

COLUMBIA LAND CONSERVANCY, INC.
FINANCIAL STATEMENTS
(and Report of Independent Auditors)

December 31, 2017
(with memorandum totals for December 31, 2016)

COLUMBIA LAND CONSERVANCY, INC.
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(with memorandum totals for December 31, 2016)

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PATTISON, KOSKEY, HOWE & BUCCI

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Columbia Land Conservancy, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of the Columbia Land Conservancy, Inc. (a not-for-profit organization) which comprise the statement of financial position as of December 31, 2017 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Columbia Land Conservancy, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

Another audit firm previously audited the Columbia Land Conservancy, Inc.'s December 31, 2016 financial statements, and it expressed an unmodified audit opinion on those audited financial statements in its report dated June 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Pattison, Koskey, Howe & Bucci, CPAs, P.C.

Valatie, New York
June 28, 2018

COLUMBIA LAND CONSERVANCY, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2017
(with memorandum totals for December 31, 2016)

	2017	2016 (memorandum only)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,104,885	\$ 1,510,449
Pledges receivable, current portion	527,039	160,160
Accounts receivable	12,048	1,488
Contributions receivable	117,640	-
Grants receivable	79,927	60,140
Prepaid expenses	58,584	49,111
Inventory	4,646	6,177
Total current assets	1,904,769	1,787,525
Property and equipment, net	1,160,127	1,296,451
Other assets:		
Investments	7,740,400	5,821,052
Pledges receivable, non-current portion	851,280	-
Land	7,366,490	4,338,490
Total other assets	15,958,170	10,159,542
Total assets	\$ 19,023,066	\$ 13,243,518
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 35,962	\$ 33,675
Accrued expenses	48,117	47,226
Deferred revenue	81,952	1,700
Other liabilities	2,026	2,026
Notes payable, current	7,436	16,167
Total current liabilities	175,493	100,794
Long-term liabilities:		
Notes payable, net of current portion	7,368	13,086
Total long-term liabilities	7,368	13,086
Total liabilities	182,861	113,880
Net assets:		
Unrestricted		
Property and equipment	1,145,323	1,296,451
Board designated	2,862,976	2,009,059
Unrestricted	394,148	740,273
Temporarily restricted	4,863,438	2,769,432
Permanently restricted	9,574,320	6,314,423
Total net assets	18,840,205	13,129,638
Total liabilities and net assets	\$ 19,023,066	\$ 13,243,518

See independent auditors' report and notes to financial statements.

COLUMBIA LAND CONSERVANCY, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2017
(with memorandum totals for the year ended December 31, 2016)

	2017			Total	2016 (memorandum only)
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating revenues and support:					
Annual support contributions	\$ 600,738	\$ 161	\$ -	\$ 600,899	\$ 1,038,096
Foundation grants	181,833	29,211	-	211,044	349,820
Corporate and business contributions	31,030	-	-	31,030	29,375
Capital campaign contributions	978,538	1,902,913	-	2,881,451	-
Government grants - other projects	35,000	54,947	-	89,947	4,000
Government grants - purchase of development rights	3,510,330	-	-	3,510,330	61,750
Fundraising events	20,569	-	-	20,569	17,145
Merchandise sales	17,502	-	-	17,502	15,602
Donated services	5,020	-	-	5,020	1,675
Land protection contributions	86,000	31,750	-	117,750	-
Program revenues	44,585	-	-	44,585	27,149
Rental income	23,720	-	-	23,720	24,100
Miscellaneous	2,895	-	-	2,895	14,178
Investment return - spending plan	115,109	-	-	115,109	-
Net assets released from restriction	484,558	(484,558)	-	-	-
Total Operating Revenues and Support	6,137,427	1,534,424	-	7,671,851	1,582,890
Operating expenses:					
Program					
Public conservation area management	380,482	-	-	380,482	417,413
Easement stewardship and management	148,000	-	-	148,000	111,130
Land protection activities	655,606	-	-	655,606	549,504
Purchase of development rights	3,500,440	-	-	3,500,440	-
Community outreach and education	256,745	-	-	256,745	389,941
Total program expenses	4,941,273	-	-	4,941,273	1,467,988
Supporting Services					
Management and General	200,698	-	-	200,698	187,939
Fundraising	342,143	-	-	342,143	236,530
Total Supporting Services	542,841	-	-	542,841	424,469
Total Operating Expenses	5,484,114	-	-	5,484,114	1,892,457
Increase (decrease) in net assets from operating activities	653,313	1,534,424	-	2,187,737	(309,567)
Non-operating activities:					
Realized gain on investments	28,109	221,336	-	249,445	777
Unrealized gain on investments	16,918	338,646	-	355,564	198,141
Dividend and interest income, net of expenses of \$20,960	14,717	114,709	-	129,426	92,866
Endowment contributions- capital campaign	-	-	35,897	35,897	-
Donated land - Overmountain Conservation Area	-	-	3,224,000	3,224,000	-
Write down of property held for sale	(196,000)	-	-	(196,000)	-
Write down of donated building	(56,000)	-	-	(56,000)	-
Loss on disposal of fixed assets	(104,393)	-	-	(104,393)	(31,570)
Investment return - spending plan	-	(115,109)	-	(115,109)	-
Increase (decrease) in net assets from non-operating activities	(296,649)	559,582	3,259,897	3,522,830	259,437
Increase in net assets	356,664	2,094,006	3,259,897	5,710,567	(50,130)
Net assets, beginning of year	4,045,783	2,769,432	6,314,423	13,129,638	13,179,768
Net assets, end of year	\$ 4,402,447	\$ 4,863,438	\$ 9,574,320	\$ 18,840,205	\$ 13,129,638

See independent auditors' report and notes to financial statements.

COLUMBIA LAND CONSERVANCY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2017
(with memorandum totals for the year ended December 31, 2016)

	2017							2016	
	Public Conservation Area Management	Easement Stewardship and Management	Land Protection Activities	Community Outreach and Education	Total Program	General and Administration	Fundraising and Development	Total	Total (memorandum only)
Staff salaries	\$ 144,742	\$ 81,675	\$ 324,051	\$ 124,556	\$ 675,024	\$ 90,957	\$ 158,420	\$ 924,401	\$ 899,344
Taxes and benefits	30,495	27,689	68,151	26,183	152,518	26,236	31,283	210,037	196,447
Professional development	839	2,170	3,411	329	6,749	6,474	2,159	15,382	18,206
Advertising and marketing	-	-	-	4,959	4,959	150	285	5,394	6,060
Banking and credit card services	790	522	1,786	693	3,791	463	706	4,960	5,478
Board and committees	453	299	1,022	397	2,171	265	405	2,841	3,618
Catering and event services	-	-	3,512	24,343	27,855	1,055	5,020	33,930	67,038
Consulting services	13,325	-	59,888	5,834	79,047	-	83,627	162,674	85,953
Depreciation	62,826	2,757	7,437	4,576	77,596	4,693	845	83,134	86,398
Donations to other organizations	2,000	750	10,100	1,100	13,950	3,500	-	17,450	12,996
Donor/volunteer expenses	-	-	-	279	279	-	-	279	11
Duplication	274	181	618	240	1,313	160	244	1,717	1,075
Equipment and fixtures	5,446	2,535	5,770	3,170	16,921	3,087	8,309	28,317	27,225
In-kind services and materials	-	-	-	4,920	4,920	100	-	5,020	1,675
Insurance	4,412	12,288	2,942	-	19,642	27,958	657	48,257	42,270
Memberships and subscriptions	268	177	3,255	235	3,935	157	385	4,477	13,337
Merchandise	-	-	-	12,073	12,073	-	-	12,073	8,779
Miscellaneous	1,216	-	-	150	1,366	1,716	1,025	4,107	26,718
Occupancy	5,898	2,913	7,295	4,700	20,806	4,601	828	26,235	25,727
Payroll services	822	543	1,856	721	3,942	481	734	5,157	4,592
Payments in lieu of taxes	10,194	-	5,099	-	15,293	-	-	15,293	12,370
PCA vehicle expense	8,265	-	-	-	8,265	-	-	8,265	10,016
Postage/shipping/storage	672	3,012	2,702	1,671	8,057	416	4,974	13,447	12,649
Printing and design	11,955	1,256	7,315	22,799	43,325	25	21,498	64,848	44,322
Professional fees	-	4,393	56,728	-	61,121	15,810	-	76,931	46,523
Property maintenance and improvements	60,547	-	31,485	-	92,032	6,546	-	98,578	105,416
Recruitment	1,206	-	6,524	-	7,730	-	-	7,730	1,081
Staff travel	-	645	170	229	1,044	2,395	371	3,810	1,484
Supplies and services	13,565	4,195	13,480	12,588	43,828	2,756	20,166	66,750	72,386
Surveys and filings	-	-	26,349	-	26,349	-	-	26,349	12,854
Purchase of development rights	-	-	3,500,440	-	3,500,440	-	-	3,500,440	19,882
Interest	272	-	-	-	272	674	-	946	749
Investment fees	-	-	-	-	-	23	202	225	-
Trade land	-	-	4,660	-	4,660	-	-	4,660	19,778
	<u>\$ 380,482</u>	<u>\$ 148,000</u>	<u>\$ 4,156,046</u>	<u>\$ 256,745</u>	<u>\$ 4,941,273</u>	<u>\$ 200,698</u>	<u>\$ 342,143</u>	<u>\$ 5,484,114</u>	<u>\$ 1,892,457</u>

See independent auditors' report and notes to financial statements.

COLUMBIA LAND CONSERVANCY, INC.
STATEMENT OF CASH FLOWS
Year ended December 31, 2017
(with memorandum totals for the year ended December 31, 2016)

	2017	2016 (memorandum only)
Cash Flows From Operating Activities:		
Change in net assets	\$ 5,710,567	\$ (50,130)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	83,134	86,398
Donated land	(3,224,000)	-
Realized and unrealized gains	(605,009)	(198,919)
Loss on disposal of assets	104,393	31,570
Restricted contributions for endowment	(35,897)	-
Write down of land property held for sale	196,000	-
Bad debt expense	-	22,338
Changes in:		
Pledges receivable	(1,218,159)	(8,549)
Accounts receivable	(10,560)	(20,873)
Grants receivable	(19,787)	(21,090)
Contributions receivable	(117,640)	-
Prepaid expenses	(9,473)	(3,644)
Inventory	1,531	(832)
Accounts payable	2,287	17,590
Accrued expenses	891	4,983
Deferred revenue	80,252	550
Other liabilities	-	(8,267)
Total adjustments	(4,772,037)	(98,745)
Net cash provided by (used for) operating activities	938,530	(148,875)
Cash Flows From Investing Activities:		
Proceeds from sale of investments	6,591,423	514,236
Purchases of investments	(7,869,865)	(1,874,349)
Proceeds from sale of assets	-	112,169
Collections on mortgage receivable	-	5,088
Purchase of fixed assets	(51,203)	(123,777)
Net cash used for investing activities	(1,329,645)	(1,366,633)
Cash Flows From Financing Activities:		
Restricted contributions for endowment	35,897	-
Proceeds of line of credit/long-term debt	-	25,028
Repayment of line of credit/long-term debt	(14,449)	(140,647)
Net cash used for financing activities	(14,449)	(115,619)
Decrease in cash and cash equivalents	(405,564)	(1,631,127)
Cash and cash equivalents, beginning of year	1,510,449	3,141,576
Cash and cash equivalents, end of year	\$ 1,104,885	\$ 1,510,449
Supplemental disclosure of cash flow information:		
Interest paid	\$ 946	\$ 749
Write-off of donated building	\$ 56,000	\$ -
Donated stock	\$ 578,466	\$ 100,972

See independent auditors' report and notes to financial statements.

COLUMBIA LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

1. Organization and Nature of Operations:

The Columbia Land Conservancy, Inc., (the "Organization" or "CLC") is a non-profit land trust that works with the community to conserve the farmland, forests, wildlife habitat, and rural character of Columbia County, New York. CLC is located in Chatham, New York. It receives its support from private donations, program fees, investment income, and private and government grants.

Program Services:

Land Protection – the Columbia Land Conservancy, Inc. employs a three-pronged programmatic approach to its land protection mission.

- *Conservation Easements* - CLC helps families and individuals protect privately owned land including, but not limited to, working farmlands, by creating, accepting and stewarding conservation easements, ensuring the owner's conservation vision will be upheld forever.
- *Support of land use planning and community projects* - Working with municipalities, communities and conservation groups, CLC encourages land use planning practices and procedures that support protection of the county's rich conservation resources and helps to implement local conservation efforts, including fundraising, acquisition, site planning, and the like for creation of public open spaces, trail building, training of local officials and volunteers, and stewardship of land for habitat, recreation, and education.
- *Support for agriculture* - CLC believes that a strong and vibrant farm sector is, among other things, an important conservation asset to this area, where centuries of farming have left an indelible mark on the county's lands, conservation resources, and scenic attributes. CLC works to find ways to support an active and resurgent agricultural community, including the development and implementation of innovative strategies to provide new farmers, and farmers who want to expand their operation, opportunities to farm land that might otherwise be unaffordable to them.

Community Outreach and Education: CLC works to communicate its mission and the importance of conservation throughout the County with an active and aggressive program of public information and advocacy for conservation values. Among other things, the Organization provides numerous informational programs to community groups, issues frequent press releases about its programs and projects, maintains a substantive and active web site and Facebook presence, and supports a monthly column about conservation matters in the major local newspaper. CLC also offers regular outdoor education and recreation opportunities for the general public to promote an appreciation for the natural resources and landscapes within Columbia County.

See independent auditors' report

COLUMBIA LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

1. Organization and Nature of Operations (Continued):

Program Services (Continued):

Easement Stewardship - CLC is responsible for ensuring that the goals of every conservation easement CLC holds are respected in perpetuity. CLC monitors its easement properties by air each year and visits every property on the ground in alternating years to ensure the terms of the easement are being upheld and appropriate action is taken in accordance with best professional standards and practices, if and when necessary.

Public Conservation Areas - CLC owns 13 public conservation areas (PCAs). Ten PCAs are open to the public for hiking and outdoor enjoyment. They are maintained for wildlife habitat, recreation, and CLC's educational programs. The areas offer a diversity of experiences and ecosystems. Three PCAs are not yet open to the public. CLC also manages one public preserve for Scenic Hudson Land Trust, Inc. (See Note 12).

2. Summary of Significant Accounting Policies:

Basis of Accounting:

The accounts and financial statements are maintained and presented using the accrual basis of accounting. Revenues are recognized when earned. Expenses are recognized when incurred.

Summarized Comparative Information:

Amounts show for December 31, 2016, in the accompanying statements are included to provide a basis for comparison with December 31, 2017 and present summarized totals only. Accordingly, the December 31, 2016 amounts are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

Contributions:

CLC accounts for contributions in accordance with FASB ASC 958-605 "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the nature of any donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period in which the contribution or promises to give are received. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

See independent auditors' report.

COLUMBIA LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

2. Summary of Significant Accounting Policies (Continued):

Contributions (Continued):

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when such assets are placed in service.

Financial Statement Presentation:

CLC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. A description of the three net asset categories are as follows:

- Unrestricted: Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.
- Temporarily Restricted: Net assets whose use by CLC is subject to donor-imposed restrictions that can be fulfilled by actions of CLC pursuant to those restrictions or that expire with the passage of time.
- Permanently Restricted: Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization.

Revenues are reported as increases in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Operating activities include investment return to support the current year operating budget. Non-operating activities include investment return related to the Organization's board and donor restricted endowment, less amounts authorized to support the current year operating budget. Non-operating activities also include donor contributions to the endowment, as well as contributions of donated land and disposals of property.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 amounts could differ from those estimates.

Cash Equivalents:

For the purpose of the statement of cash flows, CLC considers cash equivalents to be investments with maturities of three months or less at acquisition date.

See independent auditors' report.

COLUMBIA LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

2. Summary of Significant Accounting Policies (Continued):

Accounts and Grants Receivable:

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debts expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable.

Pledges Receivable:

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flow. The discounts on those amounts are computed using a risk-free interest rate, adjusted for donor risk where necessary, applicable to the year in which the promise was received and the duration of the commitment. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

An allowance is made for uncollectible promises to give based upon management's judgement and analysis of creditworthiness of the donors, past collection experience, and other relevant factors. No allowance for uncollectible promises to give was deemed necessary for the year ended December 31, 2017.

Inventory:

Inventory consists of items for sale at the CLC store and is stated at the lower of cost or net realizable value determined by the first-in, first-out method.

Investments:

Investments consist of certificates of deposit, municipal bonds, publicly traded mutual funds, purchased and recorded at cost on a trade date basis or received as contributions and recorded at fair value as of the date received. Recorded amounts are adjusted to fair value at year end. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities as an increase or decrease in unrestricted net assets unless the income or loss is restricted by donor or law. The average cost method is primarily used to determine the basis for computing realized gains or losses.

Property, Equipment and Depreciation:

Property and equipment with a value of \$1,000 or greater is recorded at cost. Donated property and equipment is recorded at fair market value as of the date of donation. Expenditures for maintenance and repairs are charged to expense when incurred. Gains and losses from sales or other dispositions of depreciable property are included in current operations. Depreciation of property and equipment is provided over the useful lives of the assets using the straight-line method.

See independent auditors' report.

COLUMBIA LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

2. Summary of Significant Accounting Policies (Continued):

Land:

CLC records both acquisitions and conveyances at cost if purchased or at fair value at the date of acquisition, if all or part of the land was received as a donation. Fair value is generally determined by appraisal.

- Values are primarily based on independent professional appraisals performed for the Organization or on appraised values determined or adopted by public agencies.
- Where neither of the foregoing sources is readily available, CLC may use the full cash value as established by the local tax assessor, cost if the cash value is minimal, or internal estimates based on staff analyses.
- Where a current appraisal is available from a professionally qualified independent appraiser retained by a third party, such value may be adopted when CLC is satisfied that the appraisal is reasonable.

Easements:

Conservation easements are voluntary legal agreements by which landowners can elect to ensure permanent protection of the conservation values of their property. Easement donors continue to own the property in fee, with the right to live on, rent, mortgage or convey their land subject only to use restrictions and, sometimes, site planning constraints set out in the easement. CLC does not attribute value to the easements held. Easements are not marketable interests in real estate, and have no segregable economic value to CLC. Indeed, the easements impose on CLC a perpetual obligation to monitor and steward the properties, the costs of which are an on-going expense in CLC's annual budget.

Functional Expense Allocations:

Management has performed occupancy (square-footage) and time studies of administrative costs and personnel to enable the finance office to allocate indirect costs to all departments that benefit from the expense. Expenses, such as salaries and benefits, office expense, depreciation and general professional services have been allocated among program services, development, and management and support services classifications based primarily on employee ratios, space occupied, and on estimates made by CLC's management.

Advertising Costs:

Advertising costs are expensed as incurred. Total advertising costs were \$5,394 for the year ended December 31, 2017.

Presentation of Sales Taxes:

New York imposes sales tax on CLC's sales of certain merchandise to non-exempt customers. CLC collects the sales tax from customers and remits the entire amount to the state. The accounting policy is to exclude the tax collected and remitted to the state from revenues and cost of sales.

See independent auditors' report.

COLUMBIA LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

2. Summary of Significant Accounting Policies (Continued):

Income Taxes:

Columbia Land Conservancy, Inc. has been granted an exemption from Federal income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has classified CLC as other than a private foundation. The State of New York also recognizes this classification.

The Organization has evaluated any uncertain tax positions and related income tax contingencies and determined any uncertain positions, if any, are not material to the financial statements, according to FASB ASC 740-10. Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred. The Organization is no longer subject to examination by federal and state taxing authorities for years prior to the year ended December 31, 2014.

Payments in Lieu of Taxes (PILOT):

While CLC is exempt from property tax on the lands it owns for public access and conservation purposes, it is the Organization's policy to make annual PILOT payments to the town or village in which the public conservation areas that it owns are located.

Donated Services, Goods and Facilities:

A substantial number of volunteers have donated hours to the Organization's program services and fundraising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services, legal services and specialized skills, which enhanced or created a financial asset, are reflected in the statement of activities at their fair value.

Concentrations of Credit and Market Risk:

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash is maintained at FDIC insured financial institutions and credit exposure is limited to any one institution. The Organization has not experienced any losses on its cash balances. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents. The Organization places its cash and cash equivalents with high credit quality institutions.

Reclassifications:

Certain reclassifications have been made to the prior year information to conform to the current year presentation.

See independent auditors' report.

COLUMBIA LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

2. Summary of Significant Accounting Policies (Continued):

Subsequent Events:

Subsequent events have been evaluated through June 28, 2018, which is the date the financial statements were available to be issued.

In late May and early June 2018, CLC closed on two easement projects funded by the 2016 New York State Department of Ag & Markets Farmland Protection Implementation grant program totaling \$1,592,387. These projects permanently protect 365 acres of farmland in Columbia County through the purchase of development rights.

In June 2018, CLC closed on one easement project funded by grants awarded by the USDA Agricultural Land Easement program and the NYS Ag & Markets Hudson Valley Agricultural Enhancement Program totaling \$217,000. This project permanently protects a 120-acre farm in Columbia County through both the purchase of development rights and a preemptive purchase right (farmland affordability covenant).

3. Concentration of Credit Risk:

At year end and at various times during the year, the Organization may have amounts on deposit with the bank that exceed Federal Deposit Insurance Corporation limits. As of December 31, 2017, cash and cash equivalents of \$647,217 were in excess of FDIC coverage.

4. Pledges Receivable:

Pledges receivable as of December 31, 2017, relate mainly to the Organization's capital campaign.

After receiving a leadership gift of \$2.4 million dollars in late 2015, CLC began planning a capital campaign and in 2017 launched *Columbia County Tomorrow: Our Heritage, Our Future* with a goal to raise at least \$7,000,000. This campaign will increase CLC's capacity and strengthen the organization's ability to continue to work effectively and strategically. The campaign proceeds will support three broad initiatives. They include: 1) the Legacy Lands Fund will enhance the existing permanently restricted endowment for the management of CLC's public conservation areas (previous named the PCA management fund); 2) the Farm and Forest Fund, will be used to support CLC's efforts to secure and protect properties of high conservation value as they come on the market; and 3) the Community Engagement Fund focuses on connecting people with the land. This initiative will enable CLC to expand its capacity to provide outdoor education, work more closely with County schools and community-based youth organizations, assist landowners looking to CLC for guidance on how to manage their property, and support planning, trail building, and create municipal parkland by providing additional resources to municipal officials and community groups. Funds that are not directed to an initiative will be allocated to the Capital Campaign General Fund which is an Unrestricted Board Designated fund. Once the campaign is completed, the Board will designate an unrestricted portion from this fund to the three funds listed above.

See independent auditors' report.

COLUMBIA LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

4. Pledges Receivable (continued):

As of December 31, 2017, the campaign has raised \$5,375,991 in the form of contributions and pledges to the capital campaign, including the \$2.4 million dollars received in 2015. These funds were designated as follows and represent amounts pledged prior to discounting:

Legacy Lands Fund	\$ 2,437,649
Farm and Forest Fund	629,975
Community Engagement Fund	12,575
General Fund	2,295,792
	<u>\$ 5,375,991</u>

Pledges receivable at December 31, 2017 related to this campaign consist of the following:

Pledges receivable, current portion	\$ 527,039
Total current	<u>527,039</u>
Pledges receivable, non-current portion	909,509
Less: Discount	(58,229)
Total non-current	<u>851,280</u>
Pledges receivable	<u>\$ 1,378,319</u>

Pledges receivable at December 31, 2017 are expected to be realized as follows:

2018	\$	527,039
2019		334,630
2020		275,296
2021		234,583
2022		25,000
Thereafter		40,000
Total		<u>1,436,548</u>
Discount		(58,229)
Net Present Value	\$	<u>1,378,319</u>

See independent auditors' report.

COLUMBIA LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

5. Investments:

Columbia Land Conservancy, Inc.'s investment policy conforms to NYPMIFA (New York Prudent Management of Institutional Funds Act). The primary investment objective of CLC is to preserve, protect, and enhance its assets, by earning a total return for each fund appropriate to each fund's time horizon, liquidity needs and risk tolerance. This objective is achieved through the use of a portfolio that is diversified across a number of asset classes in a manner that management believes will balance the long-term total return objective while minimizing risk. The purpose of such diversification is to provide reasonable assurance that no single security, investment style, or asset class will have a disproportionate impact on the portfolio's aggregate results.

With approval from the Executive Committee, CLC may recognize as annual operating revenue a maximum of 3.5% of the five-year rolling average of certain endowment funds each fiscal year. Such revenues are generally transferred from endowment funds in the last month of each fiscal year. Other funds have been established for the express purpose of directly reimbursing CLC for annual expenditures and the Organization draws those funds, if available, during the year the expenses are incurred.

During the year ended December 31, 2017, the Organization sold its securities held with RBC Wealth Management and Berkshire Taconic Community Foundation and reinvested the proceeds in Vanguard.

CLC invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Investments, stated at fair value, at December 31, 2017, are as follows:

	Cost	Unrealized Gain (Loss)	Fair Value	FASB ASC 820 Measurements
Certificates of deposit	\$ 115,000	\$ 521	\$ 115,521	Level 1
Mutual funds:				
Equity	3,894,424	373,445	4,267,869	Level 1
Fixed income	2,717,649	(17,809)	2,699,840	Level 1
Real estate	267,609	2,234	269,843	Level 1
Money market fund	304,592	-	304,592	Level 1
Municipal bonds	78,888	1,607	80,495	Level 2
Accrued interest	2,240	-	2,240	N/A
Total Investments	<u>\$ 7,380,402</u>	<u>\$ 359,998</u>	<u>\$ 7,740,400</u>	

A portion of the above portfolio is considered permanently restricted (see Note 14).

See independent auditors' report.

COLUMBIA LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

5. Investments (Continued):

Investments are measured at fair value on a recurring basis. In accordance with FASB ASC 820-10, fair value measurements are identified as Level 1, Level 2 or Level 3. Level 1 fair value is based on quoted prices in active markets for identical assets/liabilities. Level 2 fair value is based on significant other observable inputs such as quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets in markets that are not active, and inputs other than quoted prices. Level 3 fair value is based on significant unobservable inputs for the asset or liability. See above for classification of the Organization's investments.

Investments in mutual funds are valued based on quoted market prices within active markets. Investments in bonds are valued based on prices obtained from a pricing service using primarily matrix pricing, which considers observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, credit information, and the bond's terms and conditions, among other things. Certificates of deposit are stated based upon similar certificates of deposit available in the market.

6. Property and Equipment:

A summary of property and equipment as of December 31, 2017, is as follows:

<u>Operational Assets</u>		<u>Useful Lives</u>
Land-Main St. office building, Chatham	\$ 25,000	n/a
Buildings and improvements	578,588	39-39.5 years
Furniture and fixtures	<u>203,831</u>	3-7 years
 Total operational assets	 807,419	
Less: accumulated depreciation	<u>(364,758)</u>	
Net Operational Assets	<u>442,661</u>	
 <u>Public Conservation Areas</u>		
Buildings and improvements	1,009,950	5-39 years
Equipment and vehicles	<u>197,507</u>	5-7 years
 Total Public Conservation Areas	 1,207,457	
Less: accumulated depreciation	<u>(489,991)</u>	
Net Public Conservation Areas	<u>717,466</u>	
 Total Property and Equipment	 <u>\$ 1,160,127</u>	

Total depreciation expense recorded for the year ended December 31, 2017 was \$83,134.

See independent auditors' report.

COLUMBIA LAND CONSERVANCY, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2017

7. Land:

Land consists of the following as of December 31, 2017:

Land-public conservation areas-permanently restricted	\$	5,684,779
Other temporarily restricted property		36,500
Land-public conservation areas-board designated		1,378,678
Other land - unrestricted		266,533
	<u>\$</u>	<u>7,366,490</u>

Land - public conservation areas - CLC owns 13 conservation areas: Drowned Lands Swamp Conservation Area, Bardwell Conservation Area, Borden’s Pond Conservation Area, High Falls Conservation Area, Hand Hollow Conservation Area, Bloody Hill Conservation Area, Schor Conservation Area, Round Ball Mountain Conservation Area, Siegel-Kline Kill Conservation Area, Greenport Conservation Area, Ooms Conservation Area, Harris Conservation Area, and Overmountain Conservation Area. The properties are recorded at appraised values at acquisition based on the determination that the properties will be operated as public conservation areas in perpetuity. CLC also manages one additional conservation area as described in Note 12.

Public conservation areas are of two types:

- Permanently restricted, which represent properties donated or bequeathed to CLC to be held in perpetuity as public conservation areas and properties purchased with funds specifically donated to CLC for the purchase of property to be held in perpetuity as public conservation areas.
- Board designated, which represent properties purchased by CLC or unrestricted property donated to the Organization and converted to public conservation areas.

Other Land - Unrestricted- Other unrestricted land consists of several parcels that were gifted, bequeathed or purchased by the Organization. When a determination has been made as to the disposition of these properties, the property will either be improved as appropriate and transferred to “Land - Public Conservation Areas” or sold with the proceeds to be used to support CLC’s programmatic activities.

8. Deferred Revenue:

Deferred revenue results from current year collections for services to be performed in the subsequent year and will be recognized as revenue in the period earned. Payments received in advance for grants that contain contingencies are treated as deferred revenue until the contingency is met. Sponsorship money received in advance of the period covered are deferred until the terms of the sponsorship are met. As of December 31, 2017, deferred revenue is comprised of \$29,985 for 2018 sponsorships and \$51,967 of purchase development rights (PDR) grant funds received in advance.

See independent auditors’ report.

COLUMBIA LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

9. Line of Credit:

CLC maintains a line of credit that is due on demand with variable interest (5.99% at December 31, 2017); available balance of \$260,000 at December 31, 2017. There was no outstanding balance as of December 31, 2017.

10. Notes Payable:

Notes payable were comprised of the following as of December 31, 2017:

Note payable, Ford Motor, 1.9% interest bearing, collateralized by a vehicle; monthly payments of \$599, final payment due in March 2018.	\$ 577
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Note payable, Ford Motor, 5.99% interest bearing, collateralized by a vehicle; monthly payments of \$369, final payment due in March 2020.	9,019
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Note payable, ACP Power Equipment, non-interest bearing, collateralized by machinery; monthly payments of \$220, final payment due in January 2018.	207
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Note payable, ACP Power Equipment, non-interest bearing, collateralized by machinery; monthly payments of \$221, final payment due in September 2019.	5,001
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Total	14,804
Less: current portion	7,436
Long-term Debt	\$ 7,368

Notes payable are expected to mature as follows:

2018	\$ 7,436	
2019	6,595	
2020	773	
	\$ 14,804	

See independent auditors' report.

COLUMBIA LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

11. Operating Leases:

During the year ended December 31, 2017, the Organization entered into a copier lease agreement. Total lease expense under this agreement was \$1,633 for the year ended December 31, 2017. Future minimum lease payments as of December 31, 2017 are as follows:

2018	\$	2,921
2019		2,921
2020		2,921
2021		2,921
2022		243
	\$	<u>11,927</u>

12. Commitments:

Easements and Public Conservation Areas:

Acceptance of easements and permanently restricted public conservation areas impose on the Organization a perpetual obligation to monitor and steward the properties.

During the year ended December 31, 2017, the Organization closed on 9 easements, adding 1,334 acres of protected land. As of December 31, 2017, CLC holds a total of 196 easements on 27,474 acres in Columbia County. During the year ended December 31, 2017 CLC's expense for monitoring and stewarding easements was \$148,000. In 2017, CLC also completed four easement amendments. Two of the amendments were older conservation easements which were corrected and updated for mapping errors. One amendment relocated a building envelope to a less visible location from the public road, and established a more extensive environmental protection area. And one reconfigured building envelopes (decreased the size) for less impact on the land, and also increased the environmental protection area to better protect a pond and stream corridor. All of the amendments resulted in a net conservation gain.

Harrier Hill Park:

The Organization has entered into a contract to monitor, maintain and provide certain management services at Harrier Hill Park in Stockport, NY. The property is owned by the Scenic Hudson Land Trust, Inc. (SHLT). The contract requires SHLT to pay the Organization \$4,000 per year for site management and monitoring as well as reimburse the Organization for any repairs made to the site; repairs greater than \$100 must be preapproved by Scenic Hudson Land Trust, Inc.

Farmer Landowner Match Program:

CLC entered into an agreement with Dutchess Land Conservancy, Inc. (DLC) to provide programmatic services expanding the scope of the existing Farmer Landowner Match Program from Columbia County into Dutchess County. Dutchess Land Conservancy, Inc. agreed to, among other terms, to pay a \$3,000 upfront fee and \$1,000 per month to Columbia Land Conservancy, Inc. for staff time related to this program.

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COLUMBIA LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

13. Board Designated Net Assets:

Board Designated net assets are comprised of two components:

Board Designated for investment	\$ 1,484,298
Board Designated Public Conservation Areas	
Schor Conservation Area	590,750
Round Ball Mountain Conservation Area	612,000
Hand Hollow Conservation Area	175,928
Total board designated PCAs	<u>1,378,678</u>
Total Board Designated net assets	<u>\$ 2,862,976</u>

The funds designated for investment are the accumulated contributions and earnings from a capital campaign endeavor in 2001, plus 2017 capital campaign contributions, as well as additional amounts approved by the Board on an annual basis. The funds are intended to support the on-going operations of CLC and may be used only with approval from CLC's Board of Trustees.

The public conservation areas listed above are properties purchased with unrestricted assets or properties gifted with no restrictions and converted into public conservation areas.

14. Restricted Net Assets:

Permanently restricted assets total \$9,574,320 at December 31, 2017. These assets are comprised of \$5,684,779 in land that was gifted or bequeathed to CLC to use as public conservation areas or purchased with funds restricted for the express purpose of acquiring land for a public conservation area (PCA). The additional \$3,889,541 is funds from, and restricted by, donors in perpetuity for specific uses. These funds included endowments for specific PCA sites, a general PCA management endowment, a PCA staff endowment and a staff housing endowment fund. The PCA related endowments are intended to generate funds to maintain and improve all PCA sites, to support PCA staff and offset direct expenses for specific sites. The staff housing endowment is designated for upkeep and improvement of housing that CLC owns in part to provide quality, affordable housing for the staff and to otherwise support staff housing expenses. All earnings and appreciation derived from the investment of permanently restricted endowments are recorded as temporarily restricted net assets.

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COLUMBIA LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

14. Restricted Net Assets (Continued):

Endowment composition by type of fund is as of December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 816,130	\$ 3,889,541	\$ 4,705,671

Changes in endowment net assets for the year ended December 31, 2017 are as follows:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Beginning balance December 31, 2016	\$ -	\$ 449,797	\$ 3,853,644	\$ 4,303,441
Interest and dividends	-	95,639	-	95,639
Realized gains	-	73,528	-	73,528
Unrealized gains	-	328,924	-	328,924
Investment fees	-	(13,591)	-	(13,591)
Contributions	-	-	35,897	35,897
Reclassification	-	(3,058)	-	(3,058)
Appropriated for expenditure	-	(115,109)	-	(115,109)
Ending balance December 31, 2017	\$ -	\$ 816,130	\$ 3,889,541	\$ 4,705,671

Endowment fund balance is comprised of the following as of December 31, 2017:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Investments	\$ -	\$ 816,130	\$ 3,853,644	\$ 4,669,774
Cash to be invested	-	-	75	75
Pledge receivable, net discount	-	-	35,822	35,822
Total	\$ -	\$ 816,130	\$ 3,889,541	\$ 4,705,671

See independent auditors' report.

COLUMBIA LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

14. Restricted Net Assets (Continued):

Restricted net assets at December 31, 2017 are held as follows:

Land:	Permanently Restricted	Temporarily Restricted
Public Conservation Area lands	\$ 5,684,779	\$ -
Other land held	-	36,500
Total restricted land held	5,684,779	36,500
Other restricted assets held for the following purposes:		
<i>Capital Campaign Funds</i>		
Columbia County Community Engagement	-	11,842
Columbia County Farm & Forest	-	45,817
General Fund (Time Restricted)	-	1,262,238
Columbia County Legacy Lands (PCA management)	3,120,471	685,202
Thompson Finch Farm Initiative	-	589,895
<i>Public Conservation Area site management funds</i>		
Bardwell Conservation Area	4,000	1,107
Borden Pond Conservation Area	71,904	13,300
Drowned Lands Swamp	34,275	9,162
Hand Hollow-Woodruff Memorial Gifts	-	2,410
Hillsdale Community Wetlands	20,000	460
Ooms Conservation Area	38,891	5,052
Overmountain Conservation Area	-	309,183
PCA Staffing Endowment	500,000	100,402
Round Ball Conservation Area	-	19,833
Siegel-Kline Kill Conservation Area	-	36,382
<i>Community Outreach/Special Projects</i>		
Founders Fund	-	364,779
Niverville Community Park	-	429
Wetlands Mitigation Fund	-	24,611
<i>Other Designated Funds</i>		
Conservation Easement Stewardship & Legal Defense	-	1,321,721
Staff Housing Endowment	100,000	1,445
<i>Grants</i>		
Berkshire Taconic - Quailwood Fund (Schor PCA)	-	3,667
Janey Fund Charitable Trust (2018 General Support)	-	10,000
Land Trust Alliance (Capacity Grant)	-	7,000
Patagonia (Volunteer Supplies)	-	1,000
Total other assets	3,889,541	4,826,938
Total restricted net assets	\$ 9,574,320	\$ 4,863,438

See independent auditors' report.

COLUMBIA LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

15. Rental Income:

CLC received three houses as part of the land transaction at two conservation areas. Currently, CLC rents two houses to staff under lease agreements. Rental income collected for the year ended December 31, 2017 totaled \$23,720. The third house is being renovated. The lease agreements are as follows:

- One year lease expiring December 2018 that requires monthly payments of \$650.
- One year lease expiring June 2018 that requires monthly payments of \$650.

On December 31, 2017, the aggregate net minimum rental commitment under the leases for 2018 is \$11,700.

The cost of the properties being rented is \$527,250 with a net book value of \$364,309 at December 31, 2017.

16. Pension Plan:

CLC offers a 403(b) defined contribution retirement plan through TIAA-CREF to all eligible employees. Currently, the plan provides for annual contributions of 3% of wages earned after one year of service. Contributions to the plan were \$23,340 for the year ended December 31, 2017.

See independent auditors' report.