971)
Increase (decrease) in current liabilities:		
Deferred revenue	355,779	- 0 -
Accounts payable and accrued expenses	72,209	(3,136)
Net cash provided by operating activities	406,744	18,343
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(430,298)	(28,182)
Sale of investments	430,319	- 0 -
Net cash provided by (used in) investing activities	21	(28,182)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	406,765	(9,839)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	275,235	285,074
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 682,000	\$ 275,235
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Reconciliation of cash and cash equivalents to the statements of financial position		
Cash and cash equivalents - operating fund	\$ 326,221	\$ 248,158
Cash and cash equivalents - restricted - land maintenance	355,779	27,077
	\$ 682,000	\$ 275,235

See accompanying notes to financial statements

HARFORD LAND TRUST, INC.

Notes to the Financial Statements
December 31, 2018 and 2017 (Restated)

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 accompanying financial statements are presented in accordance with the accrual basis of accounting and, accordingly, reflect receivables, other assets, payables, and other liabilities. As such, revenue is recognized when earned and expenditures when incurred.

Financial Statement Presentation - The Organization 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.

Net assets without donor restrictions represent the portion of net assets that is not subject to donor-imposed restrictions. Such net assets are available for use at the discretion of management and/or the Board of Trustees for general operating purposes. The Board of Trustees may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

- **Operating** – Represents resources available for support of operations.
- **Board Designated** –The Organization's Board of Trustees has designated certain amounts to be used for specific operational purposes approved by the Organization's Board.

Net assets with donor restrictions represent the portion of net assets that is subject to donor-imposed restrictions. Such restrictions may specify a purpose for which, or time in which, resources can be used. Some net assets with donor restrictions include stipulations that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy.

HARFORD LAND TRUST, INC.

Notes to the Financial Statements
December 31, 2018 and 2017 (Restated)

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 without donor restrictions or as with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions are recorded as revenues without donor restrictions 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. Deferred revenue at December 31, 2018 consists of funds received from the Army Compatible Use Buffer Program (ACUB) for the purchase and maintenance of land for the benefit of the army.

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 restricted for specific purposes. Excluded from cash equivalents are such amounts that represent funds that have been designated by the Board for investments.

Cash and Cash Equivalents – Restricted – Land Maintenance – Cash that is received under federal awards that is for the future maintenance of land acquired under federal awards is restricted.

Accounts Receivable - Accounts receivable consists of reimbursements under grant agreements and miscellaneous receivables. Management believes that accounts receivable are fully collectible and no allowance is considered necessary as of December 31, 2018 and 2017.

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.

Land - Parcels of land purchased by the Organization are recorded at cost. Other parcels that are purchased at less than fair market value or 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, 2018 and 2017 (Restated)

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

Property and Equipment - Fixed assets are stated at cost, if purchased, or at fair market value at the date of the gift, if donated. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. 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

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 2015.

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, 2018 and 2017 were \$18,298 and \$15,093, respectively.

Functional Allocation of Expenses - Expenses are presented by both function and natural classification in the statement of functional expenses. Expenses that are directly identifiable with a particular function are charged to the program or supporting service benefited. Other expenses may benefit more than one program or supporting function.

Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort. Annual meeting expense and professional fees are allocated based on management's estimate of time spent on each function when the costs were incurred.

HARFORD LAND TRUST, INC.

Notes to the Financial Statements December 31, 2018 and 2017 (Restated)

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

Advertising - It is the Organization's policy to expense advertising costs as incurred. Advertising expense for the years ended December 31, 2018 and 2017 was \$2,457 and \$473, respectively.

New Accounting Pronouncement - In August 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update 2016-14 (ASU 2016-14), *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organization's financial statements:

The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions. The Organization had no permanently restricted net assets as of December 31, 2017.

The unrestricted net asset class has been renamed net assets without donor restrictions.

The financial statements include a new disclosure about liquidity and availability of resources (Note 7).

The changes have had the following effect on net assets at December 31, 2017:

	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets (restated)	\$ 2,413,695	\$ - 0 -
Temporarily restricted net assets (restated)	177,454	- 0 -
Net assets without donor restrictions (restated)	- 0 -	2,413,695
Net assets with donor restrictions (restated)	- 0 -	177,454
	<u>\$ 2,591,149</u>	<u>\$ 2,591,149</u>

In addition, certain amounts in the prior period financial statements have been reclassified for comparative purposes to conform to the current period presentation.

HARFORD LAND TRUST, INC.

Notes to the Financial Statements
December 31, 2018 and 2017 (Restated)

2. Fair Value of Investments

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

	2018		
	Cost	Fair Value at Quoted Prices in Active Markets for Identical Assets (Level 1)	Unrealized Gain
Money market funds	\$ 17,142	\$ 17,142	\$ - 0 -
Mutual Funds	<u>396,014</u>	<u>417,015</u>	<u>21,001</u>
Total	<u>\$ 413,156</u>	<u>\$ 434,157</u>	<u>\$ 21,001</u>

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

The Organization measures the investments at fair value on a recurring basis as of December 31, 2018 and 2017 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 2 and 3 assets therefore there were no transfers into or out of Level 2 and 3 for the years ended December 31, 2018 or 2017.

Investment income is reported net of related external and direct internal investment expenses in the statement of activities and changes in net assets. The amount of expenses netted with revenues was \$138 and \$-0- for the years ended December 31, 2018 and 2017, respectively.

HARFORD LAND TRUST, INC.

Notes to the Financial Statements
December 31, 2018 and 2017 (Restated)

3. Land

The Organization owned the following parcels of land as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017 (Restated)</u>
Forest Greens Lot	\$ 1,456	\$ 1,456
James R. Kelly Property	83,109	83,109
Raven Rock (restated value)	208,667	208,667
Otter Creek Woods	68,114	57,614
Rodgers Property	32,090	32,090
Ward Property (restated value)	140,380	140,380
Welzenbach Property	627,989	627,989
Stewart Property	107,536	107,536
Terra Firma Property	369,464	369,464
Harford Hospice Property	92,166	92,166
Kosczielski Property	105,211	105,211
Riverwalk II	<u>971,454</u>	<u>- 0 -</u>
Total owned land	<u>\$ 2,807,636</u>	<u>\$ 1,825,682</u>

Total acreage owned by the Organization as of December 31, 2018 and 2017 was 366 and 334 acres. 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.

During 2018, management determined that the valuation of two of its properties had been incorrectly recorded in prior years (see Note 13). The initial recording of the Ward Property failed to include a \$35,000 contribution by the seller towards the purchase price of the land as a contribution, thus undervaluing the property by the same amount.

In addition, an easement placed on the Raven Rock property, which effectively reduced the valuation of the land by \$58,017, was not recorded. Both items have been retrospectively reported in opening balances for 2017.

4. Retirement Program

The Organization sponsors a 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, 2018 and 2017 were \$1,836 and \$1,334, respectively.

HARFORD LAND TRUST, INC.

Notes to the Financial Statements December 31, 2018 and 2017 (Restated)

5. Board Designated Net Assets

The board has designated net assets without donor restrictions for the following projects at December 31:

	<u>2018</u>	<u>2017 (Restated)</u>
Land conservation	\$ 2,807,636	\$ 1,825,682
Hegeman Land Fund	241,463	282,935
Land monitoring/management	<u>12,500</u>	<u>12,500</u>
	<u>\$ 3,061,599</u>	<u>\$ 2,121,117</u>

6. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, are available for the following purposes:

	<u>2018</u>	<u>2017 (Restated)</u>
Hegeman Land Fund	\$ 158,849	\$ 157,849
LTA Accreditation Grant	- 0 -	2,750
Riverwalk II Campaign	<u>- 0 -</u>	<u>16,855</u>
	<u>\$ 158,849</u>	<u>\$ 177,454</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>2018</u>	<u>2017 (Restated)</u>
LTA Accreditation Grant	\$ 2,750	\$ 2,250
Riverwalk II Campaign	<u>16,855</u>	<u>- 0 -</u>
	<u>\$ 19,605</u>	<u>\$ 2,250</u>

7. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2018 and 2017, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	<u>2018</u>	<u>2017</u>
Financial assets at year end	\$ 1,164,249	\$ 767,732
Less those unavailable for general expenditures within one year, due to:		
Deferred revenue	355,779	- 0 -
Restricted by donors with purpose or time restrictions	<u>158,849</u>	<u>177,454</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 649,621</u>	<u>\$ 590,278</u>

HARFORD LAND TRUST, INC.

Notes to the Financial Statements December 31, 2018 and 2017 (Restated)

7. Liquidity and Availability of Financial Assets (continued)

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Organization has Board Designated net assets without donor restrictions that, while the Organization does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.

8. Lease

The Organization leases its administrative office under a month-to-month lease agreement. The lease fee is \$675 a month which includes utilities. Office lease expense and utility expense under this lease for the years ended December 31, 2018 and 2017 was \$8,100 each year.

9. 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.

10. 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.

11. 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, 2018, the Organization acquired six properties under this agreement. Total funds spent under the grant as of December 31, 2018 totaled \$2,872,225.

HARFORD LAND TRUST, INC.

Notes to the Financial Statements December 31, 2018 and 2017 (Restated)

12. Contingencies

The Organization participates in a federal award program. This program is subject to program compliance audits by the grantors or their representatives. Such audits could result in claims against the Organization for disallowed costs or noncompliance with restricted funds.

The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. Management expects such amounts, if any, will not be significant. Accordingly, no provision has been made for any liability that may arise from such audits

13. Prior Period Adjustment

As a result of an internal review of the valuation of the Raven Rock and Ward properties, it was determined that the historical cost of the land was incorrectly recorded. (See Note 3 for details).

During the year ended December 31, 2018, management determined \$12,500 classified as net assets with donor restrictions for "Land monitoring/management" should have been net assets without donor restrictions – board designated.

Consequently, opening net asset balances for the years ended December 31, 2018 and 2017 have been adjusted to properly reflect the correct historical cost for land and designation. Comparative financial statements of prior years have been adjusted to apply the adjusted value retrospectively. The following financial statement line items were affected by the change.

	December 31, 2017	
	As Previously Reported	As Restated
Land	\$ 1,848,699	\$ 1,825,682
Net Asset Without Donor Restrictions at Beginning of Year	2,364,947	2,354,430
Net Asset With Donor Restrictions at Beginning of Year	169,849	157,349

14. Subsequent Events

Management has evaluated subsequent events through September 3, 2019, the date which the financial statements were available to be issued.