

HARFORD LAND TRUST, INC.

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, 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 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, 2019 and 2018, 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.

**Emphasis of Matter
Prior Period Financial Statements**

We have previously audited Harford Land Trust, Inc.'s December 31, 2018 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 September 3, 2019.

As discussed in Note 1 to the financial statements, there was a change in accounting principle related to revenue recognition adopted in 2019. Accordingly, the change was adopted retrospectively and net assets and deferred revenue have been restated in the 2018 financial statements now presented. 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 August 11, 2020, 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.

Wojcik, Cronin & Serra, LLC

August 11, 2020
Bel Air, MD

HARFORD LAND TRUST, INC.Statements of Financial Position
December 31, 2019 and 2018 (Restated)ASSETS

	<u>2019</u>	<u>2018</u> <u>(Restated)</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 310,006	\$ 682,000
Accounts receivable	- 0 -	48,092
	<u>310,006</u>	<u>730,092</u>
PROPERTY AND EQUIPMENT - AT COST:		
Land	2,597,513	2,807,636
Computers and equipment	4,426	4,426
Less: accumulated depreciation	<u>(4,426)</u>	<u>(4,426)</u>
	<u>2,597,513</u>	<u>2,807,636</u>
OTHER ASSETS:		
Investments	<u>1,114,230</u>	<u>434,157</u>
	<u>\$ 4,021,749</u>	<u>\$ 3,971,885</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	<u>\$ 2,236</u>	<u>\$ 74,475</u>
	<u>2,236</u>	<u>74,475</u>
NET ASSETS:		
Without donor restrictions		
Operating	485,091	321,183
Board designated	<u>2,956,332</u>	<u>3,061,599</u>
	3,441,423	3,382,782
With donor restrictions	<u>578,090</u>	<u>514,628</u>
	<u>4,019,513</u>	<u>3,897,410</u>
	<u>\$ 4,021,749</u>	<u>\$ 3,971,885</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, 2019 and 2018 (Restated)

	2019			2018 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Campaign income	\$ 1,200	\$ - 0 -	\$ 1,200	\$ 1,200	\$ 1,000	\$ 2,200
Fundraising income - net of expense (2019 \$19,149 and 2018 \$17,182)	61,327	- 0 -	61,327	52,536	- 0 -	52,536
Grants	1,306,195	125,028	1,431,223	1,191,937	355,779	1,547,716
Donations	23,286	83,600	106,886	86,744	- 0 -	86,744
In-kind income	11,103	- 0 -	11,103	18,298	- 0 -	18,298
Fall and spring appeals	7,888	- 0 -	7,888	7,760	- 0 -	7,760
Membership dues	11,025	- 0 -	11,025	12,195	- 0 -	12,195
Memorial gifts	2,460	- 0 -	2,460	625	- 0 -	625
Investment income (loss), net	116,940	(1,431)	115,509	(44,499)	- 0 -	(44,499)
Other income	1,805	- 0 -	1,805	3,718	- 0 -	3,718
Loss on sale of land	(126,042)	- 0 -	(126,042)	- 0 -	- 0 -	- 0 -
Net assets released from restrictions	143,735	(143,735)	- 0 -	19,605	(19,605)	- 0 -
Total support and revenue	1,560,922	63,462	1,624,384	1,350,119	337,174	1,687,293
EXPENSES:						
Program services:						
Land projects	1,268,645	- 0 -	1,268,645	80,798	- 0 -	80,798
Land management	156,855	- 0 -	156,855	215,624	- 0 -	215,624
Outreach	60,817	- 0 -	60,817	68,918	- 0 -	68,918
Total program services	1,486,317	- 0 -	1,486,317	365,340	- 0 -	365,340
Management and general	11,878	- 0 -	11,878	8,800	- 0 -	8,800
Fundraising	4,086	- 0 -	4,086	6,892	- 0 -	6,892
	1,502,281	- 0 -	1,502,281	381,032	- 0 -	381,032
CHANGE IN NET ASSETS	58,641	63,462	122,103	969,087	337,174	1,306,261
NET ASSETS AT BEGINNING	3,382,782	514,628	3,897,410	2,413,695	177,454	2,591,149
NET ASSETS AT END OF YEAR	\$ 3,441,423	\$ 578,090	\$ 4,019,513	\$ 3,382,782	\$ 514,628	\$ 3,897,410

See accompanying notes to financial statements

HARFORD LAND TRUST, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services			Total Program Services	Management and Fundraising		Total
	Land - Projects	Land - Management	Outreach		General	Fundraising	
Wages	\$ 24,320	\$ 22,419	\$ 34,085	\$ 80,824	\$ 4,723	\$ 2,073	\$ 87,620
ACUB project expense	1,213,694	114,312	1,814	1,329,820	225	135	1,330,180
Advertising & promotion	- 0 -	- 0 -	623	623	- 0 -	- 0 -	623
Annual meeting expense	131	131	198	460	26	16	502
Bank charges & credit card fees	100	- 0 -	426	526	425	- 0 -	951
Charitable contributions	- 0 -	- 0 -	1,000	1,000	- 0 -	- 0 -	1,000
Computer expense	1,233	1,233	1,526	3,992	182	110	4,284
Conferences & seminars	1,446	864	1,451	3,761	198	103	4,062
Dues	625	625	900	2,150	- 0 -	- 0 -	2,150
Fundraising	- 0 -	- 0 -	210	210	17	594	821
Insurance - general	1,753	3,489	2,944	8,186	351	210	8,747
Insurance - workers' compensation	157	157	263	577	31	18	626
Meetings	- 0 -	- 0 -	60	60	- 0 -	- 0 -	60
Miscellaneous expense	20	20	36	76	81	3	160
Office maintenance & trash collection	9	9	15	33	2	1	36
Office rent	3,024	1,260	1,575	5,859	252	189	6,300
Office supplies	399	594	781	1,774	175	48	1,997
Outreach	- 0 -	- 0 -	100	100	- 0 -	- 0 -	100
Payroll service	108	108	181	397	21	12	430
Payroll taxes	1,860	1,715	2,621	6,196	361	159	6,716
Postage	139	140	1,188	1,467	26	15	1,508
Printing expense	- 0 -	- 0 -	3,764	3,764	- 0 -	16	3,780
Professional fees	17,569	3,289	3,016	23,874	4,510	210	28,594
Project development	- 0 -	5,222	- 0 -	5,222	- 0 -	- 0 -	5,222
Retirement benefits	668	382	707	1,757	95	57	1,909
Tax - state registration	50	50	84	184	10	6	200
Telephone	476	476	799	1,751	95	57	1,903
Utilities	864	360	450	1,674	72	54	1,800
Total Expenses	\$ 1,268,645	\$ 156,855	\$ 60,817	\$ 1,486,317	\$ 11,878	\$ 4,086	\$ 1,502,281

See accompanying notes to financial statements

HARFORD LAND TRUST, INC.

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

	Program Services			Total Program Services	Management and General	Fundraising	Total
	Land - Projects	Land - Management	Outreach				
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
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	\$ 80,798	\$ 215,624	\$ 68,918	\$ 365,340	\$ 8,800	\$ 6,892	\$ 381,032

See accompanying notes to financial statements

HARFORD LAND TRUST, INC.Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018 (Restated)

	<u>2019</u>	<u>2018</u> <u>(Restated)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 122,103	\$ 1,306,261
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized and realized (gain) loss on investments	(69,415)	45,349
Loss on sale of land	126,042	- 0 -
Acquisition of land costs	- 0 -	(981,954)
(Increase) decrease in current assets:		
Accounts receivable	48,092	(35,121)
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	(72,239)	72,209
Net cash provided by operating activities	<u>154,583</u>	<u>406,744</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(610,658)	(430,298)
Sale of investments	- 0 -	430,319
Proceeds from sale of land	84,081	- 0 -
Net cash provided by (used in) investing activities	<u>(526,577)</u>	<u>21</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(371,994)	406,765
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>682,000</u>	<u>275,235</u>
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 310,006</u></u>	<u><u>\$ 682,000</u></u>

See accompanying notes to financial statements

HARFORD LAND TRUST, INC.

Notes to the Financial Statements
December 31, 2019 and 2018 (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, 2019 and 2018 (Restated)

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

Revenue Recognition – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. 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. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

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

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, 2019 and 2018.

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, 2019 and 2018 (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 2016.

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, 2019 and 2018 were \$11,103 and \$18,298, 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, are allocated on the basis of estimates of time and effort if they are related to wages or reasonably allocated based on wages. Other expenses 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, 2019 and 2018 (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, 2019 and 2018 was \$623 and \$2,457, respectively.

Change in Accounting Principle - In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances the comparability of financial information among not-for-profit entities. The change in accounting principle was adopted retrospectively in 2019. For the year ended December 31, 2018, the effect of adopting the new accounting principle was an increase in grants with donor restrictions of \$355,779 and a corresponding decrease in deferred revenue of \$355,779 in 2018. As a result, the cumulative-effect adjustment to opening net assets with donor restrictions as of January 1, 2019 was an increase of \$355,779.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update supersedes previously issued guidance on revenue recognition and will apply to virtually all industries. The core principle of this new guidance is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies the performance obligation. The new standard was effective for nonpublic entities for annual reporting periods beginning after December 15, 2018. The Organization adopted the ASU under the prospective method. During 2019, an analysis was performed under the provisions of this standard and no significant changes resulted in the way the Organization recognizes revenue.

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, 2019 and 2018 (Restated)

2. Fair Value of Investments

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

	2019		
	Cost	Fair Value at Quoted Prices in Active Markets for Identical Assets (Level 1)	Unrealized Gain
Money market funds	\$ 49,165	\$ 49,165	\$ - 0 -
Mutual Funds	991,792	1,065,065	73,273
Total	\$ 1,040,957	\$ 1,114,230	\$ 73,273
	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	413,157	417,015	3,858
Total	\$ 430,299	\$ 434,157	\$ 3,858

The Organization measures the investments at fair value on a recurring basis as of December 31, 2019 and 2018 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, 2019 or 2018.

The following schedule summarizes the investment return in the statement of activities:

	2019	2018
Interest and dividend income	\$ 52,843	\$ 988
Net realized and unrealized gains (losses)	69,415	(45,349)
External and direct investment expenses	(6,749)	(138)
Total	\$ 115,509	\$ (44,499)

HARFORD LAND TRUST, INC.

Notes to the Financial Statements
December 31, 2019 and 2018 (Restated)

3. Land

The Organization owned the following parcels of land as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Forest Greens Lot	\$ - 0 -	\$ 1,456
James R. Kelly Property	83,109	83,109
Raven Rock	- 0 -	208,667
Otter Creek Woods	68,114	68,114
Rodgers Property	32,090	32,090
Ward Property	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>971,454</u>
Total owned land	<u>\$ 2,597,513</u>	<u>\$ 2,807,636</u>

Total acreage owned by the Organization as of December 31, 2019 and 2018 was 339 and 366 acres. Other parcels under conservation restrictions held jointly with other organizations in Harford County total 1,326 acres. The Organization does not hold title to these properties but are a party to these conservation easements.

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, 2019 and 2018 were \$1,909 and \$1,836, respectively.

5. Board Designated Net Assets

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

	<u>2019</u>	<u>2018</u>
Land conservation	\$ 2,597,513	\$ 2,807,636
Hegeman Land Fund	346,319	241,463
Land monitoring/management	<u>12,500</u>	<u>12,500</u>
	<u>\$ 2,956,332</u>	<u>\$ 3,061,599</u>

HARFORD LAND TRUST, INC.

Notes to the Financial Statements
December 31, 2019 and 2018 (Restated)

6. Net Assets with Donor Restrictions

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

	<u>2019</u>	<u>2018 (Restated)</u>
Hegeman Land Fund	\$ 141,549	\$ 158,849
ACUB land conservation	337,941	355,779
James Run Stewardship	83,600	- 0 -
CLWI Restricted Grant	10,000	- 0 -
BGE Green Grant	5,000	- 0 -
	<u>\$ 578,090</u>	<u>\$ 514,628</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>2019</u>	<u>2018</u>
LTA Accreditation Grant	\$ - 0 -	\$ 2,750
Hegeman Land Fund	17,300	- 0 -
ACUB land conservation	126,435	- 0 -
Riverwalk II Campaign	- 0 -	16,855
	<u>\$ 143,735</u>	<u>\$ 19,605</u>

7. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2019 and 2018, 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>2019</u>	<u>2018</u>
Financial assets at year end	\$ 1,424,236	\$ 1,164,249
Less those unavailable for general expenditures		
within one year, due to:		
Board designated	358,819	253,963
Restricted by donors with purpose or time restrictions	578,090	514,628
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 487,327</u>	<u>\$ 395,658</u>

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. The amount of Board Designated net assets available for current operations was \$358,819 and \$253,963 for the years ended December 31, 2019 and 2018, respectively.

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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, 2019 and 2018 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 original contract was up to \$4,300,000 with a term of five years from the date of signature. The contract was extended one year in 2019 and for another four years in 2020. An additional \$878,000 was added to the contract in 2019. 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, 2019, the Organization acquired six properties under this agreement. Total funds spent under the grant as of December 31, 2019 totaled \$4,247,855.

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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. Subsequent Events

In March 2020, significant mitigation efforts began taking effect in the United States in an attempt to curtail the spread of coronavirus (COVID-19) pandemic. Such efforts have included travel restrictions, business disruptions, and event cancelations. Capital markets have seen significant volatility in the wake of the pandemic and significant economic disruptions are likely to occur. In response, the Organization has altered its operation and interactions with donors. Management cannot reasonably estimate the related financial impact and duration of the situation at this time. However, the Organization believes it has sufficient cash and investment reserves to sustain operations in the event of continued disruption. Management intends to monitor the situation on an ongoing basis and to continue efforts to reduce its impact on the Organization's operation and financial resources.

Management has evaluated subsequent events through August 11, 2020, the date which the financial statements were available to be issued.