

**CRESTED BUTTE LAND TRUST**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018**

# CRESTED BUTTE LAND TRUST

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## 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, 2018, 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*McNurlin, Hitchcock & Associates, P.C.*

McNurlin, Hitchcock & Associates, P.C.  
Lakewood, Colorado  
November 6, 2018

**CRESTED BUTTE LAND TRUST**

Statement of Financial Position

June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 332,038	\$ 8,105	\$ -	\$ 340,143
Certificate of deposit (See Note 5)	299,422	7,966	86,900	394,288
Pledges and other receivables, current portion	183,257	255,000	-	438,257
Inventory	597	-	-	597
Total Current Assets	815,314	271,071	86,900	1,173,285
Other Assets				
Pledges and other receivables, non-current portion	100,701	-	-	100,701
Building and equipment, net (See Note 9)	121,384	-	-	121,384
Trade lands (See Note 12)	3,051,858	-	-	3,051,858
Other deposits	2,700	-	-	2,700
Total Other Assets	3,276,643	-	-	3,276,643
<b>TOTAL ASSETS</b>	<b>\$ 4,091,957</b>	<b>\$ 271,071</b>	<b>\$ 86,900</b>	<b>\$ 4,449,928</b>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Accrued liabilities	\$ 23,067	\$ -	\$ -	\$ 23,067
Accrued payroll liabilities	15,054	-	-	15,054
Deferred income	33,700	-	-	33,700
Line of credit (See Note 6)	180,417	-	-	180,417
Total Current Liabilities	252,238	-	-	252,238
Net Assets				
Unrestricted				
Undesignated	2,659,600	-	-	2,659,600
Board designated Endowment Fund (See Note 18)	545,689	-	-	545,689
Board designated Opportunity Fund (See Note 18)	634,430	-	-	634,430
Temporarily restricted (See Note 7)	-	271,071	-	271,071
Permanently restricted (See Note 7)	-	-	86,900	86,900
Total Net Assets	3,839,719	271,071	86,900	4,197,690
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,091,957</b>	<b>\$ 271,071</b>	<b>\$ 86,900</b>	<b>\$ 4,449,928</b>

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

**CRESTED BUTTE LAND TRUST**  
Statement of Activities  
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>				
Grants	\$ -	\$ 14,501	\$ -	\$ 14,501
Contributions	633,907	263,105	-	897,012
In-kind donations	13,587	-	-	13,587
Special events	26,759	-	-	26,759
Less direct event expenses	(34,899)	-	-	(34,899)
Merchandise sales revenue	10,433	-	-	10,433
Less cost of sales	(3,198)	-	-	(3,198)
Investment income (loss)	(361)	-	-	(361)
Other income	4,598	-	-	4,598
Net assets released from restriction	37,237	(37,237)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>688,063</b>	<b>240,369</b>	<b>-</b>	<b>928,432</b>
<b>EXPENSES</b>				
Program services	641,850	-	-	641,850
Other transactions	250,000	-	-	250,000
Support services:				
General and administrative	57,364	-	-	57,364
Fundraising	28,700	-	-	28,700
<b>TOTAL EXPENSES</b>	<b>977,914</b>	<b>-</b>	<b>-</b>	<b>977,914</b>
<b>CHANGE IN NET ASSETS</b>	<b>(289,851)</b>	<b>240,369</b>	<b>-</b>	<b>(49,482)</b>
<b>NET ASSETS, Beginning of the year</b>	<b>4,129,570</b>	<b>30,702</b>	<b>86,900</b>	<b>4,247,172</b>
<b>NET ASSETS, End of the year</b>	<b>\$ 3,839,719</b>	<b>\$ 271,071</b>	<b>\$ 86,900</b>	<b>\$ 4,197,690</b>

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, 2018

	Program Services	Other Transactions	General and Administrative	Fundraising	Total
Ongoing Program Services:					
General stewardship	\$ 26,561	\$ -	\$ -	\$ -	\$ 26,561
Easement stewardship	23	-	-	-	23
Salaries and wages	201,610	-	16,037	11,455	229,102
Payroll taxes	16,439	-	1,308	934	18,681
Employee benefits	15,364	-	1,222	873	17,459
Advertising	10,358	-	6,214	6,445	23,017
Bank and merchant fees	3,346	-	-	-	3,346
Conferences and meetings	3,626	-	495	-	4,121
Depreciation and amortization	-	-	12,330	-	12,330
Impairment loss	-	250,000	-	-	250,000
Direct mail	4,517	-	2,710	2,811	10,038
Dues and subscriptions	1,962	-	268	-	2,230
Insurance	3,986	-	3,261	-	7,247
Interest	21,356	-	-	-	21,356
Occupancy	11,303	-	899	642	12,844
Professional fees	87,739	-	6,979	4,985	99,703
Real estate taxes	9,358	-	-	-	9,358
Rental and maintenance of equipment	5,717	-	455	325	6,497
Supplies	1,861	-	148	106	2,115
Telephone	2,185	-	174	124	2,483
Travel and lodging	-	-	4,864	-	4,864
Total Ongoing Program Services:	427,311	250,000	57,364	28,700	763,375
Other Program Services:					
Long Lake acquisition	51,052	-	-	-	51,052
Acquisition expenses	44,643	-	-	-	44,643
Trampe Ranch transfers	118,844	-	-	-	118,844
Total Other Program Services	214,539	-	-	-	214,539
Total Expenses	<u>\$ 641,850</u>	<u>\$ 250,000</u>	<u>\$ 57,364</u>	<u>\$ 28,700</u>	<u>\$ 977,914</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, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Change in net assets	\$ (289,851)	\$ 240,369	\$ -	\$ (49,482)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:				
Unrealized loss on investments	5,706	-	-	5,706
Depreciation and amortization	12,330	-	-	12,330
Impairment loss	250,000	-	-	250,000
Change in:				
Pledges and other receivables	93,334	(255,000)	-	(161,666)
Prepaid expenses	2,710	-	-	2,710
Inventory	(416)	-	-	(416)
Accrued liabilities	11,305	-	-	11,305
Accrued payroll liabilities	1,923	-	-	1,923
Deferred income	16,505	-	-	16,505
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>103,546</b>	<b>(14,631)</b>	<b>-</b>	<b>88,915</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>				
Purchased of certificates of deposit	(124,077)	22,736	-	(101,341)
Sale of donated stock	28,589	-	-	28,589
Interest reinvested on certificate of deposit	(4,895)	-	-	(4,895)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(100,383)</b>	<b>22,736</b>	<b>-</b>	<b>(77,647)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>				
Cash received from line of credit	180,417			180,417
Principal payments on debt	(532,005)	-	-	(532,005)
Change in accrued interest	(3,677)	-	-	(3,677)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(355,265)</b>	<b>-</b>	<b>-</b>	<b>(355,265)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(352,102)</b>	<b>8,105</b>	<b>-</b>	<b>(343,997)</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of the year</b>	<b>684,140</b>	<b>-</b>	<b>-</b>	<b>684,140</b>
<b>CASH AND CASH EQUIVALENTS, End of the year</b>	<b>\$ 332,038</b>	<b>\$ 8,105</b>	<b>\$ -</b>	<b>\$ 340,143</b>
<b>SUPPLEMENTAL DISCLOSURE:</b>				
Cash paid for interest				\$ 21,356
Cash paid for income taxes				\$ -

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

## CRESTED BUTTE LAND TRUST

### Notes to the Financial Statements

June 30, 2018

#### 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 November 6, 2018, 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, 2018.

##### 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.

See accompanying independent auditors' report.

# CRESTED BUTTE LAND TRUST

## Notes to the Financial Statements

June 30, 2018

### NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 both unconditional and temporarily restricted amounts due from local agencies and individual donors.

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, 2018, 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 fair market 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.

#### 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, 2018, management determined that an impairment was needed. See Note 11.

See accompanying independent auditors' report.

# CRESTED BUTTE LAND TRUST

## Notes to the Financial Statements

June 30, 2018

### NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 were being amortized using the straight-line method over the 30-year term of the related debt. The related debt was paid in full during the year ended June 30, 2018.

#### Other Deposits

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

# CRESTED BUTTE LAND TRUST

## Notes to the Financial Statements

June 30, 2018

### 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 (also see Note 3 Impairment). 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. Improvements to conservation lands are accounted for in the same way as purchases and contributions. 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.

#### Advertising Costs

Advertising costs are expensed as incurred. The Land Trust uses advertising to promote its conservation program. During the year ended June 30, 2018, advertising costs totaled \$23,017.

See accompanying independent auditors' report.

**CRESTED BUTTE LAND TRUST**

## Notes to the Financial Statements

June 30, 2018

**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, 2018.

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, 2018.

As of June 30, 2018, the Land Trust's tax returns for 2014, 2015, and 2016 are subject to examination by taxing authorities.

**NOTE 5 CERTIFICATE OF DEPOSIT**

Investments at June 30, 2018 consist of certificates of deposit with TD Ameritrade, in the amount of \$394,288. The investments are as follows:

Investment Description	Interest Rate	Maturity Date	Fair Market Value	Cost
Ally BK Midvale Utah	1.60%	2/28/2019	\$ 49,790	\$ 50,000
American Express Bank FSB	2.10%	9/20/2021	48,321	50,000
Barclays Bank Delaware	1.70%	9/20/2019	49,530	50,000
Barclays Bank Delaware	2.30%	10/28/2022	48,241	50,000
Capital One NA	1.85%	9/21/2020	48,919	50,000
Compass Bank	1.45%	9/14/2018	49,942	50,000
Metro City BK Doraville GA	1.45%	8/31/2018	49,958	50,000
Morgan Stanley PVT BK	1.75%	9/3/2019	49,587	50,000
			<u>\$ 394,288</u>	<u>\$ 400,000</u>

Interest income of \$5,345 is from investments and money market accounts for the year ended June 30, 2018.

See accompanying independent auditors' report.

**CRESTED BUTTE LAND TRUST**  
Notes to the Financial Statements  
June 30, 2018

**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 was payable in quarterly installments of principal and interest of \$11,499 through May 2037, and was collateralized by land, as defined in the note agreement. During the year ended June 30, 2018, the Land Trust paid the note in full.

On December 18, 2017, the Land Trust entered into a line of credit with a bank with a maximum borrowing limit of \$600,000 at an interest rate of 5.75% and collateralized by land. The line of credit must be paid off for a period of at least 30 days at some point during the year, renews annually on December 18<sup>th</sup> and requires outstanding interest payments on a monthly basis. The use of the line of credit in conjunction with the Opportunity Fund allows the Land Trust to reduce interest paid and gives the Land Trust flexibility in relation to land transactions. At June 30, 2018, the line of credit had an outstanding balance of \$180,417.

**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.

Temporarily restricted net assets consist of contributions whose use by the Land Trust is limited by donor-imposed stipulations. At June 30, 2018, the Land Trust had \$271,071 in temporarily restricted net assets as follows:

Slate River Working Group	\$ 1,966
Baxter Gulch	3,000
Gunsight Bridge project	5,000
Long Lake project	250,000
BLM Gunsight Bridge Management	8,105
Other specific project	3,000
Temporarily Restricted Net Assets	<u>\$ 271,071</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. At June 30, 2018, the Land Trust had 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.

See accompanying independent auditors' report.

# CRESTED BUTTE LAND TRUST

## Notes to the Financial Statements

June 30, 2018

### NOTE 8 FUNCTIONAL CLASSIFICATION OF EXPENSES (Continued)

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.

### 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, 2018. At June 30, 2018, Building and equipment, net consists of:

Building	\$ 207,650
Computers and equipment	7,178
Less: Accumulated depreciation	<u>(93,444)</u>
Building and equipment, net	<u><u>\$ 121,384</u></u>

### NOTE 10 LOAN FEES, NET

Loan fees are presented net of accumulated amortization on the Statement of Financial Position. During the year ended June 30, 2018, the Land Trust paid the note in full. Therefore, loan fees were amortized in entirety. Amortization expense for the year ended June 30, 2018 was \$3,874. At June 30, 2018, Loan fees, net consists of:

Loan fees	\$ 5,811
Less: Accumulated amortization	<u>(5,811)</u>
Loan fees, net	<u><u>\$ -</u></u>

### NOTE 11 IMPAIRMENT

During the year ended June 30, 2018, based on a new appraisal the Land Trust determined that one of the properties it held as a trade land was impaired and the purchase price needed to be decreased by \$250,000. The property known as Glacier Lily current carrying value after impairment is \$150,967 at June 30, 2018.

See accompanying independent auditors' report.

**CRESTED BUTTE LAND TRUST**

## Notes to the Financial Statements

June 30, 2018

## NOTE 12 TRADE LANDS

The Land Trust holds the following trade lands as of June 30, 2018:

Trade Land	Purchase Price net of Impairment
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	150,967
Kikel 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
Washington Gulch	181,250
Schofield Land	3,076
Copley Lake	89,313
New Discovery Lode	7,687
Colonel's House	431,979
Total Trade Lands	<u>\$ 3,051,858</u>

## NOTE 13 LONG LAKE PROJECT

At June 30, 2018, the Land Trust was in the process of obtaining a property called the Fossil Ridge parcel. The Land Trust had received pledges totaling \$250,000 toward the total purchase price of approximately \$3,000,000. Subsequent to June 30, 2018, the Land Trust received an additional pledge of \$1,000,000. Once the property is obtained, the Land Trust intends to trade the Fossil Ridge parcel and an additional property it owns on Copley Lake to the United States Forest Service for the Long Lake property. The Land Trust believes these transactions will take place during the year ending June 30, 2019.

See accompanying independent auditors' report.

**CRESTED BUTTE LAND TRUST**

## Notes to the Financial Statements

June 30, 2018

## NOTE 14 CONSERVATION LANDS

The Land Trust holds the following conservation lands as of June 30, 2018:

<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
Total Conservation Lands		<u>\$ 6,393,608</u>

## NOTE 15 CONSERVATION EASEMENTS

The Land Trust holds the following conservation easements as of June 30, 2018:

<u>Easement</u>	<u>Date Acquired</u>	<u>Total Acreage</u>
Irwin 1	December 1993	3.30
Confluence 1	August 1995	70.00
Riverbend 1	August 1996	15.16
Irwin 2	December 1996	6.60
Working Ranch 1	September 1997	184.57
Ridgeline Trail	April 1999	43.40
Working Ranch 2	November 2000	874.00
Nevada Ridge	December 2000	5.00
Pittsburg 1	September 2002	27.00
Baxter Gulch 1	December 2002	35.00
East River Wetlands	November 2003	19.77
Gothic 1	December 2003	6.96
Gunnison Riverbanks	December 2003	453.42
Slate River Valley 1	December 2003	35.00
Working Ranch 3	September 2004	318.65
Slate River Valley 2	December 2004	6.80

See accompanying independent auditors' report.

**CRESTED BUTTE LAND TRUST**

## Notes to the Financial Statements

June 30, 2018

## NOTE 15 CONSERVATION EASEMENTS (Continued)

Easement	Date Acquired	Total Acreage
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
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, 2018, the Land Trust recognized \$13,587 of in-kind contributions for legal fees of \$3,619, occupancy of \$7,440, flights of \$812 and advertising of \$1,716.

## 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.

See accompanying independent auditors' report.

# CRESTED BUTTE LAND TRUST

## Notes to the Financial Statements

June 30, 2018

### NOTE 17 CONTINGENCIES (Continued)

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 the Board-Designated Endowment Fund and the Opportunity Fund maintained by the Land Trust.

The 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 funds are 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, 2018, 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 Board-designated 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 the Board-designated Endowment Fund net assets for the year ended June 30, 2018 are as follows:

Board-designated endowment net assets, beginning of year	\$ 539,725
Investment return	5,345
Intercompany loan interest income	619
Board-designated endowment net assets, end of year	<u>\$ 545,689</u>

See accompanying independent auditors' report.

# CRESTED BUTTE LAND TRUST

## Notes to the Financial Statements

June 30, 2018

### NOTE 18 BOARD DESIGNATED ENDOWMENT/OPPORTUNITY FUND (Continued)

The Land Trust has established a policy in relation to the allocation of funds in the Board-designated Opportunity Fund as follows:

Acquisitions	70%
Revolving activity	20%
Land protection	10%

The acquisition funds are available to support opportunities to increase trade lands, conservation lands and conservations easements including project costs, down payments, matching funds, etc. The revolving funds are available to front end the cost of projects before other funding is made available. The fund is also used to pay off the line of credit for at least 30 days during each year. The land protection funds are available to support staff and cover related costs as necessary.

Board-designated Opportunity Fund net assets, beginning of year	\$ 666,400
Opportunity Fund contributions	98,505
Transfer to the Long Lake Revolving Fund	(82,380)
Transfer for land protection	(48,095)
Board-designated Opportunity Fund net assets, end of year	<u>\$ 634,430</u>

The Board-designated Opportunity Fund net assets at the end of the year consist of the following:

Pledges receivable	\$ 283,958
Cash	350,472
	<u>\$ 634,430</u>

### NOTE 19 ACCREDITATION

The accreditation for the Crested Butte Land Trust was updated in February 2018 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, 2018.

See accompanying independent auditors' report.

# **CRESTED BUTTE LAND TRUST**

## **Notes to the Financial Statements**

**June 30, 2018**

### **NOTE 21 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, 2018.

### **NOTE 22 INCENTIVE AGREEMENTS**

The Land Trust has entered into an employment agreement with an individual that calls for bonuses based on years of employment. These bonuses are at the discretion of the Board of Directors.

Subsequent to the year ended June 30, 2018, the Land Trust entered into an agreement with an individual which calls for bonuses based on achieving fundraising goals.