

HARFORD LAND TRUST, INC.

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

HARFORD LAND TRUST, INC.

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Independent Auditors' Report

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

Opinion

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, 2022 and 2021, 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.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Harford Land Trust, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harford Land Trust, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Harford Land Trust, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harford Land Trust, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Wujich, Cronin & Serra, LLC

Hunt Valley, Maryland
September 27, 2023

HARFORD LAND TRUST, INC.Statements of Financial Position
December 31, 2022 and 2021ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 99,747	\$ 124,793
Restricted cash	311,303	323,878
Accounts receivable	7,020	31,842
Total Current Assets	<u>418,070</u>	<u>480,513</u>
PROPERTY AND EQUIPMENT:		
Land	1,969,524	1,969,524
Computers, furniture and equipment	23,589	20,740
Right of use asset	33,606	- 0 -
Less: accumulated depreciation	<u>(5,156)</u>	<u>(691)</u>
Total Property and Equipment	<u>2,021,563</u>	<u>1,989,573</u>
OTHER ASSETS:		
Cash and cash equivalents - board designated	54,413	72,689
Investments	<u>1,184,908</u>	<u>1,352,457</u>
Total Other Assets	<u>1,239,321</u>	<u>1,425,146</u>
TOTAL ASSETS	<u><u>\$ 3,678,954</u></u>	<u><u>\$ 3,895,232</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 10,415	\$ 16,880
Operating lease liability	<u>21,219</u>	<u>- 0 -</u>
Total Current Liabilities	<u>31,634</u>	<u>16,880</u>
LONG TERM LIABILITIES:		
Operating lease liability	<u>12,899</u>	<u>- 0 -</u>
TOTAL LIABILITIES	<u>44,533</u>	<u>16,880</u>
NET ASSETS:		
Without donor restrictions		
Operating	249,907	564,291
Board designated	<u>2,638,720</u>	<u>2,513,168</u>
Total Without donor restrictions	<u>2,888,627</u>	<u>3,077,459</u>
With donor restrictions	<u>745,794</u>	<u>800,893</u>
Total Net Assets	<u>3,634,421</u>	<u>3,878,352</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,678,954</u></u>	<u><u>\$ 3,895,232</u></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, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 80,751	\$ 4,000	\$ 84,751	\$ 33,007	\$ 8,000	\$ 41,007
Fall and spring appeals	13,956	- 0 -	13,956	7,892	- 0 -	7,892
Memorial gifts	2,283	- 0 -	2,283	5,013	- 0 -	5,013
Membership contributions	22,734	- 0 -	22,734	21,461	- 0 -	21,461
Grants	83,389	88,609	171,998	197,107	32,919	230,026
Fundraising events - net of expense (2022 \$28,622 and 2021 \$22,893)	35,161	- 0 -	35,161	38,015	- 0 -	38,015
In-kind income	8,798	- 0 -	8,798	16,684	- 0 -	16,684
Investment return - net	(212,618)	27,560	(185,058)	46,663	84,015	130,678
Other income	2,752	- 0 -	2,752	11,433	- 0 -	11,433
Loss on sale of land	- 0 -	- 0 -	- 0 -	(272,584)	- 0 -	(272,584)
Transfer of net assets to restrictions	- 0 -	- 0 -	- 0 -	(323,878)	323,878	- 0 -
Net assets released from restrictions	175,268	(175,268)	- 0 -	71,974	(71,974)	- 0 -
Total Support and Revenue	212,474	(55,099)	157,375	(147,213)	376,838	229,625
EXPENSES:						
Program services:						
Land projects	117,829	- 0 -	117,829	155,990	- 0 -	155,990
Land management	111,111	- 0 -	111,111	78,806	- 0 -	78,806
Outreach	127,021	- 0 -	127,021	106,859	- 0 -	106,859
Total Program Services	355,961	- 0 -	355,961	341,655	- 0 -	341,655
Supporting services:						
Management and general	27,476	- 0 -	27,476	17,429	- 0 -	17,429
Fundraising	17,869	- 0 -	17,869	18,485	- 0 -	18,485
Total Supporting Services	45,345	- 0 -	45,345	35,914	- 0 -	35,914
Total Expenses	401,306	- 0 -	401,306	377,569	- 0 -	377,569
CHANGE IN NET ASSETS	(188,832)	(55,099)	(243,931)	(524,782)	376,838	(147,944)
NET ASSETS AT BEGINNING	3,077,459	800,893	3,878,352	3,602,241	424,055	4,026,296
NET ASSETS AT END OF YEAR	\$ 2,888,627	\$ 745,794	\$ 3,634,421	\$ 3,077,459	\$ 800,893	\$ 3,878,352

See accompanying notes to financial statements

HARFORD LAND TRUST, INC.

Statement of Functional Expenses For the Year Ended December 31, 2022

	Program Services			Supporting Services			Total	
	Land - Projects	Land - Management	Outreach	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 65,290	\$ 58,694	\$ 73,468	\$ 197,452	\$ 13,316	\$ 8,992	\$ 22,308	\$ 219,760
Payroll taxes	5,259	4,777	5,819	15,855	938	705	1,643	17,498
Retirement benefits	739	401	444	1,584	99	77	176	1,760
Health insurance	2,331	2,158	2,504	6,993	516	346	862	7,855
	<u>73,619</u>	<u>66,030</u>	<u>82,235</u>	<u>221,884</u>	<u>14,869</u>	<u>10,120</u>	<u>24,989</u>	<u>246,873</u>
Accreditation	1,449	1,352	1,603	4,404	290	193	483	4,887
ACUB project expense	15,393	1,687	- 0 -	17,080	- 0 -	- 0 -	- 0 -	17,080
Advertising and promotion	- 0 -	- 0 -	287	287	- 0 -	- 0 -	- 0 -	287
Bank charges and credit card fees	61	57	71	189	1,461	8	1,469	1,658
Charitable contributions	- 0 -	- 0 -	1,437	1,437	- 0 -	- 0 -	- 0 -	1,437
Computer expense	660	615	781	2,056	132	87	219	2,275
Conferences and seminars	2,329	2,043	2,476	6,848	397	292	689	7,537
Contract labor	3,000	- 0 -	1,900	4,900	- 0 -	1,900	1,900	6,800
Cost of merchandise	- 0 -	- 0 -	2,119	2,119	- 0 -	- 0 -	- 0 -	2,119
Dues	675	630	1,045	2,350	135	90	225	2,575
Fundraising	- 0 -	- 0 -	- 0 -	- 0 -	439	1,398	1,837	1,837
Insurance	1,855	4,015	1,989	7,859	403	269	672	8,531
Meetings	- 0 -	- 0 -	730	730	- 0 -	- 0 -	- 0 -	730
Miscellaneous expense	196	185	9,720	10,101	40	26	66	10,167
Newsletter and member mailings	- 0 -	- 0 -	4,788	4,788	- 0 -	1,860	- 0 -	6,648
Office rent	6,872	6,414	7,330	20,616	1,478	916	2,394	23,010
Office supplies	248	232	264	744	50	34	84	828
Outreach	- 0 -	- 0 -	1,755	1,755	- 0 -	- 0 -	- 0 -	1,755
Payroll service	449	407	491	1,347	89	60	149	1,496
Postage	496	472	794	1,762	98	66	164	1,926
Printing expense	150	140	634	924	30	20	50	974
Professional fees	9,432	22,012	3,573	35,017	2,726	420	3,146	38,163
Project development	117	3,607	116	3,840	- 0 -	- 0 -	- 0 -	3,840
Strategic planning	338	316	361	1,015	68	45	113	1,128
Tax - state registration	60	56	64	180	12	8	20	200
Telephone	430	401	458	1,289	67	57	124	1,413
Travel	- 0 -	440	- 0 -	440	227	- 0 -	227	667
	<u>117,829</u>	<u>111,111</u>	<u>127,021</u>	<u>355,961</u>	<u>23,011</u>	<u>17,869</u>	<u>39,020</u>	<u>396,841</u>
Depreciation	- 0 -	- 0 -	- 0 -	- 0 -	4,465	- 0 -	4,465	4,465
Total Expenses	<u><u>\$ 117,829</u></u>	<u><u>\$ 111,111</u></u>	<u><u>\$ 127,021</u></u>	<u><u>\$ 355,961</u></u>	<u><u>\$ 27,476</u></u>	<u><u>\$ 17,869</u></u>	<u><u>\$ 43,485</u></u>	<u><u>\$ 401,306</u></u>

See accompanying notes to financial statements

HARFORD LAND TRUST, INC.

Statement of Functional Expenses For the Year Ended December 31, 2021

	Program Services			Supporting Services				Total
	Land - Projects	Land - Management	Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 59,631	\$ 42,581	\$ 51,494	\$ 153,706	\$ 9,910	\$ 7,157	\$ 17,067	\$ 170,773
Payroll taxes	4,500	3,128	3,791	11,419	1,264	542	1,806	13,225
Retirement benefits	1,133	284	284	1,701	94	94	188	1,889
Health Insurance	2,625	2,450	2,801	7,876	522	351	873	8,749
	67,889	48,443	58,370	174,702	11,790	8,144	19,934	194,636
ACUB project expense	41,437	4,574	- 0 -	46,011	- 0 -	- 0 -	- 0 -	46,011
Advertising and promotion	108	101	2,982	3,191	21	14	35	3,226
Bank charges and credit card fees	- 0 -	- 0 -	- 0 -	- 0 -	612	612	1,224	1,224
Charitable contributions	- 0 -	- 0 -	1,000	1,000	- 0 -	- 0 -	- 0 -	1,000
Computer expense	492	460	988	1,940	98	66	164	2,104
Contract labor	276	258	6,133	6,667	55	5,875	5,930	12,597
Conferences and seminars	482	449	514	1,445	96	64	160	1,605
Dues	600	560	965	2,125	120	80	200	2,325
Fundraising	- 0 -	- 0 -	343	343	168	1,095	1,263	1,606
Insurance	2,081	3,742	2,221	8,044	416	278	694	8,738
Meetings	- 0 -	- 0 -	205	205	- 0 -	- 0 -	- 0 -	205
Miscellaneous expense	6,783	264	302	7,349	56	38	94	7,443
Moving expense	4,151	3,874	4,428	12,453	830	553	1,383	13,836
Office rent	5,382	3,599	4,236	13,217	754	522	1,276	14,493
Office supplies	739	692	844	2,275	161	98	259	2,534
Outreach	- 0 -	- 0 -	9,650	9,650	- 0 -	- 0 -	- 0 -	9,650
Payroll service	152	141	162	455	30	20	50	505
Postage	121	122	869	1,112	21	14	35	1,147
Printing expense	108	109	4,538	4,755	- 0 -	- 0 -	- 0 -	4,755
Professional fees	23,822	8,192	7,075	39,089	1,327	884	2,211	41,300
Project development	- 0 -	2,352	- 0 -	2,352	- 0 -	- 0 -	- 0 -	2,352
Tax - state registration	60	56	64	180	12	8	20	200
Telephone	530	494	565	1,589	106	71	177	1,766
Utilities	777	324	405	1,506	65	49	114	1,620
	155,990	78,806	106,859	341,655	16,738	18,485	35,223	376,878
Depreciation	- 0 -	- 0 -	- 0 -	- 0 -	691	- 0 -	691	691
Total Expenses	\$ 155,990	\$ 78,806	\$ 106,859	\$ 341,655	\$ 17,429	\$ 18,485	\$ 35,914	\$ 377,569

See accompanying notes to financial statements

HARFORD LAND TRUST, INC.Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (243,931)	\$ (147,944)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized (gain) loss on investments	239,189	(26,659)
Realized gain on investments	- 0 -	(37,591)
Depreciation	4,465	691
Paycheck protection program funds utilized	- 0 -	(24,000)
Loss on sale of land	- 0 -	272,584
Decrease in current assets:		
Accounts receivable	24,822	12,007
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	(6,465)	8,622
 Net cash provided by operating activities	 <u>18,080</u>	 <u>57,710</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	- 0 -	262,892
Purchase of investments	(71,128)	(353,682)
Purchase of property and equipment	(2,849)	(20,740)
Proceeds from sale of land	- 0 -	355,405
 Net cash provided by (used in) investing activities	 <u>(73,977)</u>	 <u>243,875</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from paycheck protection program loan	- 0 -	24,000
 Net cash provided by financing activities	 <u>- 0 -</u>	 <u>24,000</u>
 NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	 (55,897)	 325,585
 CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	 <u>521,360</u>	 <u>195,775</u>
 CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	 <u>\$ 465,463</u>	 <u>\$ 521,360</u>
 SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES:		
Forgiveness of debt obligation - PPP loan	\$ - 0 -	\$ 24,000
Acquisition of right-of-use assets and operating lease obligation	\$ 55,698	\$ - 0 -

See accompanying notes to financial statements

HARFORD LAND TRUST, INC.

Notes to the Financial Statements
December 31, 2022 and 2021

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 landowners 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, payables, and other assets and 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.

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, 2022 and 2021

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

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.

Restricted cash – Consists of funds with donor restrictions held for future land conservation projects and land stewardship.

Accounts Receivable - Accounts receivable consists of reimbursements under grant agreements and miscellaneous receivables. Accounts receivable are uncollateralized obligations and are stated at the invoice amount. The Organization provides an allowance for doubtful accounts, as needed, for amounts deemed uncollectible based on historical experience and management's analysis of accounts receivable. As of December 31, 2022 and 2021, management believes that accounts receivable are fully collectible and no allowance is considered necessary. All receivables are expected to be collected within one year.

Investments – Investments in marketable securities with readily determinable fair values are reported at their fair value based on quoted prices in active markets (Level 1 measurements). Realized and unrealized gains and losses are recorded in the period in which they occur and are included in the statements of activities and changes in net assets as changes in net assets without donor restrictions unless their use is restricted by explicit donor-imposed stipulations or by law. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Land - Parcels of land purchased by the Organization are recorded at cost. Other parcels that are purchased at less than fair value or donated to the Organization are recognized at their appraised fair 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.

Property and Equipment - Fixed assets are stated at cost, if purchased, or at fair 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.

HARFORD LAND TRUST, INC.

Notes to the Financial Statements
December 31, 2022 and 2021

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

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 two 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>
Furniture and fixtures	5
Computers and equipment	5 – 6

Paycheck Protection Program Loan - The Organization followed Financial Accounting Standards Board Topic 958-605, Revenue Recognition for Not-for-Profit Entities in accounting for its Paycheck Protection Program (PPP) Loan. The loan was effectively accounted for as a conditional grant (see Note 5).

Revenue Recognition - Contributions including fall and spring appeals and memorial gifts and grants 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 contribution. All contributions are considered available for the Organization's general programs unless specifically restricted by donors. Amounts received that are restricted for future period or specific purposes by donors are reported as restricted support and increase net assets with donor restrictions. 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. Contributions and grants are recorded as revenues without donor restrictions if the restrictions on the use of these funds are satisfied in the same year as 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.

Annual memberships are recognized as contribution revenue, as the Organization does not provide any benefits or services in exchange for the membership.

Fundraising Events – The Organization operates several special events. Revenue related to these events is generally received in the same period the event takes place. Therefore, revenue is recognized in the period it is received. The performance obligation is satisfied on the date of the event.

HARFORD LAND TRUST, INC.

Notes to the Financial Statements
December 31, 2022 and 2021

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

The Organization benefits from several different revenue streams. The disaggregation of revenue for the years ended December 31, 2022 and 2021 is included in the chart below.

Revenue Type	Timing of Revenue Recognition	2022	2021
Contributions	Upon receipt	\$ 84,751	\$ 41,007
Fall and Spring Appeals	Upon receipt	13,956	7,892
Memorial gifts	Upon receipt	2,283	5,013
Membership contributions	Upon receipt	22,734	21,461
Grants			
ACUB grants	As expenditures incurred	- 0 -	91,698
Other grants	Upon receipt	171,998	138,328
Fundraising income, net of expense	Date of event	35,161	38,015
In-kind income	Upon receipt	8,798	16,684
Investment income-net	Period earned	(185,058)	130,678
Other income	Point in time	2,752	11,433
Loss on sale of land	Point in time	- 0 -	(272,584)
		<u>\$ 157,375</u>	<u>\$ 229,625</u>

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, 2022 and 2021 were \$8,798 and \$16,684, respectively.

Functional Allocation of Expenses - Expenses are presented by both function and natural classification in the statements of functional expense. 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 wages and benefits, which are allocated on the basis of time and effort using employee time records. Other expenses are allocated based on management's estimate of time spent on each function when the costs were incurred.

Income Taxes Status - 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 2018.

HARFORD LAND TRUST, INC.

Notes to the Financial Statements
December 31, 2022 and 2021

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

Advertising - It is the Organization's policy to expense advertising production costs as incurred and advertising communication costs the first time the advertising takes place. Advertising and promotion expense for the years ended December 31, 2022 and 2021 was \$287 and \$3,226, respectively.

Change in Accounting Principles - In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position. The Organization elected to adopt these ASUs effective January 1, 2022 and utilized all the available practical expedients. This means that a cumulative-effect adjustment is made on the initial date of adoption for existing leases. The adoption had a material impact on the Organization's statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of right of use (ROU) assets and lease liabilities for operating leases presented on the statement of financial position as operating lease assets and operating lease obligations. The accounting for finance leases remained substantially unchanged. Adoption of this standard required the Organization to restate amounts as of January 1, 2022, resulting in an increase of operating lease ROU assets of 62,118 and an increase in operating lease liabilities of \$62,118. There was no cumulative-effect adjustment to opening net assets with or without donor restrictions as of December 31, 2021.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements with the exception of increased disclosure.

Reclassifications - Certain amounts in the prior period financial statements have been reclassified for comparative purposes to conform to the current period presentation.

2. Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts in the statements of cash flows.

	2022	2021
Cash and cash equivalents	\$ 99,747	\$ 124,793
Cash and cash equivalents - board designated	54,413	72,689
Restricted cash	311,303	323,878
	<u>\$ 465,463</u>	<u>\$ 521,360</u>

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3. Investments and Fair Value Measurements

The fair value measurement accounting literature establishes a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1); and Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The Organization's investment 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, 2022 or 2021.

The following is a description of the valuation methodologies use for assets measured at fair value:

Level 1 Fair Value Measurements

Mutual funds are valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of December 31:

	2022		
	Fair Value Measurements at the End of the Reporting Period Using:		
	Cost	Quoted prices in Active Markets for Identical Assets (Level 1)	Unrealized Loss
Mutual funds	<u>\$ 1,251,391</u>	<u>\$ 1,184,909</u>	<u>\$ (66,482)</u>
	<u>\$ 1,251,391</u>	<u>\$ 1,184,909</u>	<u>\$ (66,482)</u>

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3. Investments and Fair Value Measurements (continued)

	2021		
	Fair Value Measurements at the End of the Reporting Period Using:		
	Cost	Quoted prices in Active Markets for Identical Assets (Level 1)	Unrealized Gain
Mutual funds	\$ 1,180,521	\$ 1,352,457	171,936
	\$ 1,180,521	\$ 1,352,457	\$ 171,936

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

	2022	2021
Interest and dividend income	\$ 63,044	\$ 79,743
Unrealized gains	(238,418)	26,659
Realized gains	- 0 -	37,591
Investment expenses	(9,684)	(13,315)
Total	\$ (185,058)	\$ 130,678

4. Land

The Organization owned the following parcels of land as of December 31, 2022 and 2021:

	2022	2021
Harford Hospice Property	\$ 92,166	\$ 92,166
James R. Kelly Property	83,109	83,109
Kosczielski Property	105,211	105,211
Otter Creek Woods	68,114	68,114
Riverwalk II	971,454	971,454
Rodgers Property	32,090	32,090
Stewart Property	107,536	107,536
Terra Firma Property	369,464	369,464
Ward Property	140,380	140,380
	\$ 1,969,524	\$ 1,969,524

Total acreage owned by the Organization as of December 31, 2022 and 2021 was 299 acres. Other parcels under conservation restrictions held by the Organization total 1,478 acres. The Organization does not hold title to these properties but is a party to these conservation easements.

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5. Paycheck Protection Program

Due to ongoing disruption as a result of the COVID-19 pandemic, in January 2021 the Organization applied for the Paycheck Protection Program Loan (Round 2) from the Small Business Administration in the amount of \$24,000. The Organization has accounted for the loan as a conditional grant and has satisfied the criteria for recognition of the income. In August 2021, the Organization applied for and received full forgiveness in the amount of \$24,000. Total income of \$24,000 has been included in grants revenue.

6. Board Designated Net Assets

The Board of Trustees has designated net assets without donor restrictions for the following projects on December 31:

	2022	2021
Hegeman Land Fund	\$ 499,197	\$ 543,644
Stewardship and defense	170,000	- 0 -
Land conservation	1,969,523	1,969,524
	<u>\$ 2,638,720</u>	<u>\$ 2,513,168</u>

7. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2022 and 2021 represent the following:

	2022	2021
Purpose restrictions, available for spending:		
ACUB	\$ 600,729	\$ 652,828
Wetland and forest restoration	38,609	- 0 -
Community needs assessment	50,000	- 0 -
Scholarships	4,000	- 0 -
CBT Grant	- 0 -	14,800
Hegeman Land Fund	44,921	78,751
James Run Stewardship	7,535	54,514
	<u>\$ 745,794</u>	<u>\$ 800,893</u>

During the year ended December 31, 2021, the Organization sold property and received proceeds from the sale of \$321,948. Under the terms and conditions of the Organization's agreement with the U.S. Army, proceeds and earnings thereon are to remain restricted for future land conservation projects. As such, the Organization transferred to net assets with donor restrictions \$323,878 for the year ended December 31, 2021.

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7. Net Assets with Donor Restrictions (continued)

Net assets with donor restrictions were released during the years December 31, 2022 and 2021 as follows:

	2022	2021
ACUB	\$ 79,659	\$ 9,812
BGE Green Grant	- 0 -	3,100
CBT Grants	14,800	- 0 -
Hegeman Land Fund	33,830	29,976
James Run Stewardship	46,979	29,086
	<u>\$ 175,268</u>	<u>\$ 71,974</u>

8. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2022 and 2021, 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:

	2022	2021
Financial assets at year end	\$ 1,657,391	\$ 1,905,659
Less those unavailable for general expenditures within one year, due to:		
Board designated	669,197	543,644
Restricted by donors with purpose or time restrictions	<u>745,794</u>	<u>800,893</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 242,400</u>	<u>\$ 561,122</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 \$669,197 and \$543,644 for the years ended December 31, 2022 and 2021, respectively.

9. Leasing Activities

For the period January 2021 through August 2021, the Organization leased its administrative office under a month-to-month lease at \$775 including utilities.

In July 2021, the Organization entered into a new three-year lease for office space. Monthly rent of \$1,750 is due beginning September 2021 with 3% annual escalation. Rent expense under office leases was \$23,010 and \$14,493, for the years ended December 31, 2022 and 2021, respectively.

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9. Leasing Activities (continued)

The following summarizes the line items in the statements of financial position, which amounts for amounts for operating and finance leases as of December 31:

	<u>2022</u>	<u>2021</u>
Operating Lease right-of use assets	<u>\$ 33,606</u>	<u>\$ - 0 -</u>
Current operating lease liabilities	\$ 21,219	\$ - 0 -
Long-term operating lease liabilities	12,899	- 0 -
Total operating lease liabilities	<u>\$ 34,118</u>	<u>\$ - 0 -</u>

The following summarizes the weighted average remaining lease term and discount rate as of December 31:

	<u>2022</u>	<u>2021</u>
Weighted Average Remaining Lease Term		
Operating Lease	1.67 years	N/A
Weighted Average Discount Rate		
Operating Lease	3.0%	N/A

The maturities of lease liabilities as of December 31, 2022 were as following:

	<u>Operating</u>
Year ending December 31:	
2023	\$ 20,044
2024	14,853
Total lease payments	<u>34,897</u>
Less: interest	<u>779</u>
Present value of lease liabilities	<u>\$ 34,118</u>

The following summarizes the line items in the statement of activities, which include the components of lease expense for the year ended December 31:

	<u>2022</u>	<u>2021</u>
Operating Lease expense included in program service expenses	\$ 20,616	\$ - 0 -
Operating Lease expense included in supporting services expenses	2,394	- 0 -
Total operating lease costs	<u>\$ 23,010</u>	<u>\$ - 0 -</u>

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9. Leasing Activities (continued)

The following summarizes cash flow information related to the leases for the year ended December 31:

	<u>2022</u>	<u>2021</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 23,010	\$ - 0 -
Lease assets obtained in exchange for lease obligations:		
Operating Lease	\$ 55,698	\$ - 0 -

10. 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, 2022 and 2021 were \$1,760 and \$1,889, respectively.

11. Concentration of Income Sources

The Organization's total revenue and support from federal sources was 0% and 40% respectively for the years ended December 31, 2022 and 2021. A significant reduction in financing from the Federal Government could have an effect on the financial condition of the Organization.

12. Concentrations of Credit and Market Risk

In the ordinary course of business, the Organization's cash and cash equivalents 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.

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.

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13. 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, 2022, the Organization has acquired seven properties under this agreement and preserved one property through a conservation easement. Total funds spent under the grant as of December 31, 2022 totaled \$5,178,000.

In March 2021, the Organization signed a new agreement with Mission and Installation Contracting Command on behalf of U.S. Army Environmental Command and the previous agreement was closed. Under the new agreement, the Organization will be responsible for covering 20% 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, 2022, no funds have been obligated under this agreement. As of December 31, 2022, the Organization has preserved one property through a conservation easement.

14. 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.

15. Subsequent Events

In May 2023, the Organization purchased a conservation easement for approximately \$230,000.

Management has evaluated subsequent events through September 27, 2023, the date which the financial statements were available to be issued.