

CRESTED BUTTE LAND TRUST

FINANCIAL STATEMENTS

JUNE 30, 2017

CRESTED BUTTE LAND TRUST

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1987 Wadsworth Blvd., Suite A
Lakewood, Colorado 80214



Phone: 303.988.5648
Fax: 303.988.5919

INDEPENDENT AUDITORS' REPORT

Board of Directors
Crested Butte Land Trust
Crested Butte, Colorado

We have audited the accompanying financial statements of Crested Butte Land Trust (the "Land Trust") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, 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. 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 auditors' 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 Land Trust'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 Land Trust'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crested Butte Land Trust as of June 30, 2017, 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.

McNurlin, Hitchcock & Associates, P.C.
McNurlin, Hitchcock & Associates, P.C.
Lakewood, Colorado
October 5, 2017

CRESTED BUTTE LAND TRUST
Statement of Financial Position
June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 684,140	\$ -	\$ -	\$ 684,140
Cash restricted for program activities	-	30,702	86,900	117,602
Certificate of deposit	204,745	-	-	204,745
Pledges and other receivables, current portion	159,775	-	-	159,775
Prepaid expenses	2,710	-	-	2,710
Inventory	181	-	-	181
Total Current Assets	1,051,551	30,702	86,900	1,169,153
Other Assets				
Pledges and other receivables, non-current portion	217,517	-	-	217,517
Building and equipment, net	129,840	-	-	129,840
Loan fees, net	3,874	-	-	3,874
Trade lands	3,301,858	-	-	3,301,858
Other deposits	2,700	-	-	2,700
Total Other Assets	3,655,789	-	-	3,655,789
TOTAL ASSETS	\$ 4,707,340	\$ 30,702	\$ 86,900	\$ 4,824,942
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Accrued liabilities	\$ 11,762	\$ -	\$ -	\$ 11,762
Accrued payroll liabilities	13,131	-	-	13,131
Accrued interest	3,677	-	-	3,677
Deferred income	17,195	-	-	17,195
Current portion of note payable	14,213	-	-	14,213
Total Current Liabilities	59,978	-	-	59,978
Other Liabilities				
Note payable, net of current portion	517,792	-	-	517,792
Total Liabilities	577,770	-	-	577,770
Net Assets				
Unrestricted				
Undesignated	2,923,445	-		2,923,445
Board designated endowment	539,725	-		539,725
Board designated Opportunity Fund	666,400	-		666,400
Temporarily restricted	-	30,702		30,702
Permanently restricted	-	-	86,900	86,900
Total Net Assets	4,129,570	30,702	86,900	4,247,172
TOTAL LIABILITIES AND NET ASSETS	\$ 4,707,340	\$ 30,702	\$ 86,900	\$ 4,824,942

See accompanying notes to the financial statements and independent auditors' report.

CRESTED BUTTE LAND TRUST
Statement of Activities
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Grants	\$ -	\$ 9,500	\$ -	\$ 9,500
Contributions	937,925	31,333	-	969,258
In-kind donations	19,540	-	-	19,540
Special events	32,157	-	-	32,157
Less direct event expenses	(24,669)	-	-	(24,669)
Merchandise sales revenue	8,152	-	-	8,152
Less cost of sales	(2,854)	-	-	(2,854)
Interest income	1,602	-	-	1,602
Other income	10,766	-	-	10,766
Net assets released from restrictions	123,089	(123,089)	-	-
Net assets permanently restricted	<u>(86,900)</u>	<u>-</u>	<u>86,900</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	1,018,808	(82,256)	86,900	1,023,452
EXPENSES				
Program services	440,900	-	-	440,900
Support services:				
General and administrative	55,016	-	-	55,016
Fundraising	<u>26,414</u>	<u>-</u>	<u>-</u>	<u>26,414</u>
TOTAL EXPENSES	522,330	-	-	522,330
OTHER INCOME/EXPENSE				
Loss on transfer of property	<u>(431,979)</u>	<u>-</u>	<u>-</u>	<u>(431,979)</u>
CHANGE IN NET ASSETS	64,499	(82,256)	86,900	69,143
NET ASSETS, Beginning of the year	3,626,106	112,958	-	3,739,064
Acquisition of Peanut Mine, Inc.	<u>438,965</u>	<u>-</u>	<u>-</u>	<u>438,965</u>
NET ASSETS, End of the year	<u>\$ 4,129,570</u>	<u>\$ 30,702</u>	<u>\$ 86,900</u>	<u>\$ 4,247,172</u>

See accompanying notes to the financial statements and independent auditors' report.

CRESTED BUTTE LAND TRUST
Statement of Functional Expenses
For the Year Ended June 30, 2017

	Program Services	General and Administrative	Fundraising	Total
Peanut Mine acquisition	\$ 2,556	\$ -	\$ -	\$ 2,556
Peanut Lake restoration	15,515	-	-	15,515
General stewardship	24,130	-	-	24,130
Easement stewardship	82	-	-	82
Education	1,048	-	-	1,048
Salaries and wages	210,390	16,736	11,954	239,080
Payroll taxes	21,057	1,675	1,196	23,928
Employee benefits	13,570	1,080	771	15,421
Advertising	10,009	6,005	6,228	22,242
Bank and merchant fees	6,169	-	-	6,169
Conferences and meetings	4,329	590	-	4,919
Depreciation and amortization	-	8,650	-	8,650
Direct mail	2,650	1,590	1,649	5,889
Dues and subscriptions	4,786	653	-	5,439
Insurance	4,924	4,028	-	8,952
Interest	32,611	-	-	32,611
Miscellaneous	8	-	-	8
Occupancy	7,344	584	417	8,345
Professional fees	61,067	4,857	3,470	69,394
Real estate taxes	5,827	-	-	5,827
Rental and maintenance of equipment	5,878	467	334	6,679
Supplies	3,719	296	211	4,226
Telephone	3,231	257	184	3,672
Travel and lodging	-	7,548	-	7,548
	<u>\$ 440,900</u>	<u>\$ 55,016</u>	<u>\$ 26,414</u>	<u>\$ 522,330</u>

See accompanying notes to the financial statements and independent auditors' report.

CRESTED BUTTE LAND TRUST

Statement of Cash Flows For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CASH FLOW FROM OPERATING ACTIVITIES:				
Change in net assets	\$ 64,499	\$ (82,256)	\$ 86,900	\$ 69,143
Adjustments to reconcile change in net assets to cash provided by operating activities:				
Depreciation and amortization	8,650	-	-	8,650
Loss on transfer of property	431,979	-	-	431,979
Change in:				
Cash restricted for program activities	-	82,256	(86,900)	(4,644)
Pledges and other receivables, current portion	(147,235)	-	-	(147,235)
Prepaid expenses	6,529	-	-	6,529
Inventory	46	-	-	46
Pledges and other receivables, non-current portion	(217,517)	-	-	(217,517)
Other deposits	(2,000)	-	-	(2,000)
Accrued liabilities	4,251	-	-	4,251
Accrued payroll liabilities	12,664	-	-	12,664
Deferred income	6,535	-	-	6,535
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>168,401</u>	<u>-</u>	<u>-</u>	<u>168,401</u>
CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of trade lands	(7,687)	-	-	(7,687)
Interest reinvested on certificate of deposit	(555)	-	-	(555)
Cash acquired from Peanut Mine, Inc.	6,986	-	-	6,986
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,256)</u>	<u>-</u>	<u>-</u>	<u>(1,256)</u>
CASH FLOW FROM FINANCING ACTIVITIES:				
Principal payments on debt	(13,388)	-	-	(13,388)
NET INCREASE IN CASH AND CASH EQUIVALENTS	153,757	-	-	153,757
CASH AND CASH EQUIVALENTS, Beginning of the year	<u>530,383</u>	<u>-</u>	<u>-</u>	<u>530,383</u>
CASH AND CASH EQUIVALENTS, End of the year	<u><u>\$ 684,140</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 684,140</u></u>
SUPPLEMENTAL DISCLOSURE:				
Cash paid for interest				<u><u>\$ 32,611</u></u>
Cash paid for income taxes				<u><u>\$ -</u></u>

See accompanying notes to the financial statements and independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2017

NOTE 1 NATURE OF OPERATIONS

The Crested Butte Land Trust (the "Land Trust") is a not-for-profit organization whose purpose is to preserve Gunnison County's unique heritage and quality of life by forever protecting open lands for vistas, recreation, wildlife and ranching. The Land Trust accomplishes this mission by acquiring interest in real property and conservation easements, educating landowners and stewarding conservation lands.

The Land Trust was formed in 1991 and is located in Crested Butte, Colorado. The trade lands, conservation lands and conservation easements held by the Land Trust are located in Gunnison County, Colorado.

NOTE 2 DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Land Trust has evaluated events and transactions for potential recognition or disclosure through October 5, 2017, the date that the financial statements were available to be issued.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when the product or service has been received and the liability incurred.

Financial Statement Presentation

The Land Trust follows the recommendation of the Financial Accounting Standards Board (FASB) standards of accounting and financial reporting for not-for-profit organizations. Under Accounting Standards Codification 958 (ASC 958) *Not-for-Profit Entities*, the Land Trust is required to report information regarding its net assets, and revenues, expenses, gains, and losses based upon the existence and/or nature of any donor-imposed restrictions. Accordingly, the Land Trust reports net assets and activities using the following three classes of net assets:

Unrestricted – Resources over which the board of directors has discretionary control.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Land Trust or the passage of time.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the Land Trust.

The Land Trust had unrestricted, temporarily restricted, and permanently restricted net assets during the year ended June 30, 2017.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2017

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all time and demand deposits and money market accounts with a maturity of three months or less when purchased. The carrying value of cash and cash equivalents approximates the fair value. Cash and cash equivalents restricted by donors are not considered cash and cash equivalents for the statement of cash flows.

Pledges and Other Receivables

Pledges receivable consist of unconditional amounts due from local agencies and individual donors for the Opportunity Fund, which is a fund established to help maintain the long-term financial stability of the Land Trust.

The Land Trust reviews pledges receivable periodically for collectability and establishes an allowance for doubtful pledges and records bad debt expense when deemed necessary. At June 30, 2017, management determined that an allowance for doubtful pledges receivable was not necessary.

Building and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation and amortization. Acquisitions and donations of property and equipment in excess of \$500 are capitalized. Property and equipment are recorded at cost for purchased assets. Donations of property and equipment are recorded at their estimated fair value at the date of receipt. Contributions of cash and other assets restricted to the acquisition of property or equipment are reported as restricted support that increases temporarily restricted net assets; those restrictions expire when the property or equipment is acquired by the Land Trust. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets which range from 3 to 27.5 years.

Investments

Investments consist of certificates of deposit and are reported at cost plus accretion of interest which approximates fair value. Investment income and gains and losses are reported as increases or decreases in unrestricted net assets. Donated investments are recorded as contributions at their estimated fair values at the date of the donation.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2017

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

The Land Trust's management assesses the carrying value of its long-lived assets for impairment when circumstances warrant such a review. If management determines that impairment has occurred, a loss is recognized based on the difference between the assets' carrying values over their estimated fair values. During the year ended June 30, 2017, management determined that no impairment was needed.

Contributions

Pledges are recorded when committed and recognized as contributions in the period in which the pledge is received from the donor, except when the donor specifies restrictive conditions that cannot be met in the current period. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Grants from various sources are recognized as contributions when committed by the donor or when reimbursable expenses are incurred subject to a contract with a donor.

Contributed Services

Donated services are recognized as contributions in accordance with accounting standards at their estimated fair value if the services (a) create or enhance the Land Trust's non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. The value of these contributions and services is recorded as support and expense in the period in which the contributions are received or services are performed.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Merchandise Sales Revenue

From time to time, the Land Trust sells certain merchandise, primarily calendars. Proceeds are used to support the Land Trust's operations. Revenue is recognized when the patron takes possession of the merchandise.

Loan Fees, Net

Loan fees are being amortized using the straight-line method over the 30-year term of the related debt.

Other Deposits

Other deposits represent earnest money deposited on a potential acquisition property.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2017

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land and Land Interests

Land and land interests owned by the Land Trust fall into the following categories:

Trade Lands – properties held that are, or could be protected and/or used as a pecuniary tool in order to provide leverage for the Land Trust to carry out its conservation work. Trade lands are recorded at cost if purchased or at fair value at the date of donation, if the land was received as a donation. Fair value is generally determined by independent appraisal. Upon sale or donation by the Land Trust, the cost of trade lands is removed as an asset from the statement of financial position and reported as a program expense. The related proceeds, if any, are reported as revenue in the statement of activities.

Conservation Lands – properties owned by the Land Trust that have significant ecological value. These properties are managed in an effort to protect the natural biological diversity of the property. Conservation lands are lands held for furtherance of the Land Trust's conservation mission rather than for financial gain. These properties are protected, may be encumbered by easements, are cared for and preserved, and are subject to the Land Trust's policy that requires the proceeds from any sale of these lands to be used to acquire other conservation land or land interests.

The management of the Land Trust believes that its conservation lands meet the definition of a "Collection", as defined in the accounting guidance, and has adopted a policy of not capitalizing collection items. As such, conservation land acquired through purchase, or contribution, is not recognized as an asset on the statement of financial position. Purchases of conservation land are recorded as decreases in unrestricted net assets in the year in which the land is acquired, or as a decrease in temporarily or permanently restricted net assets if the assets used to purchase the land is restricted by donors. Contributions of conservation land are not reflected on the financial statements. Proceeds from the sale of conservation land are recognized as increases in the appropriate net asset classes.

Conservation Easements – listed rights and/or restrictions over the owned property that are conveyed by a property owner to the Land Trust, in perpetuity, in order to protect the owned property as a significant natural area, as defined in federal regulations. Property encumbered by conservation easements may be sold or transferred to others so long as the assignee agrees to carry out in perpetuity, the conservation purposes intended by the original grantor. All costs associated with the acquisition of conservation easements are expensed to program expense on the statement of activities. Donations of conservation easements are not recognized, as the value an easement donor is able to deduct for income tax purposes is not the value available to a recipient conservancy organization.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2017

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are expensed as incurred. The Land Trust uses advertising to promote its conservation program. During the year ended June 30, 2017, advertising costs totaled \$22,242.

NOTE 4 INCOME TAXES

The Land Trust is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and state income taxes under regulations in the State of Colorado. Therefore, the Land Trust is not subject to federal or state income taxes in connection with its exempt activities. In addition, the Land Trust is treated as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). There was no unrelated business income for the year ended June 30, 2017.

The standards on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Land Trust may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Land Trust and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended June 30, 2017.

As of June 30, 2017, the Land Trust's tax returns for 2013, 2014, and 2015 are subject to examination by taxing authorities.

NOTE 5 CERTIFICATE OF DEPOSIT

Investments at June 30, 2017 consist of a certificate of deposit with the Community Bank of Colorado, in the amount of \$204,745. It has a maturity date of November 11, 2017 and carries an interest rate of 0.25% which is paid monthly.

Interest income of \$1,602 is from investments and money market accounts for the year ended June 30, 2017.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2017

NOTE 6 LONG-TERM DEBT

On May 17, 2007, the Land Trust entered into a \$1,700,200 note payable to a bank, bearing interest at a fixed rate of 6.25% through March 2011, then bearing interest at a variable rate (with a floor of 5.95%) as defined in the note agreement. The note is payable in quarterly installments of principal and interest of \$11,499 through May 2037, and is collateralized by land, as defined in the note agreement. During the year ended June 30, 2017, the Land Trust made principal payments totaling \$13,388.

Notes payable is reflected on the Statement of Financial Position at June 30, 2017 as follows:

Current portion of note payable	\$ 14,213
Note payable, net of current portion	517,792
Note payable balance	<u>\$ 532,005</u>

Maturities of long-term debt as of June 30, 2017 are as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2018	\$ 14,213
2019	15,090
2020	15,940
2021	17,005
2022	18,054
Thereafter	451,703
	<u>\$ 532,005</u>

NOTE 7 NET ASSETS

Unrestricted net assets consist of support and revenue derived from unrestricted contributions, investment income, and other inflows of assets whose use is not limited by donor-imposed restrictions. Certain unrestricted net assets have been designated by the Board of Directors to be maintained as endowment funds.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2017

NOTE 7 NET ASSETS (Continued)

Temporarily restricted net assets consist of contributions whose use by the Land Trust is limited by donor-imposed stipulations. At June 30, 2017, the Land Trust had \$30,702 in temporarily restricted net assets as follows:

Baxter Gulch project	\$	3,000
Gunsight Wetlands project		882
Trampe project		23,820
Other specific project		3,000
Temporarily Restricted Net Assets	\$	<u>30,702</u>

Net assets released from restriction during the year ended June 30, 2017 totaled \$123,089 as follows:

Gunsight Wetlands project	\$	5,118
New Discovery Lode project		2,730
Conservation projects		10,500
Stewardship and education programs		7,283
Opportunity Fund		97,458
Net Assets Released from Restriction	\$	<u>123,089</u>

Permanently restricted net assets consist of contributions from Great Outdoors Colorado for stewardship on specific conservation lands. Great Outdoors Colorado imposed stipulations on these funds that the principal balance will remain permanently restricted, and that the investment income, if any, can be used for the costs associated with the stewardship of the specific conservation lands. During the year ended June 30, 2017, the Land Trust permanently restricted net assets of \$86,900.

NOTE 8 FUNCTIONAL CLASSIFICATION OF EXPENSES

The Land Trust accounts for its expenditures in the following categories: program services, general and administrative, and fundraising. Program expenses relate to the broad spectrum of activities and actions critical to advancing the Land Trust's purpose of protecting and preserving open space.

Expenditures related to understanding, monitoring, acquiring, stewarding and managing natural areas owned by the Land Trust are included as program expenditures. General and administrative expenditures relate to building and maintaining an efficient business infrastructure, including those related to corporate governance, and to support and advance the programmatic conservation objective of the Land Trust. Fundraising expenditures relate to fund-raising strategies that provide revenue streams for both operations and capital needs to further the accomplishment of the Land Trust's mission and objectives.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2017

NOTE 9 BUILDING AND EQUIPMENT, NET

Building and equipment are presented net of accumulated depreciation on the Statement of Financial Position. Depreciation expense totaled \$8,456 for the year ended June 30, 2017. At June 30, 2017, Building and equipment, net consists of:

Building	\$ 207,650
Computers and equipment	7,178
Less: Accumulated depreciation	<u>(84,988)</u>
Building and equipment, net	<u><u>\$ 129,840</u></u>

NOTE 10 LOAN FEES, NET

Loan fees are presented net of accumulated amortization on the Statement of Financial Position. Amortization expense for the year ended June 30, 2017 was \$194. At June 30, 2017, Loan fees, net consists of:

Loan fees	\$ 5,811
Less: Accumulated amortization	<u>(1,937)</u>
Loan fees, net	<u><u>\$ 3,874</u></u>

NOTE 11 TRADE LANDS

The Land Trust holds the following trade lands as of June 30, 2017:

<u>Trade Land</u>	<u>Purchase price</u>
Easement Acquisition	\$ 34
Confluence Allen	50,000
Confluence Eccher/Miller	47,500
Confluence Ochs Brothers	103,000
Confluence Robbins	50,000
Confluence Silka	50,000
Confluence Zeligman	270,000
Glacier Lily	400,967
Kiekel A	500,000
Niccoli Ranch	450,000
Schofield 5 TPL Donation	145,000
Schofield 522 Lots	490,000
Schofield Kasic	10,000
Schofield Kennel	12,000
Schofield Klingsmith	9,512
Schofield Rock Creek Tax Sale	540

(Continued)

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2017

NOTE 11 TRADE LANDS (Continued)

<u>Trade Land</u>	<u>Purchase price</u>
Washington Gulch	\$ 181,250
Schofield Land	3,076
Copley Lake	89,313
New Discovery Lode	7,687
Colonel's House	431,979
	<hr/>
Total Trade Lands	<u>\$ 3,301,858</u>

NOTE 12 TRADE LANDS ACQUISITION

On August 10, 2016, the Land Trust consummated a Contract for Sale of Real Estate in relation to the New Discovery Lode property. The Land Trust purchased a tract of land containing 7.748 acres. The total purchase price of \$7,687 consisted of the purchase price of \$5,652 plus acquisition costs of \$1,472 and in-kind legal expenses of \$563. The purchase was funded through individual contributions totaling \$2,730 and existing operating funds. Additionally, on August 30, 2017, the Land Trust acquired the Colonel's House in a merger with Peanut Mine, Inc. (see Note 14).

NOTE 13 CONSERVATION LANDS

The Land Trust holds the following conservation lands as of June 30, 2017:

<u>Conservation Land</u>	<u>Date acquired</u>	<u>Purchase price</u>
Slate River Wetlands	January 1996	\$ 159,284
Peanut Lake	June 1996	300,302
Robinson	January 1998	380,000
Lower Loop 1	March 1998	425,260
Lower Loop 2	August 1999	1,300,651
Gallin	December 1999	275,000
Schofield 2	December 2001	8,000
Gunsight	January 2003	775,312
Utley	March 2003	605,000
Schofield 3	October 2003	96,220
Kikel B	May 2007	1,327,189
Coralhouse	November 2013	741,390
Peanut Mine	August 2016	0
		<hr/>
Total Conservation Lands		<u>\$ 6,393,608</u>

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2017

NOTE 14 PEANUT MINE, INC. MERGER

On August 4, 2016, the Land Trust transferred a tract of land called Colonel's House to Peanut Mine, Inc. at no cost. This tract of land was held as a trade land by the Land Trust at \$431,979. The Land Trust recorded a loss on the transfer of the asset in that amount, which is reflected as Loss on transfer of property on the Statement of Activities.

Subsequent to the property transfer, the two entities decided it was in their best interest to merge Peanut Mine, Inc. and the Land Trust. On August 30, 2016, the two entities entered into a Consent to Merge agreement. The assets of Peanut Mine, Inc., which included the Colonel's Property, Peanut Mine, and cash, were merged into the Land Trust. Peanut Mine was recorded at zero value as conservation land, the Colonel's Property was recorded as a trade land valued at \$431,979, and the cash totaling \$6,986 was absorbed by the Land Trust, with the offsetting equity reflected as Acquisition of Peanut Mine, Inc. on the Statement of Activities.

NOTE 15 CONSERVATION EASEMENTS

The Land Trust holds the following conservation easements as of June 30, 2017:

<u>Easement</u>	<u>Date Acquired</u>	<u>Total Acreage</u>
Gothic 2	June 2005	44.45
Baxter Gulch 2	December 2005	35.00
Gothic 3	December 2005	40.00
Slate River Valley 3	December 2005	35.00
Slate River Valley 4	December 2005	9.34
Ranch Reserve	December 2006	643.00
Trapper's Bench 1	December 2006	7.26
Trapper's Bench 2	December 2006	5.30
Slate River Valley 5	December 2007	35.09
Riverbend 2	December 2007	3.12
Pittsburg 2	December 2008	23.09
The Budd Trail	December 2009	0.09
Eve Kochevar Easement	March 2010	70.00
Eve Kochevar Trail	June 2010	Trail
Perimeter Trail	October 2010	Trail
Slate River Valley 6	December 2010	35.00
Kochevar Open Space	March 2011	280.21
Rozman Ranch	August 2011	150.00

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2017

NOTE 15 CONSERVATION EASEMENTS (Continued)

<u>Easement</u>	<u>Date Acquired</u>	<u>Total Acreage</u>
Sunset Mining Claim	December 2011	8.30
Zeta Graham Easement	December 2012	184.40
North Pole Basin	June 2013	158.50
Kochevar Open Space	December 2013	43.80
Promontory Ranch	April 2015	107.23
Marble Basecamp	May 2016	46.75

NOTE 16 IN-KIND CONTRIBUTIONS

During the year ended June 30, 2017, the Land Trust recognized \$19,540 of in-kind contributions for legal fees of \$5,670, occupancy of \$5,735, flights of \$7,929 and advertising of \$206.

NOTE 17 CONTINGENCIES

In 2004, the Land Trust received a \$100,000 grant from the Gunnison County Land Preservation Board ("the Board") for the acquisition of certain conservation land. The grant agreement specifies that if the Land Trust sells the property, the Land Trust must reimburse the Board for its contribution.

In 1996, the Land Trust received a contribution of land with a fair value of approximately \$379,000 from Rocky Mountain Biological Laboratory ("RMBL"). The agreement under which the property was contributed specifies that if the Land Trust sells the property, one-half of the net proceeds from the sale must be paid to RMBL.

As management has no current plan to sell either of these properties, these contingencies are deemed remote.

NOTE 18 BOARD DESIGNATED ENDOWMENT/OPPORTUNITY FUND

FASB guidance regarding endowment funds requires certain disclosure concerning board-designated endowment funds. The following disclosures pertain to board-designated endowment funds and the Opportunity Fund maintained by the Land Trust.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2017

NOTE 18 BOARD DESIGNATED ENDOWMENT/OPPORTUNITY FUND (Continued)

Board-designated endowment fund and Opportunity Fund investment policies – Endowment fund and Opportunity Fund assets are long-term in nature and are intended to provide for prudent long-term growth. The investment objective established for the fund is a combination of safety, growth and income which places a primary emphasis on the safety of principal, and may be accomplished by investment in money market funds, certificates of deposit, and mutual funds. At June 30, 2017, the portfolios are invested in certificates of deposit and money market funds. Inherent within all investment policies are fluctuating rates of return and the inherent volatility of the relevant markets. All income earned was reinvested in the funds and may be appropriated for expenditure at a future date.

Board-designated endowment fund appropriation policy – the Board of Directors of the Land Trust determines amounts to be appropriated for expenditure from the endowment fund according to the internal policies established by the Land Trust. Such policies allow the Land Trust to discretionarily allocate funds for expenditures relating to monitoring, managing and defending conservation easements and acquisitions held by the Land Trust. The fund covers the costs of future stewardship of protected properties, including but not limited to staff time, professional fees, documentation and reports, weed and erosion control, property and trail maintenance and signage, monitoring, site visits and other direct and indirect expenses. The Land Trust's policy is that only the income earned by the fund shall be used for stewardship. The principal may be invaded only for extraordinary stewardship and defense expenses or in the event of unusual circumstances, with a two-thirds (2/3) majority vote of the Board of Directors.

Changes in board-designated endowment net assets for the year ended June 30, 2017 are as follows:

Board-designated endowment net assets, beginning of year	\$ 669,683
Stewardship contributions	5,263
Board released net assets	(49,832)
Reclassified as permanently restricted net assets	(86,900)
Investment return	1,511
Board-designated endowment net assets, end of year	<u>\$ 539,725</u>

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2017

NOTE 18 BOARD DESIGNATED ENDOWMENT/OPPORTUNITY FUND (Continued)

The Opportunity Fund was established by the Board of Directors to provide acquisition matching funds, establish a revolving fund for acquisition project costs, and bolster staff capacity for land protection. Changes in board-designated Opportunity Fund net assets for the year ended June 30, 2017 are as follows:

Board-designated Opportunity Fund net assets, beginning of year	\$ 0
Opportunity Fund contributions	666,400
Board-designated Opportunity Fund net assets, end of year	<u>\$ 666,400</u>

NOTE 19 ACCREDITATION

On August 17, 2012, the Crested Butte Land Trust was awarded accreditation by the Land Trust Accreditation Commission, an independent program of the Land Trust Alliance. Accredited land trusts are able to display a seal indicating to the public that they meet national standards for excellence, uphold the public trust and ensure that conservation efforts are permanent. Approximately 25% of land trusts nationwide are accredited.

NOTE 20 OPERATING LEASE

The Land Trust leases a copier under a non-cancelable operating lease dated August 19, 2013, and expiring in 2019. Rent expense for the lease totaled \$2,503 during the year ended June 30, 2017.

Future minimum payments due under the operating lease are as follows:

Years ending June 30,	Amount
2018	\$ 2,503
2019	209
Total	<u>\$ 2,712</u>

NOTE 21 CONCENTRATION OF RISK

Financial instruments that potentially subject the Land Trust to concentration of credit risk consist principally of cash and cash equivalents. The Land Trust places its cash and cash equivalents with creditworthy, high-quality financial institutions. The Land Trust held funds in one financial institution in excess of the FDIC insured amount. The amount at risk, in excess of the FDIC insured amount was approximately \$21,700 at June 30, 2017. Management has evaluated its banking needs and the strength of these financial institutions and feels it is in the best, long-term interest of the Land Trust to continue its existing banking relationships.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2017

NOTE 22 COMPENSATED ABSENCES

Employees of the Land Trust are entitled to paid time off based on length of employment. It is the Land Trust's policy that paid time off is accumulated and not accrued. Employees are given a pool of paid time off at the beginning of each year to use during that year. Any unused time is not carried over in the next year or paid out upon termination or separation from the Land Trust. As such, the Land Trust has not recorded a liability for compensated absences at June 30, 2017.