

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

COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

As of and for the Years Ended December 31, 2022 and 2021

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

Opinion

We have audited the accompanying combined financial statements of Land Trust Alliance, Inc. and Affiliates (the "Organization"), which comprise combined statements of financial position as of December 31, 2022 and 2021 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.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Combined Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Tysons Corner, Virginia
September 29, 2023

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

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,862,179	\$ 6,152,215
Receivables	242,303	58,354
Contributions receivable, net	3,334,532	2,151,787
Investments	5,395,601	4,177,733
Prepaid expenses	396,678	407,340
Inventories	127	1,844
Total Current Assets	<u>14,231,420</u>	<u>12,949,273</u>
Property and equipment, net of accumulated depreciation	<u>725,117</u>	<u>406,929</u>
Other Assets:		
Right-to-use assets - operating	2,266,522	2,656,491
Contributions receivable, long-term, net	-	1,012,016
Investments	5,837,902	9,553,161
Deposits	87,403	83,403
Total Other Assets	<u>8,191,827</u>	<u>13,305,071</u>
Total Assets	<u><u>\$ 23,148,364</u></u>	<u><u>\$ 26,661,273</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 653,004	\$ 972,871
Grants payable	862,023	384,273
Deferred revenue	2,708,527	1,270,061
Lease liability - financing	-	1,745
Lease liability - operating	448,548	424,523
Conditional contributions	39,626	339,797
Total Current Liabilities	<u>4,711,728</u>	<u>3,393,270</u>
Other Liabilities:		
Lease liability - operating	<u>2,224,656</u>	<u>2,673,204</u>
Total Other Liabilities	<u>2,224,656</u>	<u>2,673,204</u>
Total Liabilities	<u>6,936,384</u>	<u>6,066,474</u>
NET ASSETS		
Without donor restrictions	5,225,208	6,751,354
With donor restrictions	10,986,772	13,843,445
Total Net Assets	<u>16,211,980</u>	<u>20,594,799</u>
Total Liabilities and Net Assets	<u><u>\$ 23,148,364</u></u>	<u><u>\$ 26,661,273</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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Grants	\$ 682,707	\$ 9,370,803	\$ 10,053,510
Contributions:			
Individual memberships and donations	1,612,830	-	1,612,830
Other donations	121,649	-	121,649
Organizational memberships	2,310,127	-	2,310,127
Conference fees	1,136,617	-	1,136,617
Investment return	(277,486)	(1,038,155)	(1,315,641)
Accreditation fees	1,004,662	-	1,004,662
Donated services	7,074	-	7,074
Publication sales	12,014	-	12,014
Other programs	418,407	-	418,407
Net assets released from restrictions	11,189,321	(11,189,321)	-
Total Support and Revenue	<u>18,217,922</u>	<u>(2,856,673)</u>	<u>15,361,249</u>
Expenses:			
Program services	16,692,317	-	16,692,317
Management and general	1,127,582	-	1,127,582
Fundraising	1,924,169	-	1,924,169
Total Expenses	<u>19,744,068</u>	<u>-</u>	<u>19,744,068</u>
Changes in net assets	(1,526,146)	(2,856,673)	(4,382,819)
Net assets, beginning of year	<u>6,751,354</u>	<u>13,843,445</u>	<u>20,594,799</u>
Net assets, end of year	<u>\$ 5,225,208</u>	<u>\$ 10,986,772</u>	<u>\$ 16,211,980</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, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Grants	\$ 655,000	\$ 7,323,122	\$ 7,978,122
Contributions:			
Individual memberships and donations	4,082,150	-	4,082,150
Other donations	75,310	-	75,310
Organizational memberships	2,142,698	-	2,142,698
Conference fees	699,090	-	699,090
Investment return	4,144	679,387	683,531
Accreditation fees	735,335	-	735,335
Donated services	25,262	-	25,262
Publication sales	9,906	-	9,906
Other programs	344,580	-	344,580
Net assets released from restrictions	7,734,553	(7,734,553)	-
Total Support and Revenue	<u>16,508,028</u>	<u>267,956</u>	<u>16,775,984</u>
Expenses:			
Program services	10,304,272	-	10,304,272
Management and general	963,843	-	963,843
Fundraising	1,691,376	-	1,691,376
Total Expenses	<u>12,959,491</u>	<u>-</u>	<u>12,959,491</u>
Changes in net assets	3,548,537	267,956	3,816,493
Net assets, beginning of year, as restated	<u>3,202,817</u>	<u>13,575,489</u>	<u>16,778,306</u>
Net assets, end of year	<u>\$ 6,751,354</u>	<u>\$ 13,843,445</u>	<u>\$ 20,594,799</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, 2022

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Personnel Expenses:				
Salaries and benefits	\$ 7,161,609	\$ 767,879	\$ 1,407,447	\$ 9,336,935
Contractors/consultants	1,853,860	29,272	86,485	1,969,617
Total Personnel Expenses	9,015,469	797,151	1,493,932	11,306,552
Non-personnel Expenses:				
Grants, scholarships, and awards	5,098,911	-	-	5,098,911
Staff, project travel, and expenses	342,399	17,695	35,172	395,266
Information technology	733,289	21,841	128,814	883,944
Rent, utilities, and taxes	413,370	19,311	79,477	512,158
Printing, design, and copying	73,389	50	23,981	97,420
Facility, exhibiting, meals, and a/v fees	388,362	174	1,145	389,681
Meetings/receptions	105,992	12,902	32,369	151,263
Staff training and recruitment	13,220	315	3,617	17,152
Professional fees	64,612	67,438	9,125	141,175
Telecommunications	62,252	6,597	10,866	79,715
Depreciation and amortization	127,769	8,744	18,924	155,437
Postage and delivery	36,152	1,098	9,726	46,976
Board and committee meetings	25,497	97,473	-	122,970
Bank service charges	73,439	884	9,357	83,680
Supplies	31,111	462	12,070	43,643
Dues/subscriptions/library	32,126	3,694	28,535	64,355
Equipment lease and maintenance	20,919	273	1,572	22,764
Commercial insurance	11,054	62,681	-	73,735
Miscellaneous	11,340	8,799	25,487	45,626
Bad debt expense	11,401	-	-	11,401
Small equipment	244	-	-	244
Total Non-personnel Expenses	7,676,848	330,431	430,237	8,437,516
Total Expenses	\$ 16,692,317	\$ 1,127,582	\$ 1,924,169	\$ 19,744,068

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, 2021

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Personnel Expenses:				
Salaries and benefits	\$ 6,046,095	\$ 648,845	\$ 1,330,480	\$ 8,025,420
Contractors/consultants	1,220,537	47,024	60,215	1,327,776
Total Personnel Expenses	7,266,632	695,869	1,390,695	9,353,196
Non-personnel Expenses:				
Grants, scholarships, and awards	1,498,550	-	-	1,498,550
Staff, project travel, and expenses	11,217	549	1,343	13,109
Information technology	468,910	11,035	73,285	553,230
Rent, utilities, and taxes	425,603	12,720	90,303	528,626
Printing, design, and copying	63,745	-	34,450	98,195
Facility, exhibiting, meals, and a/v fees	5,650	-	270	5,920
Meetings/receptions	2,126	261	4,474	6,861
Staff training and recruitment	67,310	56,769	15,350	139,429
Professional fees	34,004	112,133	2,210	148,347
Telecommunications	78,637	6,446	9,983	95,066
Depreciation and amortization	134,006	7,681	17,005	158,692
Postage and delivery	17,988	79	8,261	26,328
Board and committee meetings	3,520	17,226	-	20,746
Bank service charges	46,485	14	7,684	54,183
Supplies	9,694	48	1,025	10,767
Dues/subscriptions/library	28,023	884	30,304	59,211
Equipment lease and maintenance	10,287	274	1,733	12,294
Commercial insurance	-	39,548	-	39,548
Miscellaneous	3,958	2,307	3,001	9,266
Bad debt expense	127,212	-	-	127,212
Small equipment	715	-	-	715
Total Non-personnel Expenses	3,037,640	267,974	300,681	3,606,295
Total Expenses	\$ 10,304,272	\$ 963,843	\$ 1,691,376	\$ 12,959,491

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

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

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ (4,382,819)	\$ 3,816,493
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation and amortization	155,437	158,692
Provision for bad debt	11,401	127,212
Donated securities	(72,188)	(600,472)
Decrease in discount on promises to give	9,160	9,160
Realized and unrealized gains on investments	1,526,880	(553,636)
Forgiveness of Paycheck Protection Program loans	-	(1,234,200)
Change in operating assets and liabilities:		
Receivables	(183,949)	177,461
Contributions receivables, net	(191,290)	553,417
Prepaid expenses	10,662	(53,109)
Inventories	1,717	2,495
Right-to-use assets - operating	389,969	380,318
Deposits	(4,000)	1,000
Accounts payable and accrued expenses	(319,867)	(609,258)
Grants payable	477,750	(848,620)
Deferred revenue	1,438,466	(18,380)
Conditional contributions	(300,171)	(60,203)
Lease liability - operating	(424,523)	(399,967)
Net cash flows from operating activities	<u>(1,857,365)</u>	<u>848,403</u>
Cash flows from investing activities:		
Purchase of property and equipment	(473,625)	(287,123)
Purchase of investments	(3,855,794)	(6,156,536)
Proceeds from sale of investments	4,898,493	4,741,868
Net cash flows from investing activities	<u>569,074</u>	<u>(1,701,791)</u>
Cash flows from financing activities:		
Payments on lease liabilities - financing	(1,745)	(5,023)
Net cash flows from financing activities	<u>(1,745)</u>	<u>(5,023)</u>
Net change in cash and cash equivalents	(1,290,036)	(858,411)
Cash and cash equivalents, beginning of year	6,152,215	7,010,626
Cash and cash equivalents, end of year	<u>\$ 4,862,179</u>	<u>\$ 6,152,215</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, 2022 AND 2021

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 ensure 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 combined 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, 2022 AND 2021

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, 2022, the Alliance’s net assets consisted of net assets with donor restrictions of \$10,986,772, and net assets without donor restrictions of \$4,197,294. The Commission’s net assets consisted of net assets with donor restrictions of \$-0- and net assets without donor restrictions of \$1,018,936. The net assets of ARMS consisted of net assets without donor restrictions of \$8,978.

As of December 31, 2021, the Alliance’s net assets consisted of net assets with donor restrictions of \$13,843,445, and net assets without donor restrictions of \$5,664,969. The Commission’s net assets consisted of net assets with donor restrictions of \$-0- and net assets without donor restrictions of \$921,451. The net assets of ARMS consisted of net assets without donor restrictions of \$164,934.

Cash and Cash Equivalents – The Organization considers all highly liquid money market funds and certificates of deposit with original maturities of less than 90 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, 2022 AND 2021

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, 2022 or 2021.

Contributions Receivables – 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, 2022 or 2021.

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, 2022 or 2021.

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 \$2,500 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 to 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, 2022 AND 2021

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. Allocations are determined on the basis of full-time equivalents (“FTE”). FTEs are calculated based on estimated 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, 2022 or 2021.

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 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 (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, 2022 AND 2021

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 \$7,074 and \$25,262 for the years ended December 31, 2022 and 2021, 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 combined 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, 2022 and 2021. Promises to give consisted of the following:

	<u>2022</u>	<u>2021</u>
Promises to give in less than one year	\$ 3,334,532	\$ 2,151,787
Promises to give in one to four years	-	1,028,799
Less discount to net present value	-	16,783
	-	1,012,016
	<u>\$ 3,334,532</u>	<u>\$ 3,163,803</u>

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

DECEMBER 31, 2022 AND 2021

Note 3—Property and equipment

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Cost:		
Furniture and office equipment	\$ 528,201	\$ 670,670
Software	1,138,711	599,472
Construction in progress	125,642	210,000
Leasehold improvements	98,323	98,323
Right-of-use assets - financing	<u>22,725</u>	<u>22,725</u>
Total cost	1,913,602	1,601,190
Less accumulated depreciation and amortization	<u>1,188,485</u>	<u>1,194,261</u>
Net property and equipment	<u>\$ 725,117</u>	<u>\$ 406,929</u>

Depreciation and amortization expense was \$155,437 and \$158,692 for the years ended December 31, 2022 and 2021, respectively.

Note 4—Investments

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

	<u>2022</u>	<u>2021</u>
Certificates of deposit	\$ 3,990,529	\$ 3,715,144
Equity mutual funds	3,764,124	5,552,980
Money market mutual funds	1,405,073	2,619,663
Bond mutual funds	<u>2,073,777</u>	<u>1,843,107</u>
	<u>\$ 11,233,503</u>	<u>\$ 13,730,894</u>

Investment return consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividends from investments	\$ 211,239	\$ 129,895
Realized and unrealized (losses) gains on investments	<u>(1,526,880)</u>	<u>553,636</u>
	<u>\$ (1,315,641)</u>	<u>\$ 683,531</u>

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

DECEMBER 31, 2022 AND 2021

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, 2022			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Equity funds:				
Foreign large blend	\$ 631,148	\$ -	\$ -	\$ 631,148
Diversified emerging markets	471,747	-	-	471,747
Large growth	2,224,748	-	-	2,224,748
Large blend	65,168	-	-	65,168
Mid-cap blend	209,926	-	-	209,926
Small blend	161,387	-	-	161,387
U.S. equities	-	-	-	-
International equities	-	-	-	-
Total equity funds	<u>3,764,124</u>	<u>-</u>	<u>-</u>	<u>3,764,124</u>
Bond funds:				
High yield bond	585,753	-	-	585,753
Intermediate term bond	1,308,059	-	-	1,308,059
Short-term bond	179,965	-	-	179,965
Total bond funds	<u>2,073,777</u>	<u>-</u>	<u>-</u>	<u>2,073,777</u>
Money funds:				
Money market	1,405,073	-	-	1,405,073
Total money funds	<u>1,405,073</u>	<u>-</u>	<u>-</u>	<u>1,405,073</u>
Certificates of deposit	-	3,990,529	-	3,990,529
Total investments at fair value	<u>\$ 7,242,974</u>	<u>\$ 3,990,529</u>	<u>\$ -</u>	<u>\$ 11,233,503</u>
Promises to give	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,334,532</u>	<u>\$ 3,334,532</u>

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

DECEMBER 31, 2022 AND 2021

Note 5—Fair value measurements (continued)

	Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Equity funds:				
Foreign large blend	\$ 745,323	\$ -	\$ -	\$ 745,323
Diversified emerging markets	573,771	-	-	573,771
Large growth	3,690,034	-	-	3,690,034
Large blend	79,618	-	-	79,618
Mid-cap blend	258,231	-	-	258,231
Small blend	195,887	-	-	195,887
U.S. equities	10,116	-	-	10,116
International equities	-	-	-	-
Total equity funds	<u>5,552,980</u>	<u>-</u>	<u>-</u>	<u>5,552,980</u>
Bond funds:				
High yield bond	482,593	-	-	482,593
Intermediate term bond	1,223,559	-	-	1,223,559
Short-term bond	136,955	-	-	136,955
Total bond funds	<u>1,843,107</u>	<u>-</u>	<u>-</u>	<u>1,843,107</u>
Money funds:				
Money market	2,619,663	-	-	2,619,663
Total money funds	<u>2,619,663</u>	<u>-</u>	<u>-</u>	<u>2,619,663</u>
Certificates of deposit	-	3,715,144	-	3,715,144
Total investments at fair value	<u>\$ 10,015,750</u>	<u>\$ 3,715,144</u>	<u>\$ -</u>	<u>\$ 13,730,894</u>
Promises to give	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,163,803</u>	<u>\$ 3,163,803</u>

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

	2022	2021
Balance, beginning of year	\$ 3,163,803	\$ 3,853,592
New promises	1,364,238	-
Provision for bad debt	11,401	127,212
Change in discount to net present value	(16,783)	9,160
Collections	<u>(1,188,127)</u>	<u>(826,161)</u>
Balance, end of year	<u>\$ 3,334,532</u>	<u>\$ 3,163,803</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, 2022 AND 2021

Note 6—Net assets

Net assets without donor restrictions includes board-designated quasi endowment amounts of \$1,313,572 and \$1,584,045 as of December 31, 2022 and 2021, respectively. The remaining net assets without donor restrictions are undesignated.

Net assets with donor restrictions at December 31, 2022 and 2021 have been restricted by the donors for the following purpose restrictions:

	<u>2022</u>	<u>2021</u>
Program:		
Education and Capacity Building	\$ 4,093,504	\$ 5,437,620
Government relations and outreach	276,362	701,757
Conservation Permanence	1,113,776	1,680,425
Accreditation	1,383,551	2,595,642
Time restricted:		
National Office	989,278	300,000
Retained in perpetuity	<u>3,130,301</u>	<u>3,128,001</u>
Total net assets with donor restrictions	<u><u>\$ 10,986,772</u></u>	<u><u>\$ 13,843,445</u></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, 2022 AND 2021

Note 6—Net assets (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 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, 2022 or 2021.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2020	\$ 74,225	\$ 5,443,897	\$ 5,518,122
Investment return:			
Investment income	3,330	129,181	132,511
Net realized and unrealized gains	6,490	550,206	556,696
Total investment return	<u>9,820</u>	<u>679,387</u>	<u>689,207</u>
Contributions	1,500,000	2,050	1,502,050
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(214,800)</u>	<u>(214,800)</u>
Endowment net assets, December 31, 2021	<u>1,584,045</u>	<u>5,910,534</u>	<u>7,494,579</u>
Investment return:			
Investment income	(80,797)	278,897	198,100
Net realized and unrealized gains	<u>(189,676)</u>	<u>(1,317,052)</u>	<u>(1,506,728)</u>
Total investment return	<u>(270,473)</u>	<u>(1,038,155)</u>	<u>(1,308,628)</u>
Contributions	-	-	-
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(237,800)</u>	<u>(237,800)</u>
Endowment net assets, December 31, 2022	<u>\$ 1,313,572</u>	<u>\$ 4,634,579</u>	<u>\$ 5,948,151</u>

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

	<u>2022</u>	<u>2021</u>
Berkley Endowment	\$ 3,026,285	\$ 3,026,285
Kingsbury Browne Award Endowment	<u>104,016</u>	<u>101,716</u>
Total retained in perpetuity	<u>\$ 3,130,301</u>	<u>\$ 3,128,001</u>

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

DECEMBER 31, 2022 AND 2021

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, 2022 and 2021 was \$494,046 and \$403,411, respectively.

The Alliance may make non-elective, discretionary employer contributions under a 457(b) plan. For the years ended December 31, 2022 and 2021, 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. Below are the Organization's costs recognized in the combined statements of activities and changes in net assets for the years ended December 31, 2022 and 2021, as well as additional qualitative information relating to the Organization's operating and finance leases:

	<u>2022</u>	<u>2021</u>
Lease cost:		
Finance lease cost:		
Amortization of right-of-use assets	\$ 1,515	\$ 4,545
Interest on lease liabilities	23	293
Operating lease cost	481,665	482,255
Short-term lease cost	<u>38,093</u>	<u>19,548</u>
Total lease cost	<u>\$ 521,296</u>	<u>\$ 506,641</u>
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 752	\$ 293
Operating cash flows from operating leases	535,650	520,505
Financing cash flows from finance leases	1,745	5,023
Weighted-average remaining lease term - finance leases	-	1
Weighted-average remaining lease term - operating leases	-	6
Weighted-average discount rate - finance leases	0%	6%
Weighted-average discount rate - operating leases	0%	2%

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

DECEMBER 31, 2022 AND 2021

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,

2023	\$ 506,590
2024	519,244
2025	532,228
2026	545,541
2027	559,184
Thereafter	<u>187,923</u>
	2,850,710
Less amounts representing imputed interest	<u>(177,506)</u>
	<u>\$ 2,673,204</u>

Rent expense was \$510,160 and \$528,626 for the years ended December 31, 2022 and 2021, respectively.

Note 9—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 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, 2022 and 2021, the Organization had no borrowings on the line of credit.

Note 10—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, 2022 and 2021, cash balances exceeded FDIC limits by \$4,669,673 and \$5,773,673, 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, 2022, approximately 75% of the Organization’s promises to give were provided by four foundations. As of December 31, 2021, approximately 73% of the Organization’s promises to give were provided by three foundations.

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

DECEMBER 31, 2022 AND 2021

Note 10—Concentrations (continued)

As of December 31, 2022, approximately 28% of the Organization's support from individual and foundation donor contributions was provided by three donors. As of December 31, 2021, approximately 37% of the Organization's support from individual and foundation donor contributions was provided from one foundation and one individual.

Note 11—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 \$82,958 and \$75,160 for the years ended December 31, 2022 and 2021, respectively. In keeping with the principles of combination in Note 1, the resulting revenue and expense have been eliminated in the combined financial statements.

Note 12—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 13—Cash flow disclosures

The Organization paid \$752 and \$293 in interest for the years ended December 31, 2022 and 2021, respectively.

Note 14—Liquidity and availability

The table below represents financial assets available for general expenditures within one year at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 4,862,179	\$ 6,152,215
Receivables	242,303	58,354
Promises to give	3,334,532	3,163,803
Investments	<u>11,233,503</u>	<u>13,730,894</u>
Total financial assets	<u>19,672,517</u>	<u>23,105,266</u>
Less amounts not available to be used for general expenditures within one year:		
Net assets with donor restrictions	10,986,772	13,843,445
Endowment net assets without donor restrictions	<u>1,313,572</u>	<u>1,584,045</u>
Financial assets not available to be used within one year	<u>12,300,344</u>	<u>15,427,490</u>
Financial assets available to meet general expenditures within one year	<u>\$ 7,372,173</u>	<u>\$ 7,677,776</u>

THE LAND TRUST ALLIANCE, INC. AND AFFILIATES

NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 14—Liquidity and availability (continued)

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.

Note 15—Revenue recognition and contributions received

On January 1, 2019, the Organization adopted Accounting Standards Codification (“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.

Note 16—Payroll Protection loan

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 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, 2022 AND 2021

Note 16—Payroll Protection loan (continued)

The Organization received two loans under the Paycheck Protection Program (“PPP”) for amounts of \$1,103,800 for the Alliance and \$130,400 for the Commission, which were established under the Coronavirus Aid, Relief, and Economic Security 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, were fully forgiven by the SBA. As such, in conjunction with the forgiveness, \$1,234,200, was recorded in grants revenue in the accompanying combined statements of activities and changes in net assets for the year ended December 31, 2021.

Note 17—Subsequent events

The Organization has evaluated subsequent events through September 29, 2023, which is the date the combined financial statements were available to be issued. In January 2023, the Organization received a \$1,000,000 gift from the Shelby Davis Foundation. This gift has historically been received in December of each year but was delayed at the Foundation level and will be recognized in 2023 rather than 2022.

SUPPLEMENTARY SCHEDULES

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

DECEMBER 31, 2022

	<u>The Alliance</u>	<u>The Commission</u>	<u>ARMS</u>	<u>Elimination</u>	<u>Total</u>
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 3,791,245	\$ 1,070,934	\$ -	\$ -	\$ 4,862,179
Receivables	268,405	86,921	8,978	(122,001)	242,303
Contributions receivable	3,334,532	-	-	-	3,334,532
Investments	5,395,601	-	-	-	5,395,601
Prepaid expenses	381,673	15,005	-	-	396,678
Inventories	127	-	-	-	127
Total Current Assets	<u>13,171,583</u>	<u>1,172,860</u>	<u>8,978</u>	<u>(122,001)</u>	<u>14,231,420</u>
Property and equipment, net of accumulated depreciation	<u>716,658</u>	<u>8,459</u>	<u>-</u>	<u>-</u>	<u>725,117</u>
Other Assets:					
Right-to-use assets - operating	2,266,522	-	-	-	2,266,522
Investments	5,837,902	-	-	-	5,837,902
Deposits	79,903	7,500	-	-	87,403
Total Other Assets	<u>8,184,327</u>	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>8,191,827</u>
Total Assets	<u>\$ 22,072,568</u>	<u>\$ 1,188,819</u>	<u>\$ 8,978</u>	<u>\$ (122,001)</u>	<u>\$ 23,148,364</u>
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 605,122	\$ 169,883	\$ -	\$ (122,001)	\$ 653,004
Grants payable	862,023	-	-	-	862,023
Deferred revenue	2,708,527	-	-	-	2,708,527
Lease liability - operating	448,548	-	-	-	448,548
Conditional contributions	39,626	-	-	-	39,626
Total Current Liabilities	<u>4,663,846</u>	<u>169,883</u>	<u>-</u>	<u>(122,001)</u>	<u>4,711,728</u>
Other Liabilities:					
Lease liability - operating	<u>2,224,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,224,656</u>
Total Other Liabilities	<u>2,224,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,224,656</u>
Total Liabilities	<u>6,888,502</u>	<u>169,883</u>	<u>-</u>	<u>(122,001)</u>	<u>6,936,384</u>
NET ASSETS					
Without donor restrictions	4,197,294	1,018,936	8,978	-	5,225,208
With donor restrictions	10,986,772	-	-	-	10,986,772
Total Net Assets	<u>15,184,066</u>	<u>1,018,936</u>	<u>8,978</u>	<u>-</u>	<u>16,211,980</u>
Total Liabilities and Net Assets	<u>\$ 22,072,568</u>	<u>\$ 1,188,819</u>	<u>\$ 8,978</u>	<u>\$ (122,001)</u>	<u>\$ 23,148,364</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, 2022

	<u>The Alliance</u>	<u>The Commission</u>	<u>ARMS</u>	<u>Elimination</u>	<u>Total</u>
Support and Revenue:					
Grants	\$ 10,053,510	\$ -	\$ -	\$ -	\$ 10,053,510
Contributions:					
Individual memberships and donations	1,612,830	-	-	-	1,612,830
Other donations	121,649	232,800	-	(232,800)	121,649
Organizational memberships	2,310,127	-	-	-	2,310,127
Conference fees	1,136,617	-	-	-	1,136,617
Investment return	(1,315,641)	-	-	-	(1,315,641)
Accreditation fees	-	1,004,662	-	-	1,004,662
Donated services	7,074	-	-	-	7,074
Publication sales	12,014	-	-	-	12,014
Other programs	193,998	1,200	306,167	(82,958)	418,407
Total Support and Revenue	<u>14,132,178</u>	<u>1,238,662</u>	<u>306,167</u>	<u>(315,758)</u>	<u>15,361,249</u>
Expenses:					
Program services	15,509,437	1,036,515	462,123	(315,758)	16,692,317
Management and general	1,022,920	104,662	-	-	1,127,582
Fundraising	1,924,169	-	-	-	1,924,169
Total Expenses	<u>18,456,526</u>	<u>1,141,177</u>	<u>462,123</u>	<u>(315,758)</u>	<u>19,744,068</u>
Change in net assets	(4,324,348)	97,485	(155,956)	-	(4,382,819)
Net assets, beginning of year	<u>19,508,414</u>	<u>921,451</u>	<u>164,934</u>	<u>-</u>	<u>20,594,799</u>
Net assets, end of year	<u>\$ 15,184,066</u>	<u>\$ 1,018,936</u>	<u>\$ 8,978</u>	<u>\$ -</u>	<u>\$ 16,211,980</u>

See report of independent auditor.