

CRESTED BUTTE LAND TRUST

FINANCIAL STATEMENTS

JUNE 30, 2014

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 Cash Flows.....	4
Statement of Functional Expenses.....	5
Notes to the Financial Statements	6

McNURLIN & ASSOCIATES, P.C.

Certified Public Accountants

2535 South Wadsworth Boulevard
Lakewood, Colorado 80227
303-988-5648 FAX: 303-988-5919
don@mcnurlincpa.com

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, 2014, and the related statements of activities, cash flows and functional expenses 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, 2014, 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.

McN & Associates P.C.
McNurlin & Associates, P.C.
Lakewood, Colorado
October 8, 2014

CRESTED BUTTE LAND TRUST

Statement of Financial Position

June 30, 2014

ASSETS

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 503,742	\$ -	\$ 503,742
Cash restricted for program activities	-	286,971	286,971
Certificate of deposit	203,351	-	203,351
Prepaid expenses	1,352	-	1,352
Total Current Assets	<u>708,445</u>	<u>286,971</u>	<u>995,416</u>
Building and Equipment			
Building	207,650	-	207,650
Computer equipment and other	8,409	-	8,409
	<u>216,059</u>	<u>-</u>	<u>216,059</u>
Accumulated depreciation	(62,012)	-	(62,012)
Net Building and Equipment	<u>154,047</u>	<u>-</u>	<u>154,047</u>
Loan fees, net	4,455	-	4,455
Trade lands	3,204,857	-	3,204,857
Conservation lands	-	-	-
Earnest money deposit	20,000	-	20,000
Other deposits	700	-	700
	<u>700</u>	<u>-</u>	<u>700</u>
TOTAL ASSETS	<u>\$ 4,092,504</u>	<u>\$ 286,971</u>	<u>\$ 4,379,475</u>

LIABILITIES AND NET ASSETS

Current Liabilities			
Accrued payroll and other liabilities	\$ 10,211	\$ -	\$ 10,211
Accrued interest	3,864	-	3,864
Deferred income	6,720	-	6,720
Current portion of note payable	11,881	-	11,881
Total Current Liabilities	<u>32,676</u>	<u>-</u>	<u>32,676</u>
Note payable, net of current portion	559,648	-	559,648
Total Liabilities	<u>592,324</u>	<u>-</u>	<u>592,324</u>
Commitments and Contingencies	-	-	-
Net Assets			
Unrestricted			
Undesignated	2,875,506	-	2,875,506
Board designated for endowment	624,674	-	624,674
Temporarily restricted	-	286,971	286,971
Total Net Assets	<u>3,500,180</u>	<u>286,971</u>	<u>3,787,151</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,092,504</u>	<u>\$ 286,971</u>	<u>\$ 4,379,475</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, 2014

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants	\$ 21,750	\$ -	\$ 21,750
Contributions	338,939	1,050,807	1,389,746
Special events	35,381	-	35,381
In-kind donations	20,370	-	20,370
Merchandise sales revenue	8,324	-	8,324
Interest income	1,540	-	1,540
Other income	4,440	-	4,440
Net assets released from restrictions	799,836	(799,836)	-
TOTAL SUPPORT AND REVENUE	1,230,580	250,971	1,481,551
EXPENSES			
Program services	1,138,383	-	1,138,383
Support services			
General and administrative	62,690	-	62,690
Fundraising	39,064	-	39,064
TOTAL EXPENSES	1,240,137	-	1,240,137
CHANGE IN NET ASSETS	(9,557)	250,971	241,414
NET ASSETS, Beginning of the year	3,509,737	36,000	3,545,737
NET ASSETS, End of the year	\$ 3,500,180	\$ 286,971	\$ 3,787,151

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, 2014

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 241,414
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	8,012
Donation of land	(3,074)
Change in:	
Other receivables	40,157
Prepaid expenses	(1,352)
Deposits and other assets	(10,000)
Accounts payable	(23,638)
Accrued payroll and other liabilities	1,375
Deferred income	(3,294)
Cash restricted for program activities	(250,971)
NET CASH USED IN OPERATING ACTIVITIES	<u>(1,371)</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Reinvestment of interest on certificate of deposit	(788)
CASH FLOW FROM FINANCING ACTIVITIES:	
Repayment of note payable	<u>(11,191)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,350)
CASH AND CASH EQUIVALENTS, Beginning of the year	<u>517,092</u>
CASH AND CASH EQUIVALENTS, End of the year	<u><u>\$ 503,742</u></u>
SUPPLEMENTAL INFORMATION:	
Interest paid	<u><u>\$ 37,701</u></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, 2014

	Program Services	General and Administrative	Fundraising	Total
Coralhouse Purchase	\$ 741,390	\$ -	\$ -	\$ 741,390
Salaries and Wages	162,335	12,913	9,224	184,472
Professional Fees	68,734	21,705	-	90,439
Interest	37,701	-	-	37,701
General Stewardship	28,838	-	-	28,838
Special Events	2,691	-	21,770	24,461
Easement Stewardship	17,669	-	-	17,669
Payroll Taxes	12,910	1,027	734	14,671
Employee Benefits	10,486	834	596	11,916
Supplies	10,229	814	581	11,624
Advertising	5,212	6,255	116	11,583
Depreciation and Amortization	-	8,012	-	8,012
Insurance	3,928	3,213	-	7,141
Rental and Maintenance of Equipment	6,079	484	345	6,908
Conferences and Meetings	5,887	803	-	6,690
Travel and Lodging	-	6,150	-	6,150
Messaging	5,793	-	-	5,793
Direct Mail	571	-	4,618	5,189
Real Estate Taxes	5,068	-	-	5,068
Telephone	3,785	301	215	4,301
Bank Fees	3,255	-	-	3,255
Dues and Subscriptions	3,237	-	-	3,237
Occupancy	2,244	179	127	2,550
Cost of Sales	-	-	738	738
Promontory Purchase	341	-	-	341
	<u>\$ 1,138,383</u>	<u>\$ 62,690</u>	<u>\$ 39,064</u>	<u>\$ 1,240,137</u>

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

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2014

NOTE 1 NATURE OF OPERATIONS

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 8, 2014, the date that the financial statements were available to be issued.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Land Trust has adopted the Statement of Financial Accounting Standards (SFAS) No. 117, "*Financial Statements of Not-for-Profit Organizations*". Under SFAS No. 117, the Land Trust is required to report information regarding its financial position according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based on the existence, or absence, of donor-imposed restrictions.

The Land Trust has also adopted SFAS No. 116, "*Accounting for Contributions Received and Contributions Made*". In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Basis of accounting

In accordance with accounting principles generally accepted in the United States of America ("US GAAP"), the accompanying financial statements have been prepared on the accrual basis of accounting.

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.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2014

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants

Grants receivable consist of unconditional amounts due from local agencies and private organizations that are restricted to the costs to be incurred by the Land Trust to acquire certain parcels of land and conservation easements and to pay the costs associated with maintaining the land and easements, as defined in the grant agreements. As of June 30, 2014, there were no temporarily restricted grant receivables.

The Land Trust reviews grants receivable periodically for collectability and establishes an allowance for doubtful grants and records bad debt expense when deemed necessary. At June 30, 2014, management determined that an allowance for doubtful grants receivable was not necessary.

The Land Trust records conditional grants when the conditions of the grant have been satisfied. During the year ended June 30, 2008, the Land Trust was named as one of three project partners in a grant agreement with the Great Outdoors Colorado (“GOCO grant”). Pursuant to the terms of the grant agreement, the project partners were granted a total of \$3,000,000 for the costs associated with the acquisition of certain properties. This grant was conditional upon numerous factors including the project partners’ ability to acquire the properties, the ability to raise certain matching donations, and various other requirements to be performed by each of the individual project partners, as defined in the grant agreement. The terms of the grant agreement were satisfied in total in August 2011.

On November 21, 2013, the Land Trust purchased a 99.62 acre tract of land for \$722,500. The purchase was funded through grants from Great Outdoors Colorado, Gunnison Valley Land Preservation Board and the Town of Crested Butte in the amount of \$406,000, \$125,000 and \$200,000, respectively. Immediately after the purchase, the Land Trust granted a “Deed of Conservation Easement” encumbering the property. After the transaction was completed, the Land Trust paid the Town of Crested Butte \$8,212 to fund stewardship of the land. The purchase plus additional expenditures is reflected as “Coralhouse Purchase” in the Statement of Functional Expenses of \$741,390.

On December 4, 2013, the Land Trust acquired a conservation easement from the Town of Crested Butte in relation to 43.80 acres of land. This transaction completed “Phase 3” of a 3 phase project where the Town of Crested Butte purchased lands from the Trust for Public Land. “Phase 1” was completed in June 2010 for an easement on 170.21 acres and “Phase 2” was completed in March 2011 for an easement of approximately 110 acres.

On December 13, 2013, the Land Trust acquired 0.116 acre of land through a donation in the amount of \$2,500 plus \$574 to cover closing costs. This parcel is adjacent to other property owned by the Land Trust. The Land Trust has determined that this parcel will be carried as “Trade Land” on the Statement of Financial Position.

See accompanying independent auditors’ report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2014

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants (Continued)

During the year ended June 30, 2014, the Great Outdoors Colorado, the Gunnison County Land Preservation Board, and the Town of Crested Butte grants accounted for 56%, 17% and 27%, respectively, of total grant contributions recognized.

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.

Building and Equipment

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. 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. Depreciation expense was \$7,818 for the year ended June 30, 2014. 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.

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, 2014, 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.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2014

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

The Land Trust records the value of in-kind contributions and donated services when there is an objective basis available to measure their value. 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. During the year ended June 30, 2014, the Land Trust recognized \$20,370 of in-kind contributions of rent for office space, advertising, legal services, etc.

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

Loan fees are being amortized using the straight-line method over the 30-year term of the related debt. Amortization expense for the year ended June 30, 2014 was \$194.

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.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2014

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land and land interests (Continued)

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.

Advertising costs

Advertising costs are expensed as incurred. The Land Trust uses advertising to promote its conservation program. During the year ended June 30, 2014, advertising costs totaled \$11,583.

See accompanying independent auditors’ report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2014

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Land Trust is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and application state law.

The accounting standard 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 (UBIT). 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 as of June 30, 2014.

The Land Trust's policy is to recognize interest and penalties accrued on any unrecognized tax position as a component of income tax expense. As of June 30, 2014, the Land Trust did not have any accrued interest or penalties associated with any unrecognized tax positions, nor were any interest expenses or penalties recognized during the year ended June 30, 2014. The Land Trust is generally no longer subject to examination by the Internal Revenue Service for tax years before June 30, 2011.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes these estimates using the best information available at the time the estimates are made; however, actual results could differ from the estimates.

NOTE 4 INVESTMENTS

Investments at June 30, 2014 consist of a certificate of deposit with the Community Bank of Colorado, in the amount of \$203,351. It has a maturity date of November 12, 2014 and carries an interest rate of 0.25% which is paid monthly.

Investment return of \$1,540 is from investments and money market accounts for the year ended June 30, 2014.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2014

NOTE 5 LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2014:

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, 2014, the Land Trust made principal payments totaling \$11,191 on this note.

	\$ 571,529
Less current portion	<u>(11,881)</u>
Note payable, net of current portion	<u>\$ 559,648</u>

Maturities of long-term debt as of June 30, 2014 are as follows:

Years ending June 30,	Amount
2015	\$ 11,881
2016	12,524
2017	13,387
2018	14,214
2019	15,090
Thereafter	<u>504,433</u>
	<u>\$ 571,529</u>

NOTE 6 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 and grants whose use by the Land Trust is limited by donor-imposed stipulations. At June 30, 2014, the Land Trust had \$3,000 in temporarily restricted net assets principally related to the Gunsight Bridge Wetlands Reclamation Project and \$283,971 related to Promontory Ranch OS and the Snodgrass Trail. See Note 15.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2014

NOTE 7 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 8 FAIR VALUE MEASUREMENT

The Land Trust measures its financial assets and liabilities under accounting guidance which establishes a three-tier fair value hierarchy and prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. In determining fair value, the Land Trust utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Much of the information used to determine fair values is highly subjective and judgmental in nature and, therefore the results may not be precise. In addition, estimates of cash flows, risk characteristics, credit quality and interest rates are all subject to change. Since the fair values are estimated as of the statement of financial position date, the amounts, which will actually be realized or paid upon settlement or maturity of the various instruments, could be significantly different than the estimates.

The Land Trust's financial assets are measured at fair value on a recurring basis and include money market funds and certificates of deposit which are classified within Level 1 and Level 2 respectively, as these assets are valued using quoted market prices or alternative pricing sources and models utilizing observable market inputs. The Land Trust recognizes transfers of assets into and out of Levels as of the date an event or change in circumstances causes the transfer.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2014

NOTE 8 FAIR VALUE MEASUREMENT (Continued)

The following fair value hierarchy table presents information about the Land Trust's assets measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation techniques utilized by the Land Trust to determine such fair value. There have been no changes in the methodologies used at June 30, 2014.

	Level	Fair Value at June 30, 2014
Money market funds	1	\$ 796,438
Certificates of deposits	2	203,351
		<u>\$ 999,789</u>

In addition to the Land Trust's assets and liabilities that are measured at fair value on a recurring basis, the Land Trust is required to record certain assets and liabilities at fair value on a nonrecurring basis. Generally assets are recorded at fair value on a nonrecurring basis as a result of impairment charges. There were no assets measured at fair value on a nonrecurring basis as of June 30, 2014.

NOTE 9 CONSERVATION LANDS

The Land Trust holds the following conservation lands as of June 30, 2014:

<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
Utlely	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>

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2014

NOTE 10 CONSERVATION EASEMENTS

The Land Trust holds the following conservation easements as of June 30, 2014:

<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
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

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2014

NOTE 10 CONSERVATION EASEMENTS (Continued)

<u>Easement</u>	<u>Date Acquired</u>	<u>Total Acreage</u>
Zeta Graham Easement	December 2012	184.40
North Pole Basin	June 2013	158.50
Coralhouse	November 2013	99.62
Kochevar Open Space	December 2013	43.80

During the year ended June 30, 2014, the Land Trust acquired two additional conservation easements. The easements were acquired through a bargain sale as well as a donation. The conservation easements are discussed in Note 3.

NOTE 11 CONCENTRATION OF RISK

The Land Trust maintains its cash balances in one financial institution located in Crested Butte, Colorado. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2014, the Land Trust's uninsured cash balances total \$248,077.

NOTE 12 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 13 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:

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2014

NOTE 13 ENDOWMENT (Continued)

- 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.
- 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, 2014, 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.

During the year ended June 30, 2014, it was discovered that \$50,273 of contributions to the endowment fund were excluded from “Board Designated Endowment Net Assets” at June 30, 2011. As of July 1, 2013, the balance has been restated to include these contributions.

Changes in board-designated endowment net assets for the year ended June 30, 2014 is as follows:

Board-designated endowment net assets, beginning of year, as restated	\$ 594,829
Stewardship contributions	28,305
Investment return:	
Interest income	1,540
Board-designated endowment net assets, end of year	<u>\$ 624,674</u>

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2014

NOTE 14 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 10% of land trusts nationwide are accredited.

NOTE 15 SUBSEQUENT EVENTS \ POTENTIAL ACQUISITIONS

Promontory Ranch OS and Snodgrass Trail Acquisitions

During March 2014, the Land Trust entered into a contract for a bargain sale of conservation easement and real estate. As of October 8, 2014, the Land Trust has received pledges totaling approximately \$955,000 for the easement and land purchases. The Land Trust has an additional request pending for funds totaling \$725,785.

In addition, the Land Trust received \$283,971 in contributions restricted for this project and are carried as "Temporarily restricted net assets" at June 30, 2014 (See Note 6).

See accompanying independent auditors' report.