

**CRESTED BUTTE LAND TRUST**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016**

# CRESTED BUTTE LAND TRUST

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report .....	1
Financial Statements:	
Statement of Financial Position .....	2
Statement of Activities.....	3
Statement of Functional Expenses .....	4
Statement of Cash Flows .....	5
Notes to the Financial Statements .....	6

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Certified Public Accountants

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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, 2016, 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 of 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, 2016, 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 & Associates, P.C.*

McNurlin & Associates, P.C.  
Lakewood, Colorado  
September 22, 2016

# CRESTED BUTTE LAND TRUST

## Statement of Financial Position

June 30, 2016

### ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 530,383	\$ -	\$ 530,383
Cash restricted for program activities	-	112,958	112,958
Certificate of deposit	204,191	-	204,191
Pledges and other receivables	12,540	-	12,540
Prepaid expenses	9,239	-	9,239
Inventory	227	-	227
Total Current Assets	<u>756,580</u>	<u>112,958</u>	<u>869,538</u>
Other Assets			
Building and equipment, net	138,296	-	138,296
Loan fees, net	4,067	-	4,067
Trade lands	3,294,171	-	3,294,171
Other deposits	700	-	700
Total Other Assets	<u>3,437,234</u>	<u>-</u>	<u>3,437,234</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,193,814</u></u>	<u><u>\$ 112,958</u></u>	<u><u>\$ 4,306,772</u></u>

### LIABILITIES AND NET ASSETS

Current Liabilities			
Accrued liabilities	\$ 7,511	\$ -	\$ 7,511
Accrued payroll liabilities	467	-	467
Accrued interest	3,677	-	3,677
Deferred income	10,660	-	10,660
Current portion of note payable	13,387	-	13,387
Total Current Liabilities	<u>35,702</u>	<u>-</u>	<u>35,702</u>
Other Liabilities			
Note payable, net of current portion	532,006	-	532,006
Total Liabilities	<u>567,708</u>	<u>-</u>	<u>567,708</u>
Net Assets			
Unrestricted			
Undesignated	2,956,423	-	2,956,423
Board designated endowment	669,683	-	669,683
Temporarily restricted	-	112,958	112,958
Total Net Assets	<u>3,626,106</u>	<u>112,958</u>	<u>3,739,064</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 4,193,814</u></u>	<u><u>\$ 112,958</u></u>	<u><u>\$ 4,306,772</u></u>

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

# CRESTED BUTTE LAND TRUST

## Statement of Activities For the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants	\$ -	\$ 68,495	\$ 68,495
Contributions	380,167	250,205	630,372
In-kind donations	18,910	-	18,910
Special events	32,039	-	32,039
Less direct event expenses	(23,597)	-	(23,597)
Merchandise sales revenue	9,869	-	9,869
Less cost of sales	(4,746)	-	(4,746)
Interest income	1,379	-	1,379
Other income	13,535	-	13,535
Net assets released from restrictions	213,317	(213,317)	-
TOTAL SUPPORT AND REVENUE	640,873	105,383	746,256
EXPENSES			
Program services	488,851	-	488,851
Support services			
General and administrative	44,798	-	44,798
Fundraising	34,906	-	34,906
TOTAL EXPENSES	568,555	-	568,555
CHANGE IN NET ASSETS	72,318	105,383	177,701
NET ASSETS, Beginning of the year	3,553,788	7,575	3,561,363
NET ASSETS, End of the year	\$ 3,626,106	\$ 112,958	\$ 3,739,064

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, 2016

	Program Services	General and Administrative	Fundraising	Total
Marble Basecamp property	\$ 20,321	\$ -	\$ -	\$ 20,321
Peanut Lake restoration	73,307	-	-	73,307
General stewardship	12,501	-	-	12,501
Easement stewardship	2,612	-	-	2,612
Salaries and wages	228,811	7,801	23,401	260,013
Payroll taxes	17,964	1,429	1,021	20,414
Employee benefits	588	47	33	668
Advertising	7,854	4,712	4,887	17,453
Bank and merchant fees	4,255	-	-	4,255
Conferences and meetings	4,114	561	-	4,675
Depreciation and amortization	-	8,650	-	8,650
Direct mail	8,161	-	4,020	12,181
Dues and subscriptions	3,442	-	-	3,442
Insurance	5,213	4,266	-	9,479
Interest	33,287	-	-	33,287
Miscellaneous	1,295	-	-	1,295
Occupancy	7,027	559	399	7,985
Professional fees	32,411	10,235	-	42,646
Real estate taxes	5,555	-	-	5,555
Rental and maintenance of equipment	4,907	390	279	5,576
Supplies	11,255	895	640	12,790
Telephone	3,971	316	226	4,513
Travel and lodging	-	4,937	-	4,937
	<u>\$ 488,851</u>	<u>\$ 44,798</u>	<u>\$ 34,906</u>	<u>\$ 568,555</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, 2016

	Unrestricted	Temporarily Restricted	Total
CASH FLOW FROM OPERATING ACTIVITIES:			
Change in net assets	\$ 72,318	\$ 105,383	\$ 177,701
Adjustments to reconcile change in net assets to cash provided by operating activities:			
Depreciation and amortization	8,650	-	8,650
Change in:			
Cash restricted for program activities	-	(105,383)	(105,383)
Pledges and other receivables	62,460	-	62,460
Prepaid expenses	(4,787)	-	(4,787)
Inventory	3,638	-	3,638
Accrued liabilities	5,900	-	5,900
Accrued payroll liabilities	(9,743)	-	(9,743)
Accrued interest	(187)	-	(187)
Deferred income	3,595	-	3,595
NET CASH PROVIDED BY OPERATING ACTIVITIES	141,844	-	141,844
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of equipment	(967)	-	(967)
Purchase of trade lands	(89,313)	-	(89,313)
Interest reinvested on certificate of deposit	(840)	-	(840)
NET CASH USED IN OPERATING ACTIVITIES	(91,120)	-	(91,120)
CASH FLOW FROM FINANCING ACTIVITIES:			
Principal payments on debt	(87,526)	-	(87,526)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(36,802)	-	(36,802)
CASH AND CASH EQUIVALENTS, Beginning of the year	567,185	-	567,185
CASH AND CASH EQUIVALENTS, End of the year	\$ 530,383	\$ -	\$ 530,383
SUPPLEMENTAL DISCLOSURE:			
Cash paid for interest			\$ 33,287
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, 2016

#### 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 September 22, 2016, 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 and temporarily restricted net assets during the year ended June 30, 2016.

See accompanying independent auditors' report.



## CRESTED BUTTE LAND TRUST

### Notes to the Financial Statements

June 30, 2016

#### 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 receivable

Pledges receivable consist of unconditional amounts due from local agencies and private organizations.

The Land Trust reviews pledges receivable periodically for collectability and establishes an allowance for doubtful grants and records bad debt expense when deemed necessary. At June 30, 2016, 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.

See accompanying independent auditors' report.

## CRESTED BUTTE LAND TRUST

### Notes to the Financial Statements

June 30, 2016

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

##### 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.

##### 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, 2016, 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 Organization'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.

See accompanying independent auditors' report.

# CRESTED BUTTE LAND TRUST

## Notes to the Financial Statements

June 30, 2016

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

#### Loan fees, net

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

#### Land and land interests

Land and land interest 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.

See accompanying independent auditors' report.

**CRESTED BUTTE LAND TRUST**  
Notes to the Financial Statements  
June 30, 2016

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land and land interests (Continued)

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, 2016, advertising costs totaled \$17,453.

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, 2016.

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, 2016.

As of June 30, 2016, the Land Trust's tax returns for 2012, 2013, and 2014 are subject to examination by taxing authorities.

See accompanying independent auditors' report.

# CRESTED BUTTE LAND TRUST

## Notes to the Financial Statements

June 30, 2016

### NOTE 5 CERTIFICATE OF DEPOSIT

Investments at June 30, 2016 consist of a certificate of deposit with the Community Bank of Colorado, in the amount of \$204,191. It has a maturity date of November 12, 2016 and carries an interest rate of 0.25% which is paid monthly.

Interest income of \$1,379 is from investments and money market accounts for the year ended June 30, 2016.

### 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, 2016, the Land Trust made principal payments totaling \$12,526.

Notes payable is reflected on the Statement of Financial Position at June 30, 2016 as follows:

Current portion of note payable	\$ 13,387
Note payable, net of current portion	532,006
Note payable balance	<u>\$ 545,393</u>

Maturities of long-term debt as of June 30, 2016 are as follows:

Years ending June 30,	Amount
2017	\$ 13,387
2018	14,213
2019	15,090
2020	15,940
2021	17,005
Thereafter	469,758
	<u>\$ 545,393</u>

See accompanying independent auditors' report.

# CRESTED BUTTE LAND TRUST

## Notes to the Financial Statements

June 30, 2016

### NOTE 7 SHORT-TERM BRIDGE LOAN PAYABLE

On April 7, 2015, the Land Trust entered into a \$75,000 short-term promissory note to complete the Promontory Ranch acquisition. The note was payable to The Conservation Fund, bearing interest at a fixed rate of 2.5% per year, and was payable in one installment of principal and interest before July 31, 2016, and was collateralized by land, as defined in the note agreement. On July 29, 2015, the loan was paid in full. The total interest paid on the loan was \$591.

### NOTE 8 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, 2016, the Land Trust had \$112,958 in temporarily restricted net assets as follows:

Baxter Gulch project	\$ 3,000
Gunsight Wetlands project	6,000
Trampe project	2,500
Grant and other restricted contributions	101,458
Temporarily Restricted Net Assets	<u>\$ 112,958</u>

Net assets released from restriction during the year ended June 30, 2016 totaled \$213,317 as follows:

Peanut Lake project	\$ 73,307
Copley Lake project	87,705
Marble Basecamp project	13,167
Stewardship and education programs	39,138
Net Assets Released from Restriction	<u>\$ 213,317</u>

See accompanying independent auditors' report.

# CRESTED BUTTE LAND TRUST

## Notes to the Financial Statements

June 30, 2016

### NOTE 9 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, 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 10 PLEDGES AND OTHER RECEIVABLES

As of June 30, 2016, there was one pledge receivable in the amount of \$12,500 from the Great Outdoors Colorado, which was subsequently collected by the Land Trust.

### NOTE 11 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, 2016. At June 30, 2016, Building and equipment, net consist of:

Building	\$ 207,650
Computers and equipment	7,178
Less: Accumulated depreciation	(76,532)
Building and equipment, net	<u>\$ 138,296</u>

### NOTE 12 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, 2016 was \$194. At June 30, 2016, Loan fees, net consist of:

Loan fees	\$ 5,811
Less: Accumulated amortization	(1,744)
Loan fees, net	<u>\$ 4,067</u>

See accompanying independent auditors' report.

**CRESTED BUTTE LAND TRUST**

Notes to the Financial Statements

June 30, 2016

**NOTE 13 TRADE LANDS**

The Land Trust holds the following trade lands as of June 30, 2016:

<u>Trade Land</u>	<u>Purchase price</u>
Easement Acquisition	\$ 34
Colonel's House	431,979
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	539
Washington Gulch	181,250
Schofield Land	3,076
Copley Lake	89,313
Total Trade Lands	<u>\$ 3,294,171</u>

**NOTE 14 TRADE LANDS ACQUISITION**

On December 18, 2015, the Land Trust consummated a Contract for Bargain Sale of Real Estate in relation to the Roosevelt #3 Ruby Mining District property, which was referred to as the Copley Lake project. The purchase consisted of one tract of land containing 15.39 acres. The total purchase price of \$89,313 consisted of the purchase price of \$75,000 plus acquisition costs of \$12,738 and in-kind legal expenses of \$1575. The purchase was funded through several sources as follows: Town of Crested Butte for \$25,000, Gunnison County Land Preservation Board for \$27,000, David K. Owen for \$25,000 (bargain sale), and individual donors for \$11,055.

See accompanying independent auditors' report.



**CRESTED BUTTE LAND TRUST**

## Notes to the Financial Statements

June 30, 2016

**NOTE 15 CONSERVATION LANDS**

The Land Trust holds the following conservation lands as of June 30, 2016:

<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
Uteley	March 2003	605,000
Schofield 3	October 2003	96,220
Kikel B	May 2007	1,327,189
Coralhouse	November 2013	741,390
Total conservation lands		<u>\$ 6,393,608</u>

**NOTE 16 CONSERVATION EASEMENTS**

The Land Trust holds the following conservation easements as of June 30, 2016:

<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, 2016

## NOTE 16 CONSERVATION EASEMENTS (Continued)

<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
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

Marble Basecamp Property

On June 3, 2016, the Land Trust accepted the donation of a Conservation Easement from the Aspen Valley Land Trust to permanently protect the Marble Basecamp property. The Aspen Valley Land Trust consummated a Contract for Sale of Real Estate in relation to this property. The purchase consisted of 1 tract of land containing 46.75 acres. The Land Trust assisted with the fundraising for the purchase of this property. Total funds raised in partnership between the Land Trust and Aspen Valley Land Trust totaled \$550,000 through several sources; \$13,767 of which directed to the Land Trust as follows: Aspen Valley Land Trust for \$6,400, Gunnison County Land Preservation Board for \$6,667, and individual donors for \$700. In addition to funds raised for the purchase of the property, Great Outdoor Colorado also contributed funds for the long-term stewardship of the property totaling \$6,000.

See accompanying independent auditors' report.

## CRESTED BUTTE LAND TRUST

### Notes to the Financial Statements

June 30, 2016

#### NOTE 17 IN-KIND CONTRIBUTIONS

During the year ended June 30, 2016, the Land Trust recognized \$18,910 of in-kind contributions for legal fees totaling \$9,604, occupancy totaling \$5,735, and advertising totaling \$3,571.

#### NOTE 18 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 19 BOARD DESIGNATED ENDOWMENT

FASB guidance regarding endowment funds requires certain disclosure concerning board-designated endowment funds. The following disclosure pertains to board-designated endowment funds maintained by the Land Trust:

- a) 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.

See accompanying independent auditors' report.

**CRESTED BUTTE LAND TRUST**  
Notes to the Financial Statements  
June 30, 2016

**NOTE 19 BOARD DESIGNATED ENDOWMENT (Continued)**

- b) Board-designated endowment fund investment policies – Endowment 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, 2016, the portfolio is invested in certificates of deposits 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 fund as board-designated funds and may be appropriated for expenditure at a future date.

Changes in board-designated endowment net assets for the year ended June 30, 2016 is as follows:

Board-designated endowment net assets, beginning of year,	\$ 645,804
Stewardship contributions	22,500
Investment return	1,379
Board-designated endowment net assets, end of year	<u>\$ 669,683</u>

**NOTE 20 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 21% of land trusts nationwide are accredited.

**NOTE 21 OPERATING LEASE**

The Land Trust leases a copier under a non-cancelable operating lease expiring in 2019. Rent expense for the lease totaled \$2,503 during the year ended June 30, 2016.

Future minimum payments due under the operating lease for the years ending June 30 are as follows:

2017	\$ 2,503
2018	2,503
2019	209
Total	<u>\$ 5,215</u>

See accompanying independent auditors' report.

## **CRESTED BUTTE LAND TRUST**

### Notes to the Financial Statements

June 30, 2016

#### NOTE 22 SUBSEQUENT EVENTS

The Land Trust is assisting partners to consummate a Contract for Bargain Sale of Conservation Easement in relation to the Trampe Ranch property. The Conservation Easement will cover approximately 4,500 acres and will close in several transactions in 2017. The project is expected to be funded through several sources as follows: Great Outdoors Colorado, the Town of Crested Butte, and Gunnison County Land Preservation Fund.

On August 31, 2016 the Land Trust re-acquired the Peanut Mine property. Peanut Mine was initially acquired in 2001. The property was contaminated through coal mining and silver processing activities. A major cleanup was undertaken in partnership with the Colorado Division of Reclamation and Mining Safety, with funding from the Brownsfields Program and the Gates Family Foundation. The clean-up was finalized and a Letter of No Further Action was received from the State Colorado Department of Public Health and Environment on December 9, 2011.

See accompanying independent auditors' report.

Client: **Crested Butte Land Trust**  
Engagement: **Crested Butte Land Trust**  
Period Ending: **6/30/2016**  
Workpaper: **Adjusting Journal Entries Report**

40-03

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>				
To adjust opening balances to prior year audited balances.				
		40-07		
3006	Temporarily Restricted Net Assets		279,396.30	
6132	Operating Expense:Office Supplies		932.87	
3005	Unrestricted Net Assets			280,329.17
<b>Total</b>			<b>280,329.17</b>	<b>280,329.17</b>
<b>Adjusting Journal Entries JE # 2</b>				
To reverse 6/30/15 audit adjustments booked to retained earnings in 2016				
		40-07		
2229	Prepaid real estate taxes		3,313.84	
3005	Unrestricted Net Assets		5,177.52	
1150	Inventory: Calendars			3,978.51
1201	Prepaid Expenses			4,512.85
<b>Total</b>			<b>8,491.36</b>	<b>8,491.36</b>
<b>Adjusting Journal Entries JE # 3</b>				
To record costs associated with the Copley Lake acquisition as an asset.				
		801-02		
1225	Trade Lands: Copley Lake		12,738.25	
2229	Prepaid real estate taxes			371.30
6115	General Stewardship Maintenance:Signs			4,500.00
6143	Professional Fees:Legal Fees			2,998.20
6227-1	Acquisition: Copley Lake			4,868.75
<b>Total</b>			<b>12,738.25</b>	<b>12,738.25</b>
<b>Adjusting Journal Entries JE # 4</b>				
To reclassify immaterial contributions attributable to Peanut Lake out of Copley Lake project.				
		801-02		
4049-1	Contributions: Individual - Specific Project - Copley Lake		350.00	
4049-4	Contributions: Individual - Specific Project - Peanut Lake			350.00
<b>Total</b>			<b>350.00</b>	<b>350.00</b>
<b>Adjusting Journal Entries JE # 5</b>				
To reclassify payment for 2017 calendars as a prepaid expense at 6/30/16.				
		700-01		
1201	Prepaid Expenses		4,126.53	
6105	Fundraising Expenses: Calender Expense			4,126.53
<b>Total</b>			<b>4,126.53</b>	<b>4,126.53</b>
<b>Adjusting Journal Entries JE # 6</b>				
To record costs associated with the Marble Basecamp acquisition.				
		801-02		
6227-2	Acquisition: Marble Basecamp		15,297.50	
6115	General Stewardship Maintenance:Signs			500.00
6117-4	General Stewardship Maintenance: Other			2,121.33
6126	Operating Expense:Bank Charges			300.00
6143	Professional Fees:Legal Fees			9,997.50
6227	Acquisition: Promontory			2,378.67
<b>Total</b>			<b>15,297.50</b>	<b>15,297.50</b>
<b>Adjusting Journal Entries JE # 7</b>				
To reclassify stewardship portion of Marble Basecamp transaction.				
		801-02		
4049-3	Contributions: Individual - Specific Project - Marble		6,000.00	
4010	Contributions : Stewardship Fund			6,000.00
<b>Total</b>			<b>6,000.00</b>	<b>6,000.00</b>

Client: **Crested Butte Land Trust**  
Engagement: **Crested Butte Land Trust**  
Period Ending: **6/30/2016**  
Workpaper: **Adjusting Journal Entries Report**

40-03

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 8</b>				
200-02				
To correct adjustment to reclassify health insurance to the proper accounts.				
1000	CB Operating		4,716.19	
6150	Staff Cost: Payroll Tax Expense		2,884.42	
6148	Staff Cost: Health Insurance			7,600.61
<b>Total</b>			<b>7,600.61</b>	<b>7,600.61</b>
<b>Adjusting Journal Entries JE # 9</b>				
250-01				
To record disposition of outdated computers from 2007				
1204	Accumulated Depreciation		2,198.00	
1203	Computer and equipment and other			2,198.00
<b>Total</b>			<b>2,198.00</b>	<b>2,198.00</b>
<b>Adjusting Journal Entries JE # 10</b>				
250-01				
To record depreciation for 7/1/15 - 6/30/16				
6102	Depreciation Expense		8,455.81	
1204	Accumulated Depreciation			8,455.81
<b>Total</b>			<b>8,455.81</b>	<b>8,455.81</b>
<b>Adjusting Journal Entries JE # 11</b>				
370-01				
To adjust loan balances to actual and record interest accrual from 5/17/16 to 6/30/16.				
2300	Notes Payable Long Term		1,669.03	
6166	Interest Expense: Kikel Interest Expense		4,156.49	
2201	Accrued Interest			3,676.56
2202	Current Maturity of LTD			2,148.96
<b>Total</b>			<b>5,825.52</b>	<b>5,825.52</b>
<b>Adjusting Journal Entries JE # 12</b>				
370-01				
To record amortization of loan origination fees				
6101	Amortization Expense		193.70	
1250	Amortization Reserve			193.70
<b>Total</b>			<b>193.70</b>	<b>193.70</b>
<b>Adjusting Journal Entries JE # 13</b>				
600-01				
To adjust stewardship contributions to actual for the year.				
4003	Contributions Individual Open Space		16,500.00	
4010	Contributions : Stewardship Fund			16,500.00
<b>Total</b>			<b>16,500.00</b>	<b>16,500.00</b>
<b>Adjusting Journal Entries JE # 14</b>				
600-01				
To record in-kind donations for the year.				
1225	Trade Lands: Copley Lake		1,575.00	
6122	Operating Expense: Advertising		2,410.20	
6133	Operating Expense: Rent Expense		5,735.34	
6143	Professional Fees: Legal Fees		2,430.00	
6227-2	Acquisition: Marble Basecamp		4,998.75	
4026	Inkind Donations			17,149.29
<b>Total</b>			<b>17,149.29</b>	<b>17,149.29</b>

Client: **Crested Butte Land Trust**  
Engagement: **Crested Butte Land Trust**  
Period Ending: **6/30/2016**  
Workpaper: **Adjusting Journal Entries Report**

40-03

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 15</b>				
To reclassify amount included in additional payroll taxes as wages.				
6156	Staff Cost:Wages		27,596.78	
6150	Staff Cost:Payroll Tax Expense			27,596.78
<b>Total</b>			<b>27,596.78</b>	<b>27,596.78</b>
<b>Adjusting Journal Entries JE # 16</b>				
To adjust payroll accruals to actual at 6/30/16.				
2207	Payroll Liabilities:Accrued Payroll		44.93	
2212	Direct deposit liabilities		260.27	
6156	Staff Cost:Wages		1,206.14	
2209	Payroll Liabilities:Medicare Employer			59.64
2210	Payroll Liabilities:Social Security Employer			255.03
2221	Payroll Liabilities:Colorado State Income Tax Withheld			211.00
2222	Payroll Liabilities:Federal Income tax Withheld			671.00
2223	Payroll Liabilities:Medicare Withheld			59.64
2224	Payroll Liabilities:Social Security Withheld			255.03
<b>Total</b>			<b>1,511.34</b>	<b>1,511.34</b>
<b>Adjusting Journal Entries JE # 17</b>				
To record the GOCO receivable for the Peanut Lake project at 6/30/16.				
1105	AR-Other		12,500.00	
4049-4	Contributions: Individual - Specific Project - Peanut Lake			12,500.00
<b>Total</b>			<b>12,500.00</b>	<b>12,500.00</b>