

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

COMBINED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES

*As of and for the Years Ended December 31, 2020 and 2019*

*And Report of Independent Auditor*

**THE LAND TRUST ALLIANCE, INC. AND AFFILIATES**  
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## 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, 2020 and 2019, 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 audit 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, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the combined 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.

*Cherry BeKant LLP*

Tysons Corner, Virginia  
June 30, 2021

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

*DECEMBER 31, 2020 AND 2019*

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 7,010,626	\$ 4,668,585
Receivables	235,815	154,730
Promises to give	4,081,083	2,570,744
Investments	3,986,715	3,954,498
Prepaid expenses	354,231	344,351
Inventories	4,339	4,535
Total Current Assets	<u>15,672,809</u>	<u>11,697,443</u>
Property and equipment, net of accumulated depreciation	<u>278,498</u>	<u>362,571</u>
Other Assets:		
Right-to-use assets - operating	3,036,809	3,407,995
Promises to give, long-term, net	631,242	1,190,703
Investments	7,175,403	6,456,753
Deposits	84,403	82,803
Total Other Assets	<u>10,927,857</u>	<u>11,138,254</u>
<b>Total Assets</b>	<u><u>\$ 26,879,164</u></u>	<u><u>\$ 23,198,268</u></u>

**THE LAND TRUST ALLIANCE, INC. AND AFFILIATES**  
**COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,582,129	\$ 1,160,029
Grants payable	1,232,893	457,057
Deferred revenue	1,288,441	1,059,464
Lease liability - financing	5,023	5,047
Lease liability - operating	399,968	379,169
Conditional contributions	400,000	148,000
PPP loans	1,234,200	-
<b>Total Current Liabilities</b>	<u>6,142,654</u>	<u>3,208,766</u>
Other Liabilities:		
Lease liability - financing	1,745	7,225
Lease liability - operating	3,097,726	3,497,694
<b>Total Other Liabilities</b>	<u>3,099,471</u>	<u>3,504,919</u>
<b>Total Liabilities</b>	<u>9,242,125</u>	<u>6,713,685</u>
<b>NET ASSETS</b>		
Without donor restrictions	3,202,817	2,987,582
With donor restrictions	14,434,222	13,497,001
<b>Total Net Assets</b>	<u>17,637,039</u>	<u>16,484,583</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 26,879,164</u>	<u>\$ 23,198,268</u>

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

YEAR ENDED DECEMBER 31, 2020

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Support and Revenue:			
Grants	\$ 555,005	\$ 8,800,581	\$ 9,355,586
Contributions:			
Individual memberships and donations	2,288,074	-	2,288,074
Other donations	71,226	-	71,226
Organizational memberships	1,890,835	-	1,890,835
Conference fees	633,836	-	633,836
Investment return	82,176	712,733	794,909
Accreditation fees	782,834	-	782,834
Donated services	363,969	-	363,969
Publication sales	6,145	-	6,145
Other programs	369,485	-	369,485
Net assets released from restrictions	8,576,093	(8,576,093)	-
<b>Total Support and Revenue</b>	<b>15,619,678</b>	<b>937,221</b>	<b>16,556,899</b>
Expenses:			
Program services	12,993,432	-	12,993,432
Management and general	944,997	-	944,997
Fundraising	1,466,014	-	1,466,014
<b>Total Expenses</b>	<b>15,404,443</b>	<b>-</b>	<b>15,404,443</b>
Changes in net assets	215,235	937,221	1,152,456
Net assets, beginning of year	2,987,582	13,497,001	16,484,583
Net assets, end of year	<u>\$ 3,202,817</u>	<u>\$ 14,434,222</u>	<u>\$ 17,637,039</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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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)	-
<b>Total Support and Revenue</b>	<b>16,452,494</b>	<b>(1,309,988)</b>	<b>15,142,506</b>
Expenses:			
Program services	13,468,247	-	13,468,247
Management and general	888,721	-	888,721
Fundraising	1,911,922	-	1,911,922
<b>Total Expenses</b>	<b>16,268,890</b>	<b>-</b>	<b>16,268,890</b>
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 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, 2020

	Program Services	Supporting Services		Total 2020
		Management and General	Fundraising	
Salaries and benefits	\$ 5,752,192	\$ 696,585	\$ 1,062,595	\$ 7,511,372
Contractors/consultants	1,315,105	21,602	95,881	1,432,588
Total Personnel Expenses	<u>7,067,297</u>	<u>718,187</u>	<u>1,158,476</u>	<u>8,943,960</u>
Nonpersonnel Expenses:				
Grants, scholarships, and awards	4,007,167	-	-	4,007,167
Staff, project travel, and expenses	71,937	4,516	8,222	84,675
Information technology	509,955	12,731	80,619	603,305
Rent, utilities, and taxes	450,027	21,064	99,171	570,262
Printing, design, and copying	115,137	341	20,061	135,539
Facility, exhibiting, meals, and a/v fees	16,194	16	798	17,008
Meetings/receptions	21,644	3	10,494	32,141
Staff training and recruitment	9,970	2,550	2,526	15,046
Professional fees	400,925	79,458	1,111	481,494
Telecommunications	89,054	8,487	9,431	106,972
Depreciation and amortization	109,489	9,397	12,739	131,625
Postage and delivery	15,685	1,045	7,230	23,960
Board and committee meetings	6,255	43,437	-	49,692
Bank service charges	42,848	414	6,804	50,066
Supplies	17,089	1,340	5,718	24,147
Dues/subscriptions/library	23,195	488	23,963	47,646
Equipment lease and maintenance	9,655	206	1,266	11,127
Commercial insurance	-	37,231	-	37,231
Miscellaneous	9,909	4,086	17,385	31,380
Total Nonpersonnel Expenses	<u>5,926,135</u>	<u>226,810</u>	<u>307,538</u>	<u>6,460,483</u>
Total Expenses	<u>\$ 12,993,432</u>	<u>\$ 944,997</u>	<u>\$ 1,466,014</u>	<u>\$ 15,404,443</u>

**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	
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, and awards	3,590,064	-	-	3,590,064
Staff, 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 LAND TRUST ALLIANCE, INC. AND AFFILIATES**  
**COMBINED STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ 1,152,456	\$ (1,126,384)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation and amortization	131,625	88,263
Provision for bad debt	-	33,315
Donated securities	-	(150,292)
Decrease in discount on promises to give	(13,474)	(33,955)
Realized and unrealized gains on investments	(614,033)	(848,935)
Decrease (increase) in operating assets:		
Receivables	(81,085)	(39,344)
Promises to give	(937,404)	1,315,968
Prepaid expenses	(9,880)	(56,454)
Inventories	196	4,366
Right-to-use assets - operating	371,186	362,531
Deposits	(1,600)	300
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	422,100	(389,934)
Grants payable	775,836	(149,590)
Deferred revenue	228,977	265,627
Conditional contributions	252,000	(102,000)
Lease liability - operating	(379,169)	(359,150)
Net cash flows from operating activities	<u>1,297,731</u>	<u>(1,185,668)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(47,552)	(145,975)
Purchase of investments	(136,834)	(6,408,662)
Proceeds from sale of investments	-	7,647,775
Net cash flows from investing activities	<u>(184,386)</u>	<u>1,093,138</u>
<b>Cash flows from financing activities:</b>		
Payments on lease liabilities - financing	(5,504)	(5,884)
Proceeds from PPP loans	1,234,200	-
Net cash flows from financing activities	<u>1,228,696</u>	<u>(5,884)</u>
Net increase (decrease) in cash and cash equivalents	2,342,041	(98,414)
Cash and cash equivalents, beginning of year	4,668,585	4,766,999
Cash and cash equivalents, end of year	<u>\$ 7,010,626</u>	<u>\$ 4,668,585</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, 2020 AND 2019

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### 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 (“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, 2020 AND 2019

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### **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, 2020, the Alliance's net assets consisted of net assets with donor restrictions of \$14,434,222, and net assets without donor restrictions of \$2,204,350. The Commission's net assets consisted of net assets with donor restrictions of \$-0- and net assets without donor restrictions of \$850,467. The net assets of ARMS consisted of net assets without donor restrictions of \$148,000.

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.

*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 value. To adjust the carrying value of these investments, the change in fair 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, 2020 AND 2019

### 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, 2020 or 2019.

*Promises to Give* – The Organization accounts for contributions in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant.

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, 2020 or 2019.

*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, 2020 or 2019.

*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

# THE LAND TRUST ALLIANCE, INC. AND AFFILIATES

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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

*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.

*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, 2020 or 2019.

*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 over the annual period of accreditation to which it relates. Also see Note 16.

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

# THE LAND TRUST ALLIANCE, INC. AND AFFILIATES

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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

*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 \$48,000 and \$202,000 of funds from conditions as of December 31, 2020 and 2019, respectively, and the Organization recognized it as revenue in accordance with GAAP. 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. During 2020, the conditions were met, and \$100,000 funds were released and recognized as revenue in accordance with GAAP. Additionally, during 2020, the Alliance received a \$600,000 grant from the Doris Duke Charitable Foundation with the condition that the Doris Duke Charitable Foundation will contribute an additional \$400,000 if the Organization raises matching funds of \$600,000 by April 2023.

*Donated Services* – Donated services using specialized skills that would have been required to be purchased if not provided by donation are recognized under 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 \$363,969 and \$129,025 for the years ended December 31, 2020 and 2019, 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 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.

### 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, 2020 and 2019. Promises to give consisted of the following:

	<u>2020</u>	<u>2019</u>
Promises to give in one to four years	\$ 638,865	\$ 1,211,800
Less discount to net present value	7,623	21,097
	<u>631,242</u>	<u>1,190,703</u>
	<u>\$ 4,712,325</u>	<u>\$ 3,761,447</u>



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

DECEMBER 31, 2020 AND 2019

**Note 3—Property and equipment**

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Cost:		
Furniture and office equipment	\$ 1,010,519	\$ 962,966
Software	182,500	182,500
Leasehold improvements	98,323	98,323
Right of use assets - financing	<u>22,725</u>	<u>29,204</u>
Total cost	1,314,067	1,272,993
Less accumulated depreciation and amortization	<u>1,035,569</u>	<u>910,422</u>
Net Property and Equipment	<u>\$ 278,498</u>	<u>\$ 362,571</u>

Depreciation and amortization expense was \$131,625 and \$88,263 for the years ended December 31, 2020 and 2019, respectively.

**Note 4—Investments**

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

	<u>2020</u>	<u>2019</u>
Certificates of deposit	\$ 2,867,914	\$ 3,166,706
Equity mutual funds	3,811,950	3,361,477
Money market mutual funds	2,848,319	2,309,674
Bond mutual funds	<u>1,633,935</u>	<u>1,573,394</u>
	<u>\$ 11,162,118</u>	<u>\$ 10,411,251</u>

Investment return consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Interest and dividends from investments	\$ 180,876	\$ 256,374
Realized and unrealized gains on investments	<u>614,033</u>	<u>848,935</u>
	794,909	1,105,309
Interest and dividends from cash accounts	<u>-</u>	<u>14,778</u>
	<u>\$ 794,909</u>	<u>\$ 1,120,087</u>

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

DECEMBER 31, 2020 AND 2019

**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, 2020			Total
	Level 1	Level 2	Level 3	
Mutual Funds:				
Equity Funds:				
Foreign Large Blend	\$ 715,882	\$ -	\$ -	\$ 715,882
Diversified Emerging Markets	616,453	-	-	616,453
Large Growth	1,961,638	-	-	1,961,638
Large Blend	61,880	-	-	61,880
Mid-Cap Blend	244,179	-	-	244,179
Small Blend	202,105	-	-	202,105
International Equities	9,813	-	-	9,813
Total Equity Funds	3,811,950	-	-	3,811,950
Bond Funds:				
High Yield Bond	465,002	-	-	465,002
Intermediate Term Bond	1,031,518	-	-	1,031,518
Short-term Bond	137,415	-	-	137,415
Total Bond Funds	1,633,935	-	-	1,633,935
Money Funds:				
Money Market	2,848,319	-	-	2,848,319
Total Money Funds	2,848,319	-	-	2,848,319
Promises to Give	-	-	4,712,325	4,712,325
Certificates of Deposit	-	2,867,914	-	2,867,914
	-	2,867,914	4,712,325	7,580,239
Total Investments at Fair Value	\$ 8,294,204	\$ 2,867,914	\$ 4,712,325	\$ 15,874,443

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

DECEMBER 31, 2020 AND 2019

**Note 5—Fair value measurements (continued)**

	Fair Value as of December 31, 2019			Total
	Level 1	Level 2	Level 3	
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
	-	3,166,706	3,761,447	6,928,153
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 following presents a summary of changes in the fair value of Level 3 investments:

	2020	2019
Balance, beginning of year	\$ 3,761,447	\$ 5,076,775
New promises	9,491,749	7,725,800
Change in discount to net present value	(13,474)	(33,955)
Collections	(8,527,397)	(9,007,173)
Balance, end of year	<u>\$ 4,712,325</u>	<u>\$ 3,761,447</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, 2020 AND 2019

**Note 6—Net assets with donor restrictions**

Net assets with donor restrictions at December 31, 2020 and 2019 have been restricted by the donors for the following purpose restrictions

	<u>2020</u>	<u>2019</u>
Program:		
Education and Capacity Building	\$ 6,717,956	\$ 7,397,340
Government Relations and Outreach	2,075,827	667,721
Conservation Permanence	340,372	537,976
Accreditation	2,167,766	1,768,456
Time Restricted:		
National Office	3,500	3,507
Retained in perpetuity	<u>3,128,801</u>	<u>3,122,001</u>
Total Net Assets With Donor Restrictions	<u>\$ 14,434,222</u>	<u>\$ 13,497,001</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, 2020 AND 2019

**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, 2020 and 2019.

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment Net Assets, December 31, 2018	\$ -	\$ 4,204,585	\$ 4,204,585
Investment Return:			
Investment income	-	122,706	122,706
Net realized and unrealized gains	(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	63,056	4,936,265	4,999,321
Investment Return:			
Investment income	-	109,780	109,780
Net realized and unrealized losses	9,081	593,872	602,953
Total Investment Return	9,081	703,652	712,733
Contributions	-	6,800	6,800
Appropriation of endowment assets for expenditure	-	(205,100)	(205,100)
Endowment Net Assets, December 31, 2020	\$ 72,137	\$ 5,441,617	\$ 5,513,754

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

	<b>2020</b>	<b>2019</b>
Berkley Endowment	\$ 3,027,085	\$ 3,020,285
Kingsbury Browne Award Endowment	101,716	101,716
Total Retained in Perpetuity	\$ 3,128,801	\$ 3,122,001

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

DECEMBER 31, 2020 AND 2019

**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, 2020 and 2019, was \$366,926 and \$408,480, respectively.

The Alliance may make non-elective, discretionary employer contributions under a 457(b) plan. For the years ended December 31, 2020 and 2019, 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 \$41,000. 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, 2020 and 2019, as well as additional qualitative information relating to the Organization's operating and finance leases:

	<u>2020</u>	<u>2019</u>
Lease Cost:		
Finance lease cost:		
Amortization of right-of-use assets	\$ 5,841	\$ 5,841
Interest on lease liabilities	866	1,696
Operating lease cost	481,775	481,775
Short-term lease cost	53,769	53,769
Total Lease Cost	<u>\$ 542,251</u>	<u>\$ 543,081</u>
Other Information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 866	\$ 1,696
Operating cash flows from operating leases	543,467	531,643
Financing cash flows from finance leases	5,504	5,884
Weighted-average remaining lease term - finance leases	1	2
Weighted-average remaining lease term - operating leases	8	8
Weighted-average discount rate - finance leases	6%	7%
Weighted-average discount rate - operating leases	2%	2%

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

DECEMBER 31, 2020 AND 2019

**Note 8—Operating leases (continued)**

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

**Years Ending December 31,**

2021	\$ 477,905
2022	492,810
2023	506,590
2024	519,244
2025	532,228
Thereafter	<u>1,292,648</u>
	3,821,425
Less amounts representing imputed interest	<u>(323,731)</u>
	<u>\$ 3,497,694</u>

Rent expense was \$570,262 and \$569,165 for the years ended December 31, 2020 and 2019, respectively.

**Note 9—Finance Leases**

The Alliance has recorded obligations totaling \$6,768 and \$12,272 at December 31, 2020 and 2019, respectively, for leased office equipment under finance leases. The total cost of the lease office equipment was \$22,725 and \$29,204 with accumulated depreciation of \$12,013 and \$18,492 at December 31, 2020 and 2019, 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, 2020 and 2019 was \$4,761 and \$5,841, respectively.

The future minimum lease payments at December 31, 2020 are as follows:

**Years Ending December 31,**

2021	\$ 5,304
2022	<u>1,768</u>
	7,072
Less amounts representing imputed interest	<u>(304)</u>
	<u>\$ 6,768</u>

**Note 10—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, 2020 and 2019, the Organization had no borrowings on the line of credit.

# THE LAND TRUST ALLIANCE, INC. AND AFFILIATES

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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### Note 11—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, 2020 and 2019, cash balances exceeded FDIC limits by \$7,415,657 and \$4,832,536, 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, 2020, approximately 63% of the Organization’s promises to give were provided by four foundations. As of December 31, 2019, approximately 61% of the Organization’s promises to give were provided by three foundations.

As of December 31, 2020, approximately 28% of the Organization’s support from individual and foundation donor contributions was provided from one foundation and one individual. 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.

### Note 12—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 \$68,399 and \$12,000 for the years ended December 31, 2020 and 2019. In keeping with the principles of combination in Note 1, the resulting revenue and expense have been eliminated in the combined financial statements.

### Note 13—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.



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

DECEMBER 31, 2020 AND 2019

**Note 14—Cash flow disclosures**

The Organization paid \$866 and \$1,696 in interest for the years ended December 31, 2020 and 2019, respectively.

**Note 15—Liquidity and availability**

The table below represents financial assets available for general expenditures within one year at December 31, 2020:

Financial assets at year-end:	<u>2020</u>	<u>2018</u>
Cash and cash equivalents	\$ 7,010,626	\$ 4,668,585
Receivables	235,815	154,730
Promises to give	4,712,325	3,761,447
Investments	<u>11,162,118</u>	<u>10,411,251</u>
Total financial assets	<u>23,120,884</u>	<u>18,996,013</u>
Less amounts not available to be used for general expenditures within one year:		
Net assets with donor restrictions	<u>14,434,222</u>	<u>13,497,001</u>
Financial assets not available to be used within one year	<u>14,434,222</u>	<u>13,497,001</u>
Financial assets available to meet general expenditures within one year	<u>\$ 8,686,662</u>	<u>\$ 5,499,012</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 a \$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, 2020 AND 2019

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### Note 16—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 exchange transactions and therefore, the only revenue streams subject to ASC 606.

*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 restrictions 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 \$11,643,660 and \$9,958,029 for the years ended December 31, 2020 and 2019, respectively.

### Note 17—COVID-19 Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus “COVID-19” outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or “stay-at-home” restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including the geographical areas in which the Organization operates.

While it is unknown how long these conditions will last and what the complete financial impact will be, the Organization is closely monitoring the impact of the COVID-19 pandemic on all aspects of operations and are unable at this time to predict the continued impact that COVID-19 will have on their business, financial position, and operating results in future periods due to numerous uncertainties.

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

*DECEMBER 31, 2020 AND 2019*

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**Note 17—COVID-19 Pandemic (continued)**

The Organization received two loans under the Paycheck Protection Program (“PPP loan”) for amounts of \$1,103,800 for the Alliance and \$130,400 for the Commission, which were established under the Cares Act and administered by the Small Business Administration (“SBA”). The application for the PPP loan requires the Organization to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operation of the Organization. This certification further requires the Organization to take into account its current business activity and its ability to access other sources of liquidity sufficient to support the ongoing operations in a manner that is not significantly detrimental to the business. The receipt of the funds from the PPP loans and the forgiveness of the PPP loans is dependent on the Organization having initially qualified for the PPP loans and qualifying for the forgiveness of such PPP loans based on funds being used for certain expenditures such as payroll costs and rent, as required by the terms of the PPP loans.

In January and April of 2021, the Alliance and Commission PPP loans, respectively, were fully forgiven by the SBA.

**Note 18—Subsequent events**

The Organization has evaluated subsequent events through June 30, 2021, which is the date the financial statements were available to be issued. As discussed in Note 17, the Organization’s PPP loans were fully forgiven by the SBA subsequent to year-end.

## **SUPPLEMENTARY SCHEDULES**

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

DECEMBER 31, 2020

	<u>The Alliance</u>	<u>The Commission</u>	<u>ARMS</u>	<u>Elimination</u>	<u>Total 2020</u>
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 6,153,028	\$ 857,598	\$ -	\$ -	\$ 7,010,626
Receivables	85,410	209,955	148,000	(207,550)	235,815
Promises to give	4,081,083	-	-	-	4,081,083
Investments	3,986,715	-	-	-	3,986,715
Prepaid expenses	345,166	9,065	-	-	354,231
Inventories	4,339	-	-	-	4,339
Total Current Assets	<u>14,655,741</u>	<u>1,076,618</u>	<u>148,000</u>	<u>(207,550)</u>	<u>15,672,809</u>
Property and equipment, net of accumulated depreciation	<u>170,787</u>	<u>107,711</u>	<u>-</u>	<u>-</u>	<u>278,498</u>
Other Assets:					
Right-to-use assets - operating	3,036,809	-	-	-	3,036,809
Promises to give, long-term, net	631,242	-	-	-	631,242
Investments	7,175,403	-	-	-	7,175,403
Deposits	80,903	3,500	-	-	84,403
Total Other Assets	<u>10,924,357</u>	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>10,927,857</u>
<b>Total Assets</b>	<u><u>\$ 25,750,885</u></u>	<u><u>\$ 1,187,829</u></u>	<u><u>\$ 148,000</u></u>	<u><u>\$ (207,550)</u></u>	<u><u>\$ 26,879,164</u></u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 1,701,882	\$ 87,797	\$ -	\$ (207,550)	\$ 1,582,129
Grants payable	1,232,893	-	-	-	1,232,893
Deferred revenue	1,169,276	119,165	-	-	1,288,441
Lease liability - financing	5,023	-	-	-	5,023
Lease liability - operating	399,968	-	-	-	399,968
Conditional contributions	400,000	-	-	-	400,000
PPP loans	1,103,800	130,400	-	-	1,234,200
Total Current Liabilities	<u>6,012,842</u>	<u>337,362</u>	<u>-</u>	<u>(207,550)</u>	<u>6,142,654</u>
Other Liabilities:					
Lease liability - financing	1,745	-	-	-	1,745
Lease liability - operating	3,097,726	-	-	-	3,097,726
Total Other Liabilities	<u>3,099,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,099,471</u>
Total Liabilities	<u>9,112,313</u>	<u>337,362</u>	<u>-</u>	<u>(207,550)</u>	<u>9,242,125</u>
<b>NET ASSETS</b>					
Without donor restrictions	2,204,350	850,467	148,000	-	3,202,817
With donor restrictions	14,434,222	-	-	-	14,434,222
Total Net Assets	<u>16,638,572</u>	<u>850,467</u>	<u>148,000</u>	<u>-</u>	<u>17,637,039</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 25,750,885</u></u>	<u><u>\$ 1,187,829</u></u>	<u><u>\$ 148,000</u></u>	<u><u>\$ (207,550)</u></u>	<u><u>\$ 26,879,164</u></u>

See report of independent auditor.

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

YEAR ENDED DECEMBER 31, 2020

	<u>The Alliance</u>	<u>The Commission</u>	<u>ARMS</u>	<u>Elimination</u>	<u>Total 2020</u>
Support and Revenue:					
Grants	\$ 9,366,085	\$ 189,601	\$ -	\$ (200,100)	\$ 9,355,586
Contributions:					
Individual memberships and donations	2,288,074	-	-	-	2,288,074
Other donations	71,226	-	-	-	71,226
Organizational memberships	1,890,835	-	-	-	1,890,835
Conference fees	633,836	-	-	-	633,836
Investment return	793,965	944	-	-	794,909
Accreditation fees	-	782,834	-	-	782,834
Donated services	363,969	-	-	-	363,969
Publication sales	6,145	-	-	-	6,145
Other programs	168,884	-	269,000	(68,399)	369,485
Total Support and Revenue	<u>15,583,019</u>	<u>973,379</u>	<u>269,000</u>	<u>(268,499)</u>	<u>16,556,899</u>
Expenses:					
Program services	12,161,091	863,185	237,655	(268,499)	12,993,432
Management and general	804,986	140,011	-	-	944,997
Fundraising	1,466,014	-	-	-	1,466,014
Total Expenses	<u>14,432,091</u>	<u>1,003,196</u>	<u>237,655</u>	<u>(268,499)</u>	<u>15,404,443</u>
Change in net assets	1,150,928	(29,817)	31,345	-	1,152,456
Net assets, beginning of year	15,487,644	880,284	116,655	-	16,484,583
Net assets, end of year	<u>\$ 16,638,572</u>	<u>\$ 850,467</u>	<u>\$ 148,000</u>	<u>\$ -</u>	<u>\$ 17,637,039</u>

See report of independent auditor.