

CRESTED BUTTE LAND TRUST

FINANCIAL STATEMENTS

JUNE 30, 2015

CRESTED BUTTE LAND TRUST

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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, 2015, 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, 2015, 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 15, 2015

CRESTED BUTTE LAND TRUST

Statement of Financial Position

June 30, 2015

ASSETS

	Unrestricted	Temporarily Restricted	Total
Current Assets			
Cash and cash equivalents	\$ 567,185	\$ -	\$ 567,185
Cash restricted for program activities	-	7,575	7,575
Certificate of deposit	203,351	-	203,351
Grants receivable	75,000	-	75,000
Prepaid expenses	4,452	-	4,452
Inventory	3,865	-	3,865
Total Current Assets	853,853	7,575	861,428
Other Assets			
Building and equipment, net	145,784	-	145,784
Loan fees, net	4,261	-	4,261
Trade lands	3,204,857	-	3,204,857
Other deposits	700	-	700
Total Other Assets	3,355,602	-	3,355,602
TOTAL ASSETS	\$ 4,209,455	\$ 7,575	\$ 4,217,030

LIABILITIES AND NET ASSETS

Current Liabilities			
Accrued liabilities	\$ 1,611	\$ -	\$ 1,611
Accrued payroll liabilities	10,210	-	10,210
Accrued interest	3,864	-	3,864
Deferred income	7,065	-	7,065
Short term bridge loan payable	75,000	-	75,000
Current portion of note payable	12,524	-	12,524
Total Current Liabilities	110,274	-	110,274
Other Liabilities			
Note payable, net of current portion	545,393	-	545,393
Total Liabilities	655,667	-	655,667
Net Assets			
Unrestricted			
Undesignated	2,907,984	-	2,907,984
Board designated endowment	645,804	-	645,804
Temporarily restricted	-	7,575	7,575
Total Net Assets	3,553,788	7,575	3,561,363
TOTAL LIABILITIES AND NET ASSETS	\$ 4,209,455	\$ 7,575	\$ 4,217,030

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

CRESTED BUTTE LAND TRUST

Statement of Activities

For the year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants	\$ 44,000	\$ -	\$ 44,000
Contributions	469,302	2,361,604	2,830,906
In-kind donations	30,208	-	30,208
Special events	15,016	-	15,016
Less direct event expenses	(17,252)	-	(17,252)
Merchandise sales revenue	8,332	-	8,332
Less cost of sales	(492)	-	(492)
Interest income	1,199	-	1,199
Other income	13,849	-	13,849
Net assets released from restrictions	<u>2,641,000</u>	<u>(2,641,000)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	3,205,162	(279,396)	2,925,766
EXPENSES			
Program services	3,087,769	-	3,087,769
Support services			
General and administrative	48,502	-	48,502
Fundraising	<u>15,283</u>	<u>-</u>	<u>15,283</u>
TOTAL EXPENSES	<u>3,151,554</u>	<u>-</u>	<u>3,151,554</u>
CHANGE IN NET ASSETS	53,608	(279,396)	(225,788)
NET ASSETS, Beginning of the year	<u>3,500,180</u>	<u>286,971</u>	<u>3,787,151</u>
NET ASSETS, End of the year	<u>\$ 3,553,788</u>	<u>\$ 7,575</u>	<u>\$ 3,561,363</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, 2015

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Promontory Ranch parcels 1 and 2	\$ 2,562,290	\$ -	\$ -	\$ 2,562,290
Ingraham property	155,844	-	-	155,844
General stewardship	36,053	-	-	36,053
Easement stewardship	18,907	-	-	18,907
Salaries and wages	160,450	12,763	9,116	182,329
Payroll taxes	13,915	1,107	791	15,813
Employee benefits	10,178	810	578	11,566
Advertising	4,512	5,415	100	10,027
Bank and merchant fees	4,862	-	-	4,862
Conferences and meetings	2,935	400	-	3,335
Depreciation and amortization	-	8,456	-	8,456
Direct mail	5,172	-	2,548	7,720
Dues and subscriptions	4,391	-	-	4,391
Education	13,831	1,100	786	15,717
Insurance	5,040	4,123	-	9,163
Interest	32,386	-	-	32,386
Miscellaneous	286	-	-	286
Occupancy	7,291	580	414	8,285
Professional fees	28,493	8,998	-	37,491
Real estate taxes	4,211	-	-	4,211
Rental and maintenance of equipment	3,150	250	179	3,579
Supplies	9,841	783	559	11,183
Telephone	3,731	297	212	4,240
Travel and lodging	-	3,420	-	3,420
	<u>\$ 3,087,769</u>	<u>\$ 48,502</u>	<u>\$ 15,283</u>	<u>\$ 3,151,554</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, 2015

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (225,788)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	8,456
Change in:	
Grants receivables	(75,000)
Prepaid expenses	(3,100)
Inventory	(3,865)
Earnest money deposit	20,000
Accrued liabilities	1,611
Deferred income	345
Cash restricted for program activities	279,396
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,055</u>
CASH FLOW FROM FINANCING ACTIVITIES:	
Principal payments on note payable	(13,612)
Proceeds from short-term bridge loan payable	<u>75,000</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>61,388</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	63,443
CASH AND CASH EQUIVALENTS, Beginning of the year	<u>503,742</u>
CASH AND CASH EQUIVALENTS, End of the year	<u>\$ 567,185</u>
SUPPLEMENTAL DISCLOSURE:	
Cash paid for interest	<u>\$ 32,386</u>
Cash paid for income taxes	<u>\$ -</u>

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

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2015

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 15, 2015, 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, 2015.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2015

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.

Grants receivable

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, 2015, there was one receivable in the amount of \$75,000 from the Gunnison County Land Preservation Board which was subsequently collected by the Land Trust.

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, 2015, management determined that an allowance for doubtful grants receivable was not necessary.

Investments

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

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2015

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Depreciation expense was \$8,262 for the year ended June 30, 2015.

At June 30, 2015, Building and equipment, net consist of:

Building	\$	207,650
Computers and equipment		8,409
Less: Accumulated depreciation		<u>(70,275)</u>
Building and equipment, net	\$	<u>145,784</u>

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, 2015, 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.

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, 2015, the Land Trust recognized \$30,208 of in-kind contributions for legal fees totaling \$24,473 and occupancy totaling \$5,735.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST
Notes to the Financial Statements
June 30, 2015

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of donor restrictions

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

Merchandise sales revenue

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

Loan fees, net

Loan fees are being amortized using the straight-line method over the 30-year term of the related debt. Amortization expense for the year ended June 30, 2015 was \$194.

At June 30, 2015, Loan fees, net consist of:

Loan fees	\$ 5,811
Less: Accumulated amortization	<u>(1,550)</u>
Loan fees, net	<u><u>\$ 4,261</u></u>

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, 2015

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, 2015, advertising costs totaled \$10,027.

See accompanying independent auditors’ report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2015

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015.

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, 2015.

As of June 30, 2015, the Land Trust's tax returns for 2011, 2012, and 2013 are subject to examination by taxing authorities.

NOTE 4 INVESTMENTS

Investments at June 30, 2015 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, 2015 and carries an interest rate of 0.25% which is paid monthly.

Investment return of \$1,199 is from investments and money market accounts for the year ended June 30, 2015.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2015

NOTE 5 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, 2015, the Land Trust made principal payments totaling \$13,612.

Notes payable is reflected on the Statement of Financial Position at June 30, 2015 as follows:

Current portion of note payable	\$ 12,524
Note payable, net of current portion	<u>545,393</u>
Note payable balance	<u><u>\$ 557,917</u></u>

Maturities of long-term debt as of June 30, 2015 are as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2016	\$ 12,524
2017	13,387
2018	14,213
2019	15,090
2020	15,940
Thereafter	<u>486,763</u>
	<u><u>\$ 557,917</u></u>

NOTE 6 SHORT-TERM BRIDGE LOAN PAYABLE

On April 7, 2015, the Land Trust entered into a \$75,000 short-term promissory note payable to The Conservation Fund, bearing interest at a fixed rate of 2.5% per year. The note is payable in one installment of principal and interest on or before July 31, 2016, and is collateralized by land, as defined in the loan agreement. During the year ended June 30, 2015, the Land Trust did not make any principal payments on the loan. The loan is reflected at the principal balance on \$75,000 on the Statement of Financial Position at June 30, 2015 as a Short term bridge loan payable. No future minimum payments are being shown, as the entire loan payable will be due in the next year.

Subsequent to year end, on July 29, 2015, the loan was paid off in full. The total interest paid on the loan at that time was \$591.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2015

NOTE 7 NET ASSETS

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

Temporarily restricted net assets consist of contributions whose use by the Land Trust is limited by donor-imposed stipulations. At June 30, 2015, the Land Trust had \$3,000 in temporarily restricted net assets related to the Baxter Gulch project and \$4,575 related to the Peanut Lake restoration project.

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, 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 CONSERVATION LANDS

The Land Trust holds the following conservation lands as of June 30, 2015:

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

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2015

NOTE 10 CONSERVATION EASEMENTS

The Land Trust holds the following conservation easements as of June 30, 2015:

<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

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2015

NOTE 10 CONSERVATION EASEMENTS (Continued)

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

There were two properties acquired during the year ended June 30, 2015, which included the Promontory Ranch Parcels 1 and 2 and the Ingraham property. Simultaneous to closing on the properties, the easement was amended to include both properties in one easement, and as such, all land included in the easement is being consolidated into one line item on the list of conservation easements. The Ingraham Property and the Promontory Ranch Parcels 1 and 2 acquisitions are described as follows:

Ingraham Property

On April 7, 2015, the Land Trust purchased a tract of land consisting of 4.95 acres for \$155,000. The purchase was funded through a grant from 1% Open Space, a donation from the North Village Reserve. Immediately after the purchase the Land Trust placed a "Deed of Conservation Easement" encumbering the property. As a part of the transaction the Land Trust transferred the property to the Town of Mt. Crested Butte. The purchase plus additional related expenditures are reflected as "Ingraham property" on the Statement of Functional Expenses in the amount of \$155,844.

Promontory Ranch Parcels 1 and 2

Also on April 7, 2015 the Land Trust consummated a "Contract for a Bargain Sale of Conservation Easement and Real Estate" in relation to Parcels 1 and 2 of Promontory Ranch. The purchase consisted of 2 tracts of land containing 48.64 acres and 44.35 acres in Parcel No. 1 and 9.29 acres in Parcel No. 2. The total purchase price of \$2,465,000 was funded through several sources as follows: Great Outdoor Colorado for \$382,623, Town of Crested Butte for \$700,000, Gunnison Valley Land Preservation Board for \$150,000, Town of Mount Crested Butte for \$62,662, North Village Reserve, Inc. for \$641,250 (bargain sale), the Slick Family Foundation for \$250,000, The Conservation Fund for \$75,000 and an additional \$75,000 for the bridge loan (see Note 6), and numerous contributions from individuals, etc. for \$128,465.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2015

NOTE 10 CONSERVATION EASEMENTS (Continued)

The Land Trust obtained the bridge loan of \$75,000 in order to close the transaction on April 7, 2015 from The Conservation Fund (See Note 6). This \$75,000 was later received as a contribution from the Gunnison Valley Land Preservation Board. Upon purchase the Land Trust placed a "Deed of Conservation Easement" encumbering the property and transferred the parcels to the Town of Mt. Crested Butte. The total purchase plus additional related expenditures is reflected as "Promontory Ranch parcels 1 and 2" on the Statement of Functional Expenses in the amount of \$2,562,290.

NOTE 11 CONCENTRATION OF RISK

Financial instruments that potentially subject the Land Trust to concentration of credit risk consist principally of cash and cash equivalents. The Land Trust places its cash and cash equivalents with creditworthy, high-quality, financial institutions.

During the year ended June 30, 2015, the Land Trust did not maintain any balance in excess of federally insured limits.

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.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2015

NOTE 13 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.

- 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, 2015, 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, 2015 is as follows:

Board-designated endowment net assets, beginning of year,	\$ 624,333
Stewardship contributions	20,272
Investment return	1,199
Board-designated endowment net assets, end of year	<u>\$ 645,804</u>

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 18% of land trusts nationwide are accredited.

See accompanying independent auditors' report.

CRESTED BUTTE LAND TRUST

Notes to the Financial Statements

June 30, 2015

NOTE 15 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, 2015.

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

2016	\$	2,503
2017		2,503
2018		2,503
2019		209
Total	\$	<u>7,718</u>

NOTE 16 CONCENTRATIONS

During the year ended June 30, 2015, the Great Outdoors Colorado, the Town of Crested Butte, and North Village Reserve contributions accounted for 13%, 24%, and 22%, respectively, of total contributions recognized.

NOTE 17 SUBSEQUENT EVENTS/POTENTIAL ACQUISITIONS

At June 30, 2015, the Land Trust is working with the Aspen Valley Land Trust on a parcel of land. The Aspen Valley Land Trust is under contract to purchase the parcel. The Land Trust has agreed to hold the conservation easement in relation to the project.

At June 30, 2015, the Land Trust was in the process of raising approximately \$130,000 for a restoration project at Peanut Lake. The Land Trust has pledges totaling \$83,425. The Land Trust has incurred costs to study this project in the amount of \$21,000.

On July 20, 2015, the Land Trust entered into a "Contract for Bargain Sale of Property" for a preliminary price of \$100,000. The property is identified as the Roosevelt No. 3 Lode Mining Claim and consists of approximately 15.39 acres. In July the Land Trust made a \$5,000 earnest money deposit. The property owner would contribute \$20,000 and the Land Trust would need to acquire funding totaling \$80,000. As of October 15, 2015, the Land Trust has secured a pledge of \$25,000 from the Town of Crested Butte for this project.

See accompanying independent auditors' report.