

CRESTED BUTTE LAND TRUST

FINANCIAL STATEMENTS

JUNE 30, 2020

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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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, 2020, 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, 2020, 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.
December 30, 2020

CRESTED BUTTE LAND TRUST

Statement of Financial Position

June 30, 2020

| | <u>Unrestricted</u> | <u>Donor Restricted</u> | <u>Total</u> |
|---|--------------------------|-----------------------------|--------------------------|
| <u>ASSETS</u> | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 597,320 | \$ 348,417 | \$ 945,737 |
| Investments (See Note 5) | 301,303 | - | 301,303 |
| Accounts receivable | 6,125 | - | 6,125 |
| Pledges and grants receivables, current | - | 378,215 | 378,215 |
| Prepaid expenses | 8,209 | - | 8,209 |
| Total Current Assets | <u>912,957</u> | <u>726,632</u> | <u>1,639,589</u> |
| Other Assets | | | |
| Pledges and grants receivables, long-term | - | 180,333 | 180,333 |
| Fixed assets, net (See Note 3) | 505,635 | - | 505,635 |
| Trade lands (See Note 10) | 2,462,545 | - | 2,462,545 |
| Conservation lands (See Note 11) | 9,393,608 | - | 9,393,608 |
| Other deposits | 2,700 | - | 2,700 |
| Total Other Assets | <u>12,364,488</u> | <u>180,333</u> | <u>12,544,821</u> |
| TOTAL ASSETS | <u>\$ 13,277,445</u> | <u>\$ 906,965</u> | <u>\$ 14,184,410</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | |
| Current Liabilities | | | |
| Accrued liabilities | \$ 21,854 | \$ - | \$ 21,854 |
| Accrued payroll liabilities | 13,275 | - | 13,275 |
| Deferred income | 36,262 | - | 36,262 |
| Note payable, current | 130,000 | - | 130,000 |
| Line of credit (See Note 6) | - | - | - |
| Total Current Liabilities | <u>201,391</u> | <u>-</u> | <u>201,391</u> |
| Other Liabilities | | | |
| Note payable, long-term | 323,161 | - | 323,161 |
| Total Other Liabilities | <u>323,161</u> | <u>-</u> | <u>323,161</u> |
| Net Assets (See Note 7) | | | |
| Unrestricted | 12,059,717 | - | 12,059,717 |
| Stewardship Fund (See Note 15) | 693,176 | 96,900 | 790,076 |
| Opportunity Fund (See Note 15) | - | 134,468 | 134,468 |
| Donor restricted | - | 675,597 | 675,597 |
| Total Net Assets | <u>12,752,893</u> | <u>906,965</u> | <u>13,659,858</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 13,277,445</u> | <u>\$ 906,965</u> | <u>\$ 14,184,410</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, 2020

| | Unrestricted | Donor Restricted | Total |
|---|--------------------------|-----------------------|--------------------------|
| SUPPORT AND REVENUE | | | |
| Grants | \$ - | \$ 265,277 | \$ 265,277 |
| Contributions | 259,030 | 812,287 | 1,071,317 |
| In-kind donations | 32,130 | - | 32,130 |
| Special events and merchandise | 109,973 | - | 109,973 |
| Interest and dividend income | 15,464 | - | 15,464 |
| Realized loss on investments contributed | (4,197) | - | (4,197) |
| Unrealized gain on investments | 32,721 | - | 32,721 |
| Other income | 16,098 | - | 16,098 |
| Realized gain on sales of Kikel A | 30,000 | - | 30,000 |
| Realized gain on sales of Copley Lake | 10,687 | - | 10,687 |
| Net assets released from restrictions | <u>2,334,507</u> | <u>(2,334,507)</u> | <u>-</u> |
| TOTAL SUPPORT AND REVENUE | 2,836,413 | (1,256,943) | 1,579,470 |
| EXPENSES | | | |
| Program services | 596,267 | - | 596,267 |
| Support services: | | | |
| General and administrative | 75,008 | - | 75,008 |
| Fundraising | <u>30,663</u> | <u>-</u> | <u>30,663</u> |
| TOTAL EXPENSES | <u>701,938</u> | <u>-</u> | <u>701,938</u> |
| CHANGE IN NET ASSETS | 2,134,475 | (1,256,943) | 877,532 |
| NET ASSETS, Beginning of the year (See Note 19) | <u>10,618,418</u> | <u>2,163,908</u> | <u>12,782,326</u> |
| NET ASSETS, End of the year | <u>\$ 12,752,893</u> | <u>\$ 906,965</u> | <u>\$ 13,659,858</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, 2020

| | <u>Program Services</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
|-------------------------------------|-----------------------------|---------------------------------------|--------------------|-------------------|
| Advertising | \$ 10,589 | \$ 6,353 | \$ 6,588 | \$ 23,530 |
| Bank and merchant fees | 7,907 | - | - | 7,907 |
| Conferences and meetings | 2,759 | 376 | - | 3,135 |
| Depreciation and amortization | - | 15,825 | - | 15,825 |
| Direct mail | 2,396 | 1,438 | 1,491 | 5,325 |
| Dues and subscriptions | 10,637 | 1,451 | - | 12,088 |
| Employee benefits | 16,703 | 1,329 | 949 | 18,981 |
| General stewardship | 94,681 | - | - | 94,681 |
| Insurance | 6,070 | 4,967 | - | 11,037 |
| Occupancy | 7,674 | 610 | 436 | 8,720 |
| Payroll taxes | 18,143 | 1,443 | 1,031 | 20,617 |
| Professional fees | 121,039 | 9,628 | 6,877 | 137,544 |
| Real estate taxes | 6,949 | - | - | 6,949 |
| Rental and maintenance of equipment | 4,842 | 385 | 275 | 5,502 |
| Salaries and wages | 225,585 | 17,945 | 12,817 | 256,347 |
| Special events and merchandise | 56,782 | - | - | 56,782 |
| Supplies | 412 | 33 | 23 | 468 |
| Telephone | 3,099 | 247 | 176 | 3,522 |
| Travel and lodging | - | 12,978 | - | 12,978 |
| | <u>\$ 596,267</u> | <u>\$ 75,008</u> | <u>\$ 30,663</u> | <u>\$ 701,938</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, 2020

| | Unrestricted | Donor Restricted | Total |
|--|--------------------------|--------------------------|--------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| CASH FLOW FROM OPERATING ACTIVITIES: | | | |
| Change in net assets | \$ 2,134,475 | \$ (1,256,943) | \$ 877,532 |
| Adjustments to reconcile change in net assets to cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | 15,825 | - | 15,825 |
| Unrealized gain on investments | (32,721) | - | (32,721) |
| Realized gain on sales of Kikel A | (30,000) | - | (30,000) |
| Realized gain on sales of Copley Lake | (10,687) | - | (10,687) |
| (Increase) decrease in assets: | | | |
| Accounts receivable | (6,125) | - | (6,125) |
| Pledges and grants receivables | 223,069 | 1,073,074 | 1,296,143 |
| Prepaid expenses | (2,255) | - | (2,255) |
| Inventory | 113 | - | 113 |
| Increase (decrease) in liabilities: | | | |
| Accrued liabilities | (7,136) | - | (7,136) |
| Accrued payroll liabilities | (1,174) | - | (1,174) |
| Deferred income | (5,305) | - | (5,305) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>2,278,079</u> | <u>(183,869)</u> | <u>2,094,210</u> |
| CASH FLOW FROM INVESTING ACTIVITIES: | | | |
| Investments matured | 100,000 | - | 100,000 |
| Purchase of investments | (119,265) | - | (119,265) |
| Cash received from sale of Kikel A | 530,000 | - | 530,000 |
| Cash received from sale of Copley Lake | 100,000 | - | 100,000 |
| Purchase of Long Lake Conservation Land | (3,000,000) | - | (3,000,000) |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(2,389,265)</u> | <u>-</u> | <u>(2,389,265)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES: | | | |
| Cash received from notes payable | 453,161 | - | 453,161 |
| NET CASH USED IN FINANCING ACTIVITIES | <u>453,161</u> | <u>-</u> | <u>453,161</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 341,975 | (183,869) | 158,106 |
| CASH AND CASH EQUIVALENTS, Beginning of the year | <u>255,345</u> | <u>532,286</u> | <u>787,631</u> |
| CASH AND CASH EQUIVALENTS, End of the year | <u><u>\$ 597,320</u></u> | <u><u>\$ 348,417</u></u> | <u><u>\$ 945,737</u></u> |
| SUPPLEMENTAL DISCLOSURE: | | | |
| Cash paid for interest | | | <u><u>\$ -</u></u> |
| Cash paid for income taxes | | | <u><u>\$ -</u></u> |

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

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2020

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 subsequent events and transactions for potential required recognition or disclosure through the date on the audit report.

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 two classes of net assets:

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

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

The Land Trust had unrestricted and donor-restricted restricted net assets during the year ended June 30, 2020.

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, 2020

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and 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.

Other Deposits

Other deposits largely represent an office security deposit.

Pledges and Grants Receivables

Pledges and grants receivable consist of both unconditional and temporarily restricted amounts due from local agencies and individual donors. The Land Trust records pledges and grants receivable as current if they are expected to be received in less than one year from June 30, 2020.

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, 2020, management determined that an allowance for doubtful pledges receivable was not necessary. See Note 7 for additional details about donor restrictions of pledges and grants receivable.

Advertising Costs

Advertising costs are expensed as incurred. The Land Trust uses advertising to promote its conservation program. During the year ended June 30, 2020, advertising costs totaled \$23,530.

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, 2020.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2020

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, the Land Trust accounts for its financial instruments, as well as certain assets and liabilities, at fair value. Fair value is defined as the price that would be paid in an orderly transaction, or exit price, between market participants to sell the asset or transfer the liability in the principal or most advantageous market for the asset or liability.

The Land Trust is required by United States generally accepted accounting principles to categorize its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on quoted prices in active markets for identical assets or liabilities that the Land Trust has the ability to access (examples include exchange-traded equity securities and most U.S. Government and agency securities).

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or use model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Inputs include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in non-active markets (examples may include corporate and municipal bonds, and most over-the-counter derivatives including interest rate and currency swaps).

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs for the asset or liability are typically based on an entity's own assumptions, as there is little, if any, related market activity and reflect assumptions a market participant would use in pricing the asset or liability (examples include certain private equity investments).

Subsequent to initial recognition, the Land Trust may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value. Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2020

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets, Net

Fixed assets are presented net of accumulated depreciation on the Statement of Financial Position. Purchased fixed assets are recorded at cost. Donated fixed assets 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. At June 30, 2020, fixed assets, net, consists of:

| <u>Description</u> | <u>Useful Life</u> | <u>Acquisition Year</u> | <u>Amount</u> |
|--------------------------------|--------------------|-------------------------|-------------------|
| Building | 27.5 | 2007 | \$ 207,650 |
| Gunsight bridge | 50 | 2019 | 413,707 |
| Less: accumulated depreciation | | | (115,722) |
| Fixed assets, net | | | <u>\$ 505,635</u> |

Contributions

Pledges are recorded when committed and recognized as contributions in the period in which the pledge is received from the donor. 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 are 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 donor restricted net assets, depending on the nature of the restriction. When the restriction expires, 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, 2020

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land and Land Interests

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

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

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

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.

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.

See accompanying independent auditors’ report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2020

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, 2020.

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, 2020.

NOTE 5 INVESTMENTS

Investments at June 30, 2020 consist of fixed income securities and exchange-traded funds (“ETF”) held at TD Ameritrade. The three fixed income securities are considered Level 2 investments, while the two ETF securities are considered Level 1 investments, based on the fair value hierarchy described in Note 3. The investment holdings and details are as follows:

| Investment Type | Investment Description | Interest Rate | Maturity Date | Fair Market Value | Cost |
|-----------------|---------------------------------|---------------|---------------|-------------------|-------------------|
| Fixed income | American Express Bank FSB | 2.10% | 9/20/2021 | \$ 51,160 | \$ 50,000 |
| Fixed income | Barclays Bank Delaware | 2.30% | 10/18/2022 | 52,357 | 50,000 |
| Fixed income | Capital One National | 1.85% | 9/21/2020 | 50,200 | 50,000 |
| ETF | SPDR S&P500 ETF | NA | NA | 73,391 | 59,323 |
| ETF | Vanguard Total Stock Market ETF | NA | NA | 74,195 | 59,259 |
| | | | | <u>\$ 301,303</u> | <u>\$ 268,582</u> |

Income earned on these investments, as reported on the Statement of Activities for the year ended June 30, 2020, is Board designated for the Stewardship Fund.

See accompanying independent auditors’ report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2020

NOTE 6 LINE OF CREDIT

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 a variable interest rate of Wall Street Journal Prime plus 1%, adjusting annually. The line of credit was renewed on February 26, 2019 and has a maturity date of January 18, 2021. The loan is collateralized by real property owned by the Land Trust. The line of credit must be paid off for a period of at least 30 days at some point during the year and requires outstanding interest payments monthly. 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. As of June 30, 2020, the line of credit had no outstanding balance.

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 for specific purposes. See Note 15 for further details of board designated amounts.

Donor restricted net assets consist of contributions whose use by the Land Trust is limited by donor-imposed stipulations. At June 30, 2020, the Land Trust had donor restricted net assets that had been committed to being contributed to the Land Trust but not yet received, as follows:

| | |
|--------------------------------|-------------------|
| Pledges and grants receivable: | |
| Long Lake acquisition project | \$ 337,108 |
| Other projects | 167,087 |
| General Opportunity Fund | <u>54,353</u> |
| Total | <u>\$ 558,548</u> |

At June 30, 2020, the Land Trust had donor restricted net assets with the following purposes:

| Donor purpose/project: | Donor restricted cash balance | Donor restricted pledges and grants receivable | Perpetually donor restricted | Donor restricted balance as of June 30, 2020 |
|--------------------------------|-------------------------------------|--|------------------------------------|--|
| Slate River trail head | \$ 3,472 | \$ 29,500 | \$ - | \$ 32,972 |
| Glacier Farm | - | 10,000 | - | 10,000 |
| Slate River Working Group | 24,380 | 26,457 | - | 50,837 |
| Gunsight to Oh-Be-Joyful trail | 7,299 | 44,130 | - | 51,429 |
| Long Lake acquisition | 136,251 | 337,108 | - | 473,359 |
| Long Lake land management | - | 57,000 | - | 57,000 |
| Stewardship Fund | - | - | 96,900 | 96,900 |
| Opportunity Fund | 80,115 | 54,353 | - | 134,468 |
| | <u>\$ 251,517</u> | <u>\$ 558,548</u> | <u>\$ 96,900</u> | <u>\$ 906,965</u> |

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2020

NOTE 7 NET ASSETS (Continued)

During the year ended June 30, 2020, the Land Trust had the following changes in donor restricted net assets:

| | Projects | Opportunity Fund | Stewardship | Total |
|---|--------------------|-------------------|------------------|--------------------|
| Donor restricted, beginning of year | \$ 2,077,008 | \$ - | \$ 86,900 | \$ 2,163,908 |
| Donor restricted grants and contributions | 933,096 | 134,468 | 10,000 | 1,077,564 |
| Amounts released from donor restriction | <u>(2,334,507)</u> | <u>-</u> | <u>-</u> | <u>(2,334,507)</u> |
| Donor restricted, end of year | <u>\$ 675,597</u> | <u>\$ 134,468</u> | <u>\$ 96,900</u> | <u>\$ 906,965</u> |

In the above table, donor restricted net assets shown at the beginning of year position under the “Projects” category consist of assets held at that time for the Long Lake Acquisition and \$7,105 for BLM Gunsight Bridge Management. Long Lake also accounts for the vast majority of the activity shown thereafter. The amount shown for the Opportunity Fund reflects the reclassification of the Fund at year-end from the Unrestricted category to Donor Restricted. (Changes in the Opportunity Fund are further detailed in Note 15.) Stewardship Fund assets that are perpetually restricted consist of contributions from Great Outdoors Colorado for stewardship on specific conservation lands and a perpetually restricted donation received in the year ending June 30, 2020. These perpetually restricted funds impose stipulations where the investment income, if any, can be used for the costs associated with the stewardship of the specific conservation lands, but the principal shall be maintained in perpetuity.

NOTE 8 FUNCTIONAL CLASSIFICATION OF EXPENSES

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

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

NOTE 9 LONG LAKE ACQUISITION

As of June 30, 2020, the Land Trust has finished the process of a federal land exchange for a 120-acre National Forest property called Long Lake. The Land Trust paid \$2,915,000 to purchase a parcel of land called Fossil Ridge, which was traded, along with the Copley Lake trade land for the Long Lake property and \$15,000 from the National Forest Service. As of June 30, 2020, this property is recorded on the Statement of Financial Position in Conservation Lands.

See accompanying independent auditors’ report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2020

NOTE 10 TRADE LANDS

The Land Trust sold the Kikel A trade parcel to the Town of Crested Butte with a contract sales price of \$530,000. The realized gain on sales of Kikel A totaled \$30,000. The Land Trust traded Copley Lake trade land as part of the acquisition of the Long Lake property. The realized gain on exchange of Copley Lake is \$10,687. The Land Trust holds the following trade lands as of June 30, 2020:

| Trade Land | Purchase price |
|-------------------------------|----------------|
| 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 |
| 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 |
| New Discovery Lode | 7,687 |
| Colonel's House | 431,979 |
| Total Trade Lands | \$ 2,462,545 |

NOTE 11 CONSERVATION LANDS

The Land Trust holds the following conservation lands as of June 30, 2020:

| Conservation Land | Date acquired | Purchase price |
|--------------------------|---------------|----------------|
| 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 | - |
| Long Lake | February 2020 | 3,000,000 |
| Total Conservation Lands | | \$ 9,393,608 |

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2020

NOTE 12 CONSERVATION EASEMENTS

The Land Trust holds the following conservation easements as of June 30, 2020:

| <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 |
| 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 |
| Lake House Woods Walk Trail | January 2020 | 400 ft. Trail |

The Land Trust obtained a new conservation easement, Lake House Woods Walk Trail, during the year ended June 30, 2020. The total costs associated with the acquisition of this conservation easement were \$1,247 and have been expensed on the Statement of Activities.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2020

NOTE 13 IN-KIND CONTRIBUTIONS

During the year ended June 30, 2020, the Land Trust recognized \$32,130 of in-kind contributions. The contributions were for legal fees of \$13,968, office rent of \$4,662 (included in Note 18), construction services of \$11,500, and donations of goods valued at \$2,500.

NOTE 14 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 15 BOARD DESIGNATED FUNDS

The Board of Directors have designated two funds, the Stewardship Fund and the Opportunity Fund. The investment policy established by the Board for both designated funds 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, mutual funds, and up to 40 percent in equities. At June 30, 2020, the portfolios are invested in certificates of deposit, money market funds and broad-based equity ETFs. 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.

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 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. Income earned by the fund may be used to fund current stewardship operations, but this is subject to the Land Trust's policy requirement that the fund grow by at least the rate of inflation.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2020

NOTE 15 BOARD DESIGNATED FUNDS (Continued)

Changes in the Board Designated Stewardship Fund net assets for the year ended June 30, 2020 are as follows:

| | |
|---------------------------------------|-------------------|
| Net Assets, beginning of year | \$ 572,169 |
| Contributions - Kikel A | 22,561 |
| Contributions - Long Lake | 50,302 |
| Contribution - Lake House Trail CE | 7,318 |
| Contribution for Inflation Adjustment | 6,059 |
| Subtotal | <u>658,409</u> |
| Investment Gain Reserve | <u>34,767</u> |
| Net Assets, end of year | <u>\$ 693,176</u> |

In the table above, the contributions for Kikel A, Long Lake, and Lake House Trail CE reflect the amounts required to support the new stewardship obligations on these properties. The inflation adjustment reflects the requirement under the policy to grow this fund each year by at least the rate of inflation. As detailed in Note 5, a portion of the Stewardship Fund principal is invested in broad-based equity ETFs. Because these gains are subject to market volatility, Stewardship Fund investment earnings in excess of inflation are held temporarily as a reserve to ensure the ability to meet future inflation contributions.

The Land Trust has established a policy in relation to the allocation of contributions of new funds to 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. Revolving funds used are treated as a loan. If the project successfully closes, the amounts are refunded to the revolving fund. If the project is not completed, the amounts are permanent reductions of this fund. The land protection funds are used to fund stewardship obligations arising from the acquisition of a property or the assumption of a new conservation easement that are not otherwise funded in the project donations. The Opportunity Fund in its entirety can also be used to help pay down the line of credit for at least 30 days during each year.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2020

NOTE 15 BOARD DESIGNATED FUNDS (Continued)

As of June 30, 2020 and during the year ended June 30, 2020, the Opportunity Fund had the following balances and changes in net assets:

| | Donor Restricted Cash | Donor Restricted Receivable | Total |
|-------------------------|-----------------------------|-----------------------------------|------------|
| Contribution purpose: | | | |
| Land protection | \$ 19,712 | \$ 5,435 | \$ 25,147 |
| Revolving activity | 53,167 | 10,871 | 64,038 |
| Acquisitions | 7,236 | 38,047 | 45,283 |
| Net assets, end of year | \$ 80,115 | \$ 54,353 | \$ 134,468 |

| | |
|------------------------------------|------------|
| Net assets, beginning of year | \$ 494,154 |
| Contributions - donor | 8,400 |
| Contributions - board | 48,066 |
| Distributions - acquisitions | (407,312) |
| Distributions - revolving activity | (8,840) |
| Net assets, end of year | \$ 134,468 |

Opportunity Fund cash and receivables detail:

| | |
|----------------------------------|------------|
| Cash balance | \$ 80,115 |
| Pledges receivable - current | 52,353 |
| Pledges receivable - non-current | 2,000 |
| | \$ 134,468 |

NOTE 16 NOTES PAYABLE

The Land Trust received a loan from the Community Foundation Serving Boulder County on December 11, 2019 for \$190,000. This note payable bears a zero-interest rate but charges a 2% fee on the total amount loaned, payable in two installments of \$1,900 each, with due dates of December 31, 2020 and December 31, 2021. An initial principal payment of \$100,000 is due on December 31, 2020, with the remaining principle balance of \$90,000 due on December 31, 2021.

The Land Trust received a loan from the Valley Housing Fund on February 27, 2020 for \$200,000. The note payable bears an annual interest rate of 0.5%, with all accrued interest payable at the time of a principal payment. The principal payments schedule is as follows:

| | |
|-------------------|------------|
| February 28, 2021 | \$ 30,000 |
| February 28, 2022 | 40,000 |
| February 28, 2023 | 60,000 |
| February 28, 2024 | 70,000 |
| | \$ 200,000 |

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2020

NOTE 16 NOTES PAYABLE (Continued)

On April 14, 2020, the Land Trust received loan proceeds from a bank in the amount of \$63,161, with a 1% annual interest rate, under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business.

Under the terms of the PPP, the loan may be forgiven if it is used for qualifying expenses, as described in the CARES Act. This loan has not been approved for loan forgiveness or legally released by the issuing bank as of June 30, 2020. Due to these factors, the Land Trust has determined that following FASB ASC 470, *Debt*, is the most practical option for accounting for these funds, and the loan is included as part of notes payable on the Statement of Financial Position, as of June 30, 2020.

The Land Trust believes the entire loan amount has been used for qualifying expenses and the entire loan will be forgiven, but due to the uncertainty involved in the loan forgiveness process, the Land Trust is accounting for this loan forgiveness possibility as a gain contingency under FASB ASC 450-30, *Gain Contingencies*. The potential gain contingency is the full initial loan amount of \$63,161.

If the loan is not forgiven, payments of interest only on the loan will begin on the seventh-month anniversary of the date of the note. The entire remaining principal balance, along with any unpaid interest, will be due on the note’s maturity date of April 14, 2022.

As of June 30, 2020, no accrued interest payable has been recorded, due to being deemed insignificant to the financial statements as a whole. Future minimum annual principal payments on the Land Trust notes are as follow:

| <u>Year</u> | <u>Payment</u> |
|-------------|-------------------|
| 2021 | \$ 130,000 |
| 2022 | 193,161 |
| 2023 | 60,000 |
| 2024 | 70,000 |
| Total | <u>\$ 453,161</u> |

NOTE 17 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.

See accompanying independent auditors’ report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2020

NOTE 18 OFFICE LEASE

The Land Trust leases office space under a non-cancelable operating lease dated January 9, 2018, expiring January of 2023, which includes an option to extend for an additional five years. During the year ended June 30, 2020, the total fair market value of the rent expense for the office lease was estimated to be \$8,720, of which \$4,662 was estimated to have been paid as an in-kind benefit. Future minimum lease payments are not considered material to the operations of the Land Trust and have been excluded from this note to the financial statements.

NOTE 19 CHANGE IN ACCOUNTING PRINCIPLE

Prior to the year ending June 30, 2020, the Land Trust had been accounting for their Conservation Lands as a "Collection" in accordance with the definition of Collections per FASB ASC 360, *Property, Plant, and Equipment*. Under this accounting principle, the Land Trust's Conservation Lands were disclosed in the notes to the financial statements but were excluded from capitalization on the Statement of Financial Position. During the year ending June 30, 2020, the Land Trust determined that presenting these holdings on the Statement of Financial Position is a more transparent accounting principle. As such, the Land Trust has adopted FASB ASC 360-05-3, *Property, Plant, and Equipment*, which recommends capitalization of land and these Conservation Lands have been capitalized onto the Statement of Financial Position as of June 30, 2020.

The effect of this change in accounting principle on the financial statements, as of June 30, 2020 and for the year ended June 30, 2020, is an adjustment to net assets, beginning of the year, which increased by \$6,393,608, with a corresponding increase to the beginning balance of Conservation Lands, as reported on the Statement of Financial Position. This change in accounting principle had no effect on the Statement of Activities for the year ending June 30, 2020.

NOTE 20 RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. As a result, there have been mandates from federal, state, and local authorities resulting in an overall decline in economic activity.

The Land Trust's operations were disrupted due to this pandemic and several planned events were cancelled or postponed. Daily operations of the Land Trust were moved remote and stewardship operations of the land were temporarily put on hold.

As of June 30, 2020, and through the date on the audit report, the Land Trust has not been severely negatively impacted by the COVID-19 pandemic, but this is a complex problem that impacts many aspects of society. At this point, the Land Trust cannot reasonably estimate the duration and severity of this pandemic, or the material adverse impact on daily operations, donations, or special events that could result from this pandemic. The Land Trust believes their financial position and cash flows will be sufficient to maintain operations of the Land Trust for the foreseeable future.

See accompanying independent auditors' report.