

**THE LAND TRUST ALLIANCE, INC.
AND AFFILIATES**

**COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

As of and for the Years Ended December 31, 2019 and 2018

And Report of Independent Auditor

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR..... 1-2

COMBINED FINANCIAL STATEMENTS

Combined Statements of Financial Position 3
Combined Statements of Activities and Changes in Net Assets 4-5
Combined Statements of Functional Expenses..... 6-7
Combined Statements of Cash Flows 8
Notes to the Combined Financial Statements 9-24

SUPPLEMENTAL SCHEDULES

Combining Schedule of Financial Position 25
Combining Schedule of Activities and Changes in Net Assets 26

Report of Independent Auditor

To the Board of Directors
The Land Trust Alliance, Inc. and Affiliates
Washington, DC

We have audited the accompanying combined financial statements of The Land Trust Alliance, Inc. and Affiliates (the "Organization"), which comprise the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 the combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 entity'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of The Land Trust Alliance, Inc. and Affiliates as of December 31, 2019 and 2018, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Prior Period Adjustment

As discussed in Note 18 to the combined financial statements, as the Organization adopted Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers*, they discovered that a prior period adjustment to the beginning net assets and organizational membership revenue for the year ended December 31, 2018, deferred revenue and net assets without donor restrictions was needed. Accordingly, the Organization's 2018 combined financial statements have been restated to reflect the adjustment to organizational membership revenue in prior periods, and the change is presented retrospectively to all periods presented in the combined financial statements. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Subsequent Event

As discussed in Note 19 to the financial statements, the Organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. Given the uncertainty of the situation, the duration of any business disruption is unknown and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining schedule of financial position and combining schedule of activities and changes in net assets are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.



Tysons Corner, Virginia
September 22, 2020

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	2019	2018 (as restated)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,668,585	\$ 4,766,999
Receivables	154,730	115,386
Promises to give	2,570,744	3,103,194
Investments	3,954,498	4,760,015
Prepaid expenses	344,351	287,897
Inventories	4,535	8,901
Total Current Assets	<u>11,697,443</u>	<u>13,042,392</u>
Property and equipment, net of accumulated depreciation	<u>362,571</u>	<u>304,859</u>
Other Assets:		
Right-to-use assets	3,407,995	3,770,526
Promises to give, long-term, net	1,190,703	1,973,581
Investments	6,456,753	5,891,122
Deposits	82,803	83,103
Total Other Assets	<u>11,138,254</u>	<u>11,718,332</u>
Total Assets	<u><u>\$ 23,198,268</u></u>	<u><u>\$ 25,065,583</u></u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,160,029	\$ 1,549,963
Grants payable	457,057	606,647
Deferred revenue	1,059,464	793,837
Lease liability - financing	5,047	6,195
Lease liability - operating	379,169	359,150
Conditional contribution	148,000	250,000
Total Current Liabilities	<u>3,208,766</u>	<u>3,565,792</u>
Other Liabilities:		
Lease liability - financing	7,225	11,961
Lease liability - operating	3,497,694	3,876,863
Total Other Liabilities	<u>3,504,919</u>	<u>3,888,824</u>
Total Liabilities	<u>6,713,685</u>	<u>7,454,616</u>
NET ASSETS		
Without donor restrictions	2,987,582	2,803,978
With donor restrictions	13,497,001	14,806,989
Total Net Assets	<u>16,484,583</u>	<u>17,610,967</u>
Total Liabilities and Net Assets	<u><u>\$ 23,198,268</u></u>	<u><u>\$ 25,065,583</u></u>

The accompanying notes to the combined financial statements are an integral part of these statements.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES
COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Grants	\$ 695,000	\$ 6,802,036	\$ 7,497,036
Contributions:			
Individual memberships and donations	2,460,993	-	2,460,993
Other donations	53,065	-	53,065
Organizational memberships	1,573,046	-	1,573,046
Conference fees	1,157,908	-	1,157,908
Investment return	196,308	923,779	1,120,087
Accreditation fees	851,086	-	851,086
Donated services	129,025	-	129,025
Publication sales	12,817	-	12,817
Other programs	287,443	-	287,443
Net assets released from restrictions	9,035,803	(9,035,803)	-
Total Support and Revenue	16,452,494	(1,309,988)	15,142,506
Expenses:			
Program services	13,468,247	-	13,468,247
Management and general	888,721	-	888,721
Fundraising	1,911,922	-	1,911,922
Total Expenses	16,268,890	-	16,268,890
Changes in net assets	183,604	(1,309,988)	(1,126,384)
Net assets, beginning of year, as restated	2,803,978	14,806,989	17,610,967
Net assets, end of year	<u>\$ 2,987,582</u>	<u>\$ 13,497,001</u>	<u>\$ 16,484,583</u>

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES
COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions (as restated)	With Donor Restrictions	Total (as restated)
Support and Revenue:			
Grants	\$ 317,750	\$ 8,262,258	\$ 8,580,008
Contributions:			
Individual memberships and donations	2,404,740	12,950	2,417,690
Other donations	28,635	-	28,635
Organizational memberships	1,348,505	-	1,348,505
Conference fees	1,023,432	-	1,023,432
Investment return	102,942	(255,844)	(152,902)
Accreditation fees	707,045	-	707,045
Donated services	22,644	-	22,644
Publication sales	9,041	-	9,041
Other programs	297,550	-	297,550
Net assets released from restrictions	9,702,661	(9,702,661)	-
Total Support and Revenue	15,964,945	(1,683,297)	14,281,648
Expenses:			
Program services	12,808,004	-	12,808,004
Management and general	751,492	-	751,492
Fundraising	1,760,633	-	1,760,633
Total Expenses	15,320,129	-	15,320,129
Changes in net assets	644,816	(1,683,297)	(1,038,481)
Net assets, beginning of year, as previously reported	2,804,641	16,490,286	19,294,927
Prior period adjustment	(645,479)	-	(645,479)
Net assets, beginning of year, as restated	2,159,162	16,490,286	18,649,448
Net assets, end of year, as restated	\$ 2,803,978	\$ 14,806,989	\$ 17,610,967

The accompanying notes to the combined financial statements are an integral part of these statements.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services	Supporting Services		Total 2019
		Management and General	Fundraising	
Personnel Expenses:				
Salaries and benefits	\$ 5,628,171	\$ 634,058	\$ 1,362,653	\$ 7,624,882
Contractors/consultants	1,832,182	13,431	103,108	1,948,721
Total Personnel Expenses	<u>7,460,353</u>	<u>647,489</u>	<u>1,465,761</u>	<u>9,573,603</u>
Nonpersonnel Expenses:				
Grants, scholarships, awards	3,590,064	-	-	3,590,064
Staff and project travel and expenses	433,163	11,740	33,266	478,169
Information technology	390,744	13,562	87,274	491,580
Rent, utilities and taxes	439,198	19,863	110,104	569,165
Printing, design, and copying	163,176	2,648	26,273	192,097
Facility, exhibiting, meals, and a/v fees	295,286	-	712	295,998
Meetings/receptions	100,321	5,362	41,857	147,540
Staff training and recruitment	23,030	1,080	15,323	39,433
Professional fees	187,594	66,746	2,794	257,134
Telecommunications	74,225	7,867	12,363	94,455
Depreciation and amortization	71,707	2,291	14,265	88,263
Postage and delivery	35,980	2,673	18,800	57,453
Board and committee meetings	28,836	71,028	53	99,917
Bank service charges	61,419	913	5,159	67,491
Supplies	37,587	1,445	5,182	44,214
Dues/subscriptions/library	24,513	490	36,018	61,021
Equipment lease and maintenance	27,012	247	1,544	28,803
Commercial insurance	6,236	32,767	-	39,003
Miscellaneous	17,058	510	1,859	19,427
Bad debt expense	-	-	33,315	33,315
Small equipment	745	-	-	745
Total Nonpersonnel Expenses	<u>6,007,894</u>	<u>241,232</u>	<u>446,161</u>	<u>6,695,287</u>
Total Expenses	<u>\$ 13,468,247</u>	<u>\$ 888,721</u>	<u>\$ 1,911,922</u>	<u>\$ 16,268,890</u>

The accompanying notes to the combined financial statements are an integral part of these statements.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		Total 2018
		Management and General	Fundraising	
Personnel Expenses:				
Salaries and benefits	\$ 5,284,590	\$ 506,749	\$ 1,310,014	\$ 7,101,353
Contractors/consultants	1,280,381	49,503	63,229	1,393,113
Total Personnel Expenses	<u>6,564,971</u>	<u>556,252</u>	<u>1,373,243</u>	<u>8,494,466</u>
Nonpersonnel Expenses:				
Grants, scholarships, awards	4,004,391	-	-	4,004,391
Staff and project travel and expenses	377,342	5,788	22,657	405,787
Information technology	396,047	12,802	80,197	489,046
Rent, utilities and taxes	413,745	18,817	104,649	537,211
Printing, design, and copying	180,183	4,180	28,913	213,276
Facility, exhibiting, meals, and a/v fees	333,539	8	742	334,289
Meetings/receptions	93,644	5,736	20,962	120,342
Staff training and recruitment	15,338	336	10,193	25,867
Professional fees	36,497	36,651	5,193	78,341
Telecommunications	97,106	7,571	15,921	120,598
Depreciation and amortization	53,228	3,496	15,440	72,164
Postage and delivery	35,254	3,824	29,469	68,547
Board and committee meetings	24,638	63,793	-	88,431
Bank service charges	62,059	2,520	9,007	73,586
Supplies	33,136	1,188	6,608	40,932
Dues/subscriptions/library	39,143	227	20,309	59,679
Equipment lease and maintenance	35,160	168	1,050	36,378
Commercial insurance	3,249	27,293	-	30,542
Miscellaneous	9,087	833	16,019	25,939
Small equipment	247	9	61	317
Total Nonpersonnel Expenses	<u>6,243,033</u>	<u>195,240</u>	<u>387,390</u>	<u>6,825,663</u>
Total Expenses	<u>\$ 12,808,004</u>	<u>\$ 751,492</u>	<u>\$ 1,760,633</u>	<u>\$ 15,320,129</u>

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES
COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018 (as restated)
Cash flows from operating activities:		
Changes in net assets	\$ (1,126,384)	\$ (1,038,481)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation and amortization	88,263	72,164
Provision for bad debt	33,315	-
Donated securities	(150,292)	(316,825)
Decrease in discount on promises to give	(33,955)	(37,326)
Realized and unrealized losses (gains) on investments	(848,935)	379,360
Decrease (increase) in operating assets:		
Receivables	(39,344)	(35,050)
Promises to give	1,315,968	1,363,422
Prepaid expenses	(56,454)	13,591
Inventories	4,366	(1,726)
Right-to-use assets	362,531	355,049
Deposits	300	600
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	(389,934)	993,734
Grants payable	(149,590)	(166,043)
Deferred revenue	265,627	137,783
Conditional contribution	(102,000)	-
Lease liability - operating	(359,150)	(195,065)
Net cash flows from operating activities	<u>(1,185,668)</u>	<u>1,525,187</u>
Cash flows from investing activities:		
Purchase of property and equipment	(145,975)	(123,655)
Purchase of investments	(6,408,662)	(4,353,348)
Proceeds from sale of investments	7,647,775	4,365,978
Net cash flows from investing activities	<u>1,093,138</u>	<u>(111,025)</u>
Cash flows from financing activities:		
Payments on lease liabilities - financing	(5,884)	(5,547)
Net cash flows from financing activities	<u>(5,884)</u>	<u>(5,547)</u>
Net (decrease) increase in cash and cash equivalents	(98,414)	1,408,615
Cash and cash equivalents, beginning of year	4,766,999	3,358,384
Cash and cash equivalents, end of year	<u>\$ 4,668,585</u>	<u>\$ 4,766,999</u>

The accompanying notes to the combined financial statements are an integral part of these statements.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1—Nature of operations and summary of significant accounting policies

Nature of Operations – The Land Trust Alliance, Inc. and Affiliates (the “Organization”) is comprised of three entities: The Land Trust Alliance, Inc. (the “Alliance”), The Land Trust Accreditation Commission (the “Commission”), and Alliance Risk Management Services (“ARMS”).

The Alliance is a not-for-profit corporation organized under the laws of Massachusetts. The Alliance was formed in 1982 to advance the mission of land trusts. Since then, it has trained thousands of conservation leaders, won new federal incentives for conservation of private land, and developed standards and practices to professionalize and safeguard land trust work. The Alliance has championed the use of conservation easements, a legal device that restricts certain types of development but keeps the land in the hands of the current owners or their families. Farms, forests, ranches, waterways, and scenic vistas have all been protected through the efforts of land trusts nationwide.

Through its programs and services, the Alliance leads the movement by facilitating state-of-the-art information collection and exchange; national and regional training, including providing tools and training on how to plan and prioritize their conservation work; ensuring the continued protection, in perpetuity, of land already set aside for conservation; and advancing public policies to accelerate the pace of private voluntary conservation. The Alliance has slightly fewer than 1,000 land trust members, as well as a number of affiliate (non-land trust members), which pay dues of varying amounts to the Alliance.

In 2006, the Commission, an independent program of the Alliance, was created to support the mission of the Alliance by operating a land trust accreditation program to ensure public confidence in land conservation and to build strong land conservation organizations by verifying land trust implementation of specific indicator practices from the *Land Trust Standards and Practices*, as established by the Alliance. The Commission is headquartered in Saratoga Springs, New York.

In 2011, ARMS, a not-for-profit, member managed limited liability company, was organized under the laws of Vermont and its sole member is The Land Trust Alliance, Inc. Its exclusive purpose is to act as Manager for Terrafirma Risk Retention Group LLC (“Terrafirma”) pursuant to the Limited Liability Operating Agreement for Terrafirma. Terrafirma is an independent not-for-profit manager managed limited liability company organized under the laws of Vermont. Terrafirma’s exclusive purpose is to act as a charitable risk pool, organized and operated to pool and insure the insurable risks of members and to provide information to members with respect to loss control and risk management. Terrafirma is solely responsible for meeting all its obligations. The Alliance and ARMS is not liable for the claims, debts, or other liabilities of Terrafirma.

Principles of Combination – The accounts of the Alliance, the Commission, and ARMS, which are under common control of the Alliance’s board of directors, are included in the combined financial statements. All inter-organizational balances and significant transactions have been eliminated.

Basis of Presentation – The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). The Organization presents information regarding its financial position and activities according to two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization, and changes therein, are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1—Nature of operations and summary of significant accounting policies (continued)

Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the combined statements of activities and changes in net assets.

Classifications of Net Assets – As of December 31, 2019, the Alliance's net assets consisted of net assets with donor restrictions of \$13,412,714, and net assets without donor restrictions of \$2,074,930. The Commission's net assets consisted of net assets with donor restrictions of \$84,287 and net assets without donor restrictions of \$795,997. The net assets of ARMS consisted of net assets without donor restrictions of \$116,655.

As of December 31, 2018, the Alliance's net assets consisted of net assets with donor restrictions of \$14,462,347 and net assets without donor restrictions of \$2,232,655. The Commission's net assets consisted of net assets with donor restrictions of \$344,642 and net assets without donor restrictions of \$472,153. The net assets of ARMS consisted of net assets without donor restrictions of \$99,170.

Cash and Cash Equivalents – The Organization considers all highly liquid money market funds and certificates of deposit with original maturities of less than ninety days to be cash equivalents. Money funds and certificates of deposit held by investment custodians are considered investments.

Investments – Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is recorded as a component of investment income in the combined statements of activities and changes in net assets.

Fair Value – For cash and short-term investments, receivables, and payables, the carrying amount is a reasonable estimate of fair value. Marketable equity securities and fixed maturity investments held for investment purposes are carried at market value, which approximates fair value. Market values for these investments are based on quoted prices in an active market or dealer quotes for identical assets or liabilities (Level 1 inputs).

Fair value standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 includes money market funds, and unrestricted securities listed in active markets.

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the overall fair value measurement. The inputs into the determination of fair value require significant management judgment or estimation.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1—Nature of operations and summary of significant accounting policies (continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Investments are classified as current or long-term based on donor intent and the Organization's investment policy guidelines.

Receivables – Receivables are carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written-off are recorded when received. There was no provision for doubtful accounts at December 31, 2019 or 2018.

Promises to Give – Unconditional promises to give, which relate to grants and contributions, are recognized as revenue or gains in the period in which a written promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Promises to give are carried at fair value.

Management reviews all outstanding promises on a monthly basis. Management determines the allowance for doubtful promises by regularly evaluating individual promises to give and considering the prior history of the donor and proven collectability of past donations. Promises to give are written off when deemed uncollectible. Recoveries of promises to give previously written off are recorded when received. There was no allowance for doubtful promises at December 31, 2019 or 2018.

Inventory – Inventories, which consist of publications for re-sale, are stated at the lower of cost or net realizable value. Cost has been determined on the first-in, first-out basis. Management establishes an allowance for obsolescence by identifying nonmarketable items and by using historical experience applied to recent sales. Items are written off when deemed unmarketable. There was no allowance for obsolescence, based on management's evaluation of the salability of inventory at December 31, 2019 or 2018.

Property and Equipment – Property and equipment (including software) is recorded at cost. Donated equipment is stated at the estimated fair market value at the time of donation. The Organization capitalizes all property and equipment purchased with a cost of \$500 or more. Depreciation and amortization are computed on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives</u>
Office equipment	3-5 years
Software	3 years
Furniture and fixtures	7 years
Leasehold improvements	Lesser of 10 years or lease term
Right-to-use assets - financing	Lease term

Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis in the combined statements of activities and changes in net assets. Accordingly, certain shared costs for facilities, human resources, information technology and finance have been allocated among the programs and supporting services benefited. Facilities costs are allocated on a square-footage basis, and human resources, information technology and finance costs are allocated based on estimates of time and effort. Other allocations are determined on the basis of full-time equivalents ("FTE"). FTEs are calculated based on actual hours charged to each program area over the course of the year.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1—Nature of operations and summary of significant accounting policies (continued)

Income Taxes – The Alliance, the Commission, and ARMS are generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Alliance and the Commission qualify for charitable contributions deductions and have been classified as organizations that are not private foundations. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes.

Neither the Alliance, the Commission, nor ARMS had any net unrelated business income for the years ended December 31, 2019 or 2018.

Accounting for Uncertainty in Income Taxes – The Organization accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The Organization has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Organization has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. The Organization’s federal and state tax returns are generally open for examination for three years following the date filed.

Support and Revenue Recognition – Contributions received, including grants, are recorded with donor restrictions or without donor restriction depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities and changes in net assets as net assets released from restrictions.

The Alliance recognizes contribution revenue when gifts or grants are awarded and unconditional. Membership dues are recognized over the annual period of membership to which it relates. Conference fees are recognized during the period the conference is held. Accreditation fees are recognized in the period in which the revenue is earned. Also see Note 17.

Deferred Revenue— Payments for memberships received in advance are deferred and then recognized in the appropriate membership period.

Conditional Contributions – During 2016, the Alliance received a \$250,000 grant from the MARPAT Foundation (the “Foundation”) with the condition that the Foundation will contribute an additional \$250,000 if the Organization can raise \$600,000 by June 30, 2017. During 2017, the Foundation contributed the additional \$250,000 in an effort to maintain the momentum of the Chesapeake Bay Land and Water Initiative despite the Organization’s not being able to raise the additional \$600,000 funds. Funds are to be released in accordance with the schedule provided by the grantor as the Organization reaches its fundraising goals. The Foundation released \$202,000 and \$0 of funds from conditions as of December 31, 2019 and 2018, respectively, and the Organization recognized it as revenue in accordance with U.S. GAAP. Additionally, during 2019, the Alliance received a \$100,000 grant from the Great Outdoors Colorado Trust Fund with the condition that the Great Outdoors Colorado Trust Fund will contribute an additional \$100,000 if the Organization meets the project requirements.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1—Nature of operations and summary of significant accounting policies (continued)

Donated Services – Donated services using specialized skills that would have been required to be purchased if not provided by donation are recognized under U.S. GAAP. The value of donated services recognized as revenue and expense in the accompanying combined statements of activities and changes in net assets includes legal services valued at \$129,025 and \$22,644 for the years ended December 31, 2019 and 2018, respectively.

Expenses – Direct costs associated with specific programs are recorded as program expenses. Administrative overhead expenses are allocated to the various programs based on personnel time spent on these activities. Fringe benefits are allocated based on labor dollars spent on these activities.

Use of Estimates – The preparation of combined financial statements in conformity with U.S. GAAP 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. Actual results could differ from those estimates.

Implemented Accounting Standards – In June 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. Making this determination is important because distinguishing between contributions and exchange transactions determined which guidance is applied. On January 1, 2019 the Organization adopted ASU 2018-08. Also see Note 17.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”). ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. The Organization adopted the provisions of ASU 2014-09 and the related ASUs as of January 1, 2019 using a modified retrospective approach. Also see Note 17 and 18.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 320) – Restricted Cash*. ASU 2016-18 requires the statement of cash flows to present the change of restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts. The Organization adopted the provisions of ASU 2016-18 as of January 1, 2019 using the retrospective approach. There was no impact on net assets as a result of adopting this ASU, and no material changes to the financial statements, aside from the change in presentation on the statement of cash flows.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 2—Promises to give

Promises to give in one year or more are measured using the present value of future cash flows based on a discount rate of 3% at December 31, 2019 and 2018. Promises to give consisted of the following:

	<u>2019</u>	<u>2018</u>
Promises to give in less than one year	\$ 2,570,744	\$ 3,103,194
Promises to give in one to four years	1,211,800	2,028,633
Less discount to net present value	21,097	55,052
	<u>1,190,703</u>	<u>1,973,581</u>
	<u>\$ 3,761,447</u>	<u>\$ 5,076,775</u>

Note 3—Property and equipment

Property and equipment consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Cost:		
Furniture and office equipment	\$ 962,966	\$ 909,491
Software	182,500	-
Construction in progress	-	90,000
Leasehold improvements	98,323	98,323
Right of use assets - financing	29,204	29,204
Total cost	<u>1,272,993</u>	<u>1,127,018</u>
Accumulated depreciation and amortization	910,422	822,159
Net Property and Equipment	<u>\$ 362,571</u>	<u>\$ 304,859</u>

Depreciation and amortization expense was \$88,263 and \$72,164 for the years ended December 31, 2019 and 2018, respectively.

Note 4—Investments

Investments at fair value consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Certificates of deposit	\$ 3,166,706	\$ 3,563,201
Equity mutual funds	3,361,477	2,736,855
Money market mutual funds	2,309,674	2,962,536
Bond mutual funds	1,573,394	1,388,545
	<u>\$ 10,411,251</u>	<u>\$ 10,651,137</u>

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 4—Investments (continued)

Investment income consisted of the following at December 31:

	2019	2018
Interest and dividends from investments	\$ 256,374	\$ 210,394
Realized and unrealized (losses) gains on investments	848,935	(379,360)
	1,105,309	(168,966)
Interest and dividends from cash accounts	14,778	16,064
	<u>\$ 1,120,087</u>	<u>\$ (152,902)</u>

Note 5—Fair value measurements

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value:

	Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Equity Funds:				
Foreign Large Blend	\$ 649,260	\$ -	\$ -	\$ 649,260
Diversified Emerging Markets	534,930	-	-	534,930
Large Growth	1,732,382	-	-	1,732,382
Large Blend	52,279	-	-	52,279
Mid-Cap Blend	206,511	-	-	206,511
Small Blend	169,684	-	-	169,684
U.S. Equities	9,884	-	-	9,884
International Equities	6,547	-	-	6,547
Total Equity Funds	<u>3,361,477</u>	<u>-</u>	<u>-</u>	<u>3,361,477</u>
Bond Funds:				
High Yield Bond	441,242	-	-	441,242
Intermediate Term Bond	1,007,297	-	-	1,007,297
Short-term Bond	124,855	-	-	124,855
Total Bond Funds	<u>1,573,394</u>	<u>-</u>	<u>-</u>	<u>1,573,394</u>
Money Funds:				
Money Market	2,309,674	-	-	2,309,674
Total Money Funds	<u>2,309,674</u>	<u>-</u>	<u>-</u>	<u>2,309,674</u>
Promises to Give	-	-	3,761,447	3,761,447
Certificates of Deposit	-	3,166,706	-	3,166,706
	<u>-</u>	<u>3,166,706</u>	<u>3,761,447</u>	<u>6,928,153</u>
Total Investments at Fair Value	<u>\$ 7,244,545</u>	<u>\$ 3,166,706</u>	<u>\$ 3,761,447</u>	<u>\$ 14,172,698</u>

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 5—Fair value measurements (continued)

	Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Equity Funds:				
Foreign Large Blend	\$ 531,967	\$ -	\$ -	\$ 531,967
Diversified Emerging Markets	444,215	-	-	444,215
Large Growth	1,430,076	-	-	1,430,076
Large Blend	39,769	-	-	39,769
Mid-Cap Blend	157,604	-	-	157,604
Small Blend	133,224	-	-	133,224
Total Equity Funds	<u>2,736,855</u>	<u>-</u>	<u>-</u>	<u>2,736,855</u>
Bond Funds:				
High Yield Bond	380,692	-	-	380,692
Intermediate Term Bond	889,889	-	-	889,889
Short-term Bond	117,964	-	-	117,964
Total Bond Funds	<u>1,388,545</u>	<u>-</u>	<u>-</u>	<u>1,388,545</u>
Money Funds:				
Money Market	2,962,536	-	-	2,962,536
Total Money Funds	<u>2,962,536</u>	<u>-</u>	<u>-</u>	<u>2,962,536</u>
Promises to Give	-	-	5,076,775	5,076,775
Certificates of Deposit	-	3,563,201	-	3,563,201
	<u>-</u>	<u>3,563,201</u>	<u>5,076,775</u>	<u>8,639,976</u>
Total Investments at Fair Value	<u>\$ 7,087,936</u>	<u>\$ 3,563,201</u>	<u>\$ 5,076,775</u>	<u>\$ 15,727,912</u>

The following presents a summary of changes in the fair value of Level 3 investments:

	2019	2018
Balance, beginning of year	\$ 5,076,775	\$ 6,402,871
New promises	7,725,800	7,846,964
Collections	(9,041,128)	(9,173,060)
Balance, end of year	<u>\$ 3,761,447</u>	<u>\$ 5,076,775</u>

Inputs for the value of pledges (Level 3) include management's analysis of pledge commitments and historical collection rates.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 6—Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2019 and 2018 have been restricted by the donors for the following purpose restrictions

	<u>2019</u>	<u>2018</u>
Program:		
Education and Capacity Building	\$ 7,397,340	\$ 8,947,980
Government Relations and Outreach	667,721	237,570
Conservation Permanence	537,976	1,009,084
Accreditation	1,768,456	1,347,082
Time Restricted:		
National Office	3,507	143,272
Retained in perpetuity	<u>3,122,001</u>	<u>3,122,001</u>
Total Net Assets With Donor Restrictions	<u>\$ 13,497,001</u>	<u>\$ 14,806,989</u>

Interpretation of Relevant Law – The Board of Directors of the Alliance has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Alliance retains in perpetuity and classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is appropriated for expenditure by the Alliance in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Alliance considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the organization and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effects of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the Organization
- g. The investment policies of the Organization

Return Objective and Risk Parameters – The Alliance’s objective is to earn a respectable, long-term, risk-adjusted total rate of return to support the designated programs. The Alliance recognizes and accepts that pursuing a respectable rate of return involves risk and potential volatility. The generation of current income will be a secondary consideration. The Alliance targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Alliance has established a policy portfolio, or normal asset allocation. While the policy portfolio can be adjusted from time to time, it is designed to serve for long-time horizons based upon long-term expected returns. The Alliance has a preference for simple investment structures which will have lower cost, easier oversight, and less complexity for internal financial management and auditing.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 6—Net assets with donor restrictions (continued)

Spending Policy – The Alliance recognizes in its annual budget, a spending amount calculated by 1) multiplying the prior year’s maximum spending amount times one plus the change in the Consumer Price Index and then by 70% and 2) adding to this amount a second amount calculated as the average quarter end market value of the previous fiscal year multiplied by a rate selected by the Finance and Investment Committee and then times 30%. In each case, the base will be adjusted for new capital contributions to the endowment. The maximum spending rate will have a collar and fluctuate between no less than 4% and no more than 6% of the prior three year quarterly average market value of the endowment.

There may be times when the Alliance may opt not to take the maximum spending rate but rather to reinvest some of the annual return. Distributions will be determined using the above methodology and approved as part of the annual budgeting process.

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Alliance to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2019 and 2018.

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, December 31, 2017	\$ -	\$ 4,637,278	\$ 4,637,278
Investment Return:			
Investment income	-	114,537	114,537
Net realized and unrealized gains	-	(370,381)	(370,381)
Total Investment Return	-	(255,844)	(255,844)
Appropriation of endowment assets for expenditure	-	(176,849)	(176,849)
Endowment Net Assets, December 31, 2018	-	4,204,585	4,204,585
Investment Return:			
Investment income	-	122,706	122,706
Net realized and unrealized losses	(101)	801,174	801,073
Total Investment Return	(101)	923,880	923,779
Contributions	63,157	500	63,657
Appropriation of endowment assets for expenditure	-	(192,700)	(192,700)
Endowment Net Assets, December 31, 2019	<u>\$ 63,056</u>	<u>\$ 4,936,265</u>	<u>\$ 4,999,321</u>

Net assets with perpetual donor restrictions were comprised as follows at December 31:

	2019	2018
Berkley Endowment	\$ 3,020,285	\$ 3,020,285
Kingsbury Browne Award Endowment	101,716	101,716
Total Retained in Perpetuity	<u>\$ 3,122,001</u>	<u>\$ 3,122,001</u>

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 7—Retirement and deferred compensation plans

The Organization maintains a 403(b) defined contribution retirement plan that covers all eligible employees. Effective January 1, 2010, the Organization contributes 8% for employees starting in the 37th month of employment and 6.5% of salary between the 7th and 36th months of service. Total retirement expense for the years ended December 31, 2019 and 2018, was \$408,480 and \$344,093, respectively.

The Alliance may make non-elective, discretionary employer contributions under a 457(b) plan. For the years ended December 31, 2019 and 2018, discretionary contributions totaled \$-0-.

Note 8—Operating leases

The Alliance leases multiple office locations under operating leases expiring on various dates through 2028 with monthly rent payments totaling approximately \$45,000. The lease agreement for their headquarters in the District of Columbia provides for the Alliance to pay a stated minimum annual rent and a proportionate percentage of increases in operating expenses. Also, the Alliance has leases on offices in various other states. Some of these leases contain options to extend the lease term for up to five years. However, these options were not included in the calculation of the right-of-use asset or lease liability as management is not reasonably certain to exercise those options. Below are the Organization's costs recognized in the combined statements of activities and changes in net assets for the years ended December 31, 2019 and 2018, as well as additional qualitative information relating to the Organization's operating and finance leases:

	<u>2019</u>	<u>2018</u>
Lease Cost:		
Finance lease cost:		
Amortization of right-of-use assets	\$ 5,841	\$ 5,481
Interest on lease liabilities	1,696	1,932
Operating lease cost	481,775	482,265
Short-term lease cost	53,769	54,946
Total Lease Cost	<u>\$ 543,081</u>	<u>\$ 544,624</u>
Other Information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 1,696	\$ 1,932
Operating cash flows from operating leases	531,643	376,499
Financing cash flows from finance leases	5,884	5,547
Weighted-average remaining lease term - finance leases	2	3
Weighted-average remaining lease term - operating leases	8	9
Weighted-average discount rate - finance leases	7%	8%
Weighted-average discount rate - operating leases	2%	2%

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 8—Operating leases (continued)

The future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year are as follows:

Years Ending December 31,

2020	\$ 466,238
2021	477,905
2022	492,810
2023	506,590
2024	519,244
Thereafter	<u>1,824,876</u>
	4,287,663
Less amounts representing imputed interest	<u>(410,800)</u>
	<u><u>\$ 3,876,863</u></u>

Rent expense was \$569,165 and \$537,211 for the years ended December 31, 2019 and 2018, respectively.

Note 9—Finance Leases

The Alliance has recorded obligations totaling \$12,272 and \$18,156 at December 31, 2019 and 2018, respectively, for leased office equipment under finance leases. The total cost of the lease office equipment was \$29,204 with accumulated depreciation of \$18,492 and \$12,651 at December 31, 2019 and 2018, respectively. Under the agreements the Alliance has monthly payments totaling \$609 which include imputed interest at rates ranging from 6% to 19%. Amortization expense for the leased assets for the years ended December 31, 2019 and 2018 was \$5,841.

The future minimum lease payments at December 31, 2019 are as follows:

Years Ending December 31,

2020	\$ 5,683
2021	5,304
2022	<u>2,134</u>
	13,121
Less amounts representing imputed interest	<u>(849)</u>
	<u><u>\$ 12,272</u></u>

Note 10—Commitments

The Organization has entered into several contracts for hotel rooms relating to various events through the end of 2021. In the event of cancellation, the Organization is required to pay various costs of the hotel rooms as stipulated in the contracts, the amounts of which are dependent upon the date of cancellation.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 11—Line of credit

The Organization has an unsecured line of credit agreement with a bank in the amount of \$500,000. Borrowings on the line accrue interest at an annual rate of 1.75% plus the London Inter Bank Offered Rate (“LIBOR”) with a floor of 3%. The line of credit is held until a termination agreement is made by the Organization or the bank. At December 31, 2019 and 2018, the Organization had no borrowings on the line of credit.

Note 12—Concentrations

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash balances maintained at creditworthy financial institutions. The Organization maintained cash balances in bank accounts including certificates of deposit and money funds which, at times, may exceed insured limits set by the Federal Deposit Insurance Corporation (“FDIC”). As of December 31, 2019 and 2018, cash balances exceeded FDIC limits by \$4,832,536 and \$4,227,208, respectively. At least annually, the chairman of the Finance and Investments Committee will review the annual report and credit ratings of any bank in which uninsured operating accounts are maintained to ensure that maintaining the accounts does not pose a significant risk to the Organization. Any findings are communicated to the Finance and Investments Committee.

The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

The Organization invests in certificates of deposit, money market funds, bond funds, and equities. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the combined financial statements.

As of December 31, 2019, approximately 61% of the Organization’s promises to give were provided by three foundations. As of December 31, 2018, approximately 61% of the Organization’s promises to give were provided by two foundations.

As of December 31, 2019, approximately 34% of the Organization’s support from individual and foundation donor contributions was provided from one foundation and one individual. As of December 31, 2018, approximately 36% of the Organization’s support from individual and foundation donor contributions was provided by two foundations.

Note 13—Related party transactions

The Land Trust Accreditation Commission is a supporting organization of The Land Trust Alliance, Inc. There is an agreement between the Alliance and the Commission for the Alliance to manage the Commission’s finances and provide human resources, fundraising, and information technology support. Fees for these services totaled \$12,000 for the years ended December 31, 2019 and 2018. In keeping with the principles of combination in Note 1, the resulting revenue and expense have been eliminated in the combined financial statements.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 14—Fair value of financial instruments

The Alliance and the Commission have adopted fair value measurements for the purpose of valuing promises to give. This gives entities the option, at specific election dates, to measure certain financial assets and liabilities at fair value. The election may be applied to financial assets and liabilities on an instrument by instrument basis, is irrevocable, and may only be applied to entire instruments. Unrealized gains and losses on instruments for which the fair value option has been elected are reported in changes in net assets at each subsequent reporting date. The Alliance and the Commission did not elect fair value accounting for any other assets or liabilities that are not currently required to be measured at fair value, with the exception of promises to give.

Note 15—Cash flow disclosures

The Organization paid \$1,696 and \$1,932 in interest for the years ended December 31, 2019 and 2018, respectively.

Note 16—Liquidity and availability

The table below represents financial assets available for general expenditures within one year at December 31, 2019:

Financial assets at year-end:	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 4,668,585	\$ 4,766,999
Accounts receivable	154,730	115,386
Promises to give	3,761,447	5,076,775
Investments	<u>10,411,251</u>	<u>10,651,137</u>
Total financial assets	<u>18,996,013</u>	<u>20,610,297</u>
Less amounts not available to be used for general expenditures within one year:		
Net assets with donor restrictions	<u>13,497,001</u>	<u>14,806,989</u>
Financial assets not available to be used within one year	<u>13,497,001</u>	<u>14,806,989</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 5,499,012</u></u>	<u><u>\$ 5,803,308</u></u>

The Organization has certain donor restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly these assets have not been included in the quantitative information above for financial assets to meet general expenditures within one year. The Organization considers general expenditures to be all program services, management and general and fundraising costs presented in the combined statement of functional expenses incurred in the ordinary course of the advancement of its mission. The Organization has other assets limited to use for donor-restricted purposes for time and endowments. As part of the Organization liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposits. The Organization has \$500,000 line of credit available to meet cash flow needs.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 17—Revenue recognition and contributions received

On January 1, 2019, the Organization adopted ASC 606 for revenue from contracts with customers using the modified retrospective approach.

The Organization considers the organization membership dues, conference fees and accreditation fees to be an exchange transaction and therefore, is the only revenue stream subject to ASC 606.

Organizational Membership Prior to Adoption of ASC 606 – Revenue derived from membership dues was recognized when it was received. Through management’s analysis of the adoption of this ASU, management determined that Membership dues are to be recognized over the annual period of membership to which it relates and that payments for memberships received in advance are to be deferred and then recognized in the appropriate membership period. Through the adoption of this ASU, management determined an adjustment to prior period organizational membership revenue and beginning net assets without donor restriction was necessary. See Note 18 for effects of the prior period adjustment deemed necessary by management as a result of adopting this ASU.

Contributions Received – On January 1, 2019, the Organization also adopted the provisions of ASU 2018-08 for contributions received using the modified prospective approach. Contributions received by the Foundation are not within the scope of ASC 606 above, but rather, are analyzed and recorded in accordance with the provisions of ASC Topic 958, *Not-for-Profit Entities*. All contributions and grants received by the Organization consist solely of non-exchange, non-reciprocal transactions, and generally contain no donor-specified conditions or barriers that would cause contributions to be considered conditional in nature. Contributions with donor-specified conditions whose conditions are met in the same reporting period are reported as net assets without donor restrictions, absent any donor-imposed restrictions.

Donor-imposed restrictions are separate from donor-imposed conditions. The Organization records contributions with donor-imposed restrictions as contributions with donor restriction within the combined statements of activities and changes in net assets if they are received with donor stipulations that restrict the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities and changes in net assets. However, donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. All other contributions that lack specific donor restrictions are recorded as contributions without donor restrictions. Contributions are included on the combined statement of activities and changes in net assets and totaled \$9,958,029 and \$10,997,698 for the years ended December 31, 2019 and 2018, respectively.

Note 18—Prior period adjustment

During the year ended December 31, 2019, and through the adoption of ASU 606 as discussed in Note 17, management identified necessary adjustments to organizational membership revenue as of January 1, 2018 and for the year ended December 31, 2018. Due to a better understanding of organizational membership fees received, this resulted in an understatement of a deferred revenue and overstatement of net assets without donor restrictions on the combined statement of financial position, and an overstatement of organizational membership revenue without donor restrictions included within contributions and total change in net assets on the combined statement of activities and changes in net assets.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 18—Prior period adjustment (continued)

The adjustment had the following effect on the Organization’s previously reported amounts:

	2018		2018
	As Previously	Increase	Restated
	Reported	(Decrease)	Balance
Selected Statement of Financial Position Data:			
Deferred revenue	\$ 5,032	\$ 788,805	\$ 793,837
Total Current Liabilities	2,776,987	788,805	3,565,792
Total Liabilities	6,665,811	788,805	7,454,616
Net assets without donor restriction, end of year	3,592,783	(788,805)	2,803,978
Total Net Assets	18,399,772	(788,805)	17,610,967
Total Net Assets and Liabilities	25,065,583	-	25,065,583
Selected Statement of Activities and Changes in Net Assets Data:			
Organizational membership	\$ 1,491,831	\$ (143,326)	\$ 1,348,505
Total Support and Revenue, without donor restrictions	16,108,271	(143,326)	15,964,945
Total Support and Revenue	14,424,974	(143,326)	14,281,648
Change in net assets without donor restrictions	788,142	(143,326)	644,816
Total change in net assets	(895,155)	(143,326)	(1,038,481)
Net assets without donor restriction, beginning of year	2,804,641	(645,479)	2,159,162
Net assets without donor restriction, end of year	3,592,783	(788,805)	2,803,978
Net assets, beginning of year	19,294,927	(645,479)	18,649,448
Net assets, end of year	18,399,772	(788,805)	17,610,967
Selected Statement of Cash Flow Data:			
Change in net assets	\$ (895,155)	\$ (143,326)	\$ (1,038,481)
Change in operating liabilities:			
Deferred Revenue	(5,543)	143,326	137,783

Note 19—Subsequent events

The Organization has evaluated subsequent events through September 22, 2020, which is the date the financial statements were available to be issued.

The Organization’s operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may negatively impact the Organization’s financial position, operations, and cash flows. Possible effects may include, but are not limited to, the cancellation or postponement of regularly scheduled events and conferences, and the inability of donors to make contributions. In response to the pandemic, the Organization applied for and received funding through the Paycheck Protection Program (the “PPP”), which is expected to be forgiven in 2020. The Alliance received \$1,103,800 in PPP funding and the Commission received \$130,400 in PPP funding in April 2020.

SUPPLEMENTAL SCHEDULES

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES
COMBINING SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2019

	The Alliance	The Commission	ARMS	Elimination	Total 2019
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 3,802,243	\$ 866,342	\$ -	\$ -	\$ 4,668,585
Receivables	256,255	22,905	116,655	(241,085)	154,730
Promises to give	2,570,744	-	-	-	2,570,744
Investments	3,954,498	-	-	-	3,954,498
Prepaid expenses	337,791	6,560	-	-	344,351
Inventories	4,535	-	-	-	4,535
Total Current Assets	<u>10,926,066</u>	<u>895,807</u>	<u>116,655</u>	<u>(241,085)</u>	<u>11,697,443</u>
Property and equipment, net of accumulated depreciation	<u>188,451</u>	<u>174,120</u>	<u>-</u>	<u>-</u>	<u>362,571</u>
Other Assets:					
Right-to-use assets	3,407,995	-	-	-	3,407,995
Promises to give, long-term, net	1,190,703	-	-	-	1,190,703
Investments	6,456,753	-	-	-	6,456,753
Deposits	79,303	3,500	-	-	82,803
Total Other Assets	<u>11,134,754</u>	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>11,138,254</u>
Total Assets	<u>\$ 22,249,271</u>	<u>\$ 1,073,427</u>	<u>\$ 116,655</u>	<u>\$ (241,085)</u>	<u>\$ 23,198,268</u>
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 1,243,671	\$ 157,443	\$ -	\$ (241,085)	\$ 1,160,029
Grants payable	457,057	-	-	-	457,057
Deferred revenue	1,023,764	35,700	-	-	1,059,464
Lease liability - financing	5,047	-	-	-	5,047
Lease liability - operating	379,169	-	-	-	379,169
Conditional contribution	148,000	-	-	-	148,000
Total Current Liabilities	<u>3,256,708</u>	<u>193,143</u>	<u>-</u>	<u>(241,085)</u>	<u>3,208,766</u>
Other Liabilities:					
Lease liability - financing	7,225	-	-	-	7,225
Lease liability - operating	3,497,694	-	-	-	3,497,694
Total Other Liabilities	<u>3,504,919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,504,919</u>
Total Liabilities	<u>6,761,627</u>	<u>193,143</u>	<u>-</u>	<u>(241,085)</u>	<u>6,713,685</u>
NET ASSETS					
Without donor restrictions	2,074,930	795,997	116,655	-	2,987,582
With donor restrictions	13,412,714	84,287	-	-	13,497,001
Total Net Assets	<u>15,487,644</u>	<u>880,284</u>	<u>116,655</u>	<u>-</u>	<u>16,484,583</u>
Total Liabilities and Net Assets	<u>\$ 22,249,271</u>	<u>\$ 1,073,427</u>	<u>\$ 116,655</u>	<u>\$ (241,085)</u>	<u>\$ 23,198,268</u>

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES
COMBINING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS

YEAR ENDED DECEMBER 31, 2019

	<u>The Alliance</u>	<u>The Commission</u>	<u>ARMS</u>	<u>Elimination</u>	<u>Total 2019</u>
Support and Revenue:					
Grants	\$ 7,496,536	\$ 188,600	\$ -	\$ (188,100)	\$ 7,497,036
Contributions:					
Individual memberships and donations	2,460,993	-	-	-	2,460,993
Other donations	53,065	-	-	-	53,065
Organization memberships	1,573,046	-	-	-	1,573,046
Conference fees	1,157,908	-	-	-	1,157,908
Investment return	1,119,554	533	-	-	1,120,087
Accreditation fees	-	851,086	-	-	851,086
Donated services	129,025	-	-	-	129,025
Publication sales	12,817	-	-	-	12,817
Other programs	67,901	94	231,448	(12,000)	287,443
Total Support and Revenue	<u>14,070,845</u>	<u>1,040,313</u>	<u>231,448</u>	<u>(200,100)</u>	<u>15,142,506</u>
Expenses:					
Program services	12,579,299	875,085	213,963	(200,100)	13,468,247
Management and general	786,982	101,739	-	-	888,721
Fundraising	1,911,922	-	-	-	1,911,922
Total Expenses	<u>15,278,203</u>	<u>976,824</u>	<u>213,963</u>	<u>(200,100)</u>	<u>16,268,890</u>
Change in net assets	(1,207,358)	63,489	17,485	-	(1,126,384)
Net assets, beginning of year, as restated	16,695,002	816,795	99,170	-	17,610,967
Net assets, end of year	<u>\$ 15,487,644</u>	<u>\$ 880,284</u>	<u>\$ 116,655</u>	<u>\$ -</u>	<u>\$ 16,484,583</u>