

DUTCHESS LAND CONSERVANCY, INC.

FINANCIAL STATEMENTS
(and Report of Independent Auditors)

December 31, 2015
(with memorandum totals for December 31, 2014)

DUTCHESS LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Dutchess Land Conservancy, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Dutchess Land Conservancy, Inc., (a not-for-profit corporation) (the "Organization") which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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.

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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dutchess Land Conservancy, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Dutchess Land Conservancy, Inc.'s December 31, 2014 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Pattison, Koskey, Howard Bucci, CPAs, P.C.

Valatie, New York
June 24, 2016

DUTCHESS LAND CONSERVANCY, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2015
(with memorandum totals for December 31, 2014)

	2015	2014 (memorandum only)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 322,181	\$ 693,981
Unconditional promises to give	64,951	71,200
Accounts receivable	300	-
Grants receivable	14,000	-
Prepaid expenses	13,743	21,895
Certificates of deposit	199,158	155,850
Total current assets	614,333	942,926
Property and equipment, net	146,477	161,482
Other assets:		
Investments	5,164,514	5,268,254
Restricted cash- for investment	86,407	1,000
Property held for sale	106,000	106,000
Total other assets	5,356,921	5,375,254
Total assets	\$ 6,117,731	\$ 6,479,662
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 49,992	\$ 30,747
Accrued expenses	7,028	7,815
Total current liabilities	57,020	38,562
Total liabilities	57,020	38,562
Net assets:		
Temporarily restricted	1,918,809	2,303,680
Permanently restricted		
Stewardship endowment	672,962	631,087
Unrestricted		
Board designated	3,021,119	3,068,351
Unrestricted	447,821	437,982
Total net assets	6,060,711	6,441,100
Total liabilities and net assets	\$ 6,117,731	\$ 6,479,662

See independent auditors' report and notes to financial statements.

DUTCHESS LAND CONSERVANCY, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2015
(with memorandum totals for the year ended December 31, 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	(memorandum only)
Operating revenues and other support:					
Contributions:					
Unrestricted	\$ 910,174	\$ -	\$ -	\$ 910,174	\$ 738,630
Land easement acquisition fund	-	-	-	-	355,000
Other	-	1,050	-	1,050	13,750
Grants	127,000	92,000	-	219,000	156,600
Events, net of related expenses of \$94,187	153,383	-	-	153,383	138,394
Miscellaneous income	19,146	-	-	19,146	9,319
Donated rent	25,200	-	-	25,200	25,200
Donated legal services	14,108	-	-	14,108	20,314
Dividend and interest income - bank	788	-	-	788	724
Releases from restrictions	458,565	(458,565)	-	-	-
Investment spending plan	50,000	-	-	50,000	-
Total operating revenues and other support	<u>1,758,364</u>	<u>(365,515)</u>	<u>-</u>	<u>1,392,849</u>	<u>1,457,931</u>
Operating expenses:					
Program					
Land conservation	540,502	-	-	540,502	494,648
Purchase of development rights	350,000	-	-	350,000	115,985
Stewardship	357,077	-	-	357,077	317,978
Education	215,805	-	-	215,805	181,037
Total program expenses	<u>1,463,384</u>	<u>-</u>	<u>-</u>	<u>1,463,384</u>	<u>1,109,648</u>
Management and general	114,748	-	-	114,748	124,742
Fundraising	76,916	-	-	76,916	64,867
Total operating expenses	<u>1,655,048</u>	<u>-</u>	<u>-</u>	<u>1,655,048</u>	<u>1,299,257</u>
Increase (decrease) in net assets from operating activities	<u>103,316</u>	<u>(365,515)</u>	<u>-</u>	<u>(262,199)</u>	<u>158,674</u>
Non-operating activities:					
Realized gain on investments	20,905	2,783	-	23,688	172,880
Unrealized (loss) gain on investments	(161,606)	(33,435)	-	(195,041)	18,049
Dividend and interest income, net of expenses of \$34,763	49,992	11,296	-	61,288	45,555
Write down of property held for sale	-	-	-	-	(14,000)
Loss on sale of donated artwork	-	-	-	-	(1,000)
Grant for purchase of land	-	-	-	-	62,900
Stewardship endowment contributions	-	-	41,875	41,875	37,975
Investment spending plan	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
(Decrease) increase in net assets from non-operating activities	<u>(140,709)</u>	<u>(19,356)</u>	<u>41,875</u>	<u>(118,190)</u>	<u>322,359</u>
Net (decrease) increase in net assets	<u>(37,393)</u>	<u>(384,871)</u>	<u>41,875</u>	<u>(380,389)</u>	<u>481,033</u>
Net assets, beginning of year	<u>3,506,333</u>	<u>2,303,680</u>	<u>631,087</u>	<u>6,441,100</u>	<u>5,960,067</u>
Net assets, end of year	<u>\$ 3,468,940</u>	<u>\$ 1,918,809</u>	<u>\$ 672,962</u>	<u>\$ 6,060,711</u>	<u>\$ 6,441,100</u>

See independent auditors' report and notes to financial statements.

DUTCHESS LAND CONSERVANCY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2015
(with memorandum totals for the year ended December 31, 2014)

	2015					2014 (memorandum only)	
	Land Conservation	Steward- ship	Education	Management & General	Fund- raising	Total	Total
Salaries	\$ 298,853	\$ 231,663	\$ 143,754	\$ 24,498	\$ 40,388	\$ 739,156	\$ 679,450
Employment insurance	3,311	2,149	1,474	780	524	8,238	6,619
Health insurance	8,179	19,995	6,972	2,475	424	38,045	36,075
Payroll taxes	21,034	17,059	10,587	1,846	2,996	53,522	48,940
Retirement benefits	7,571	6,057	3,596	757	947	18,928	19,779
Professional fees	115,761	24,273	2,640	37,680	2,640	182,994	154,465
Marketing and development	-	-	1,045	-	7,386	8,431	4,861
Travel and meetings	4,678	3,072	1,554	869	460	10,633	12,509
Conferences and seminars	3,280	661	-	-	402	4,343	9,936
Office supplies	4,803	6,401	1,586	2,587	1,708	17,085	15,714
Equipment rental, repairs and maintenance	3,426	3,425	3,425	4,538	3,426	18,240	14,828
Education programs	-	-	22,065	-	-	22,065	12,067
Maps	993	681	-	-	-	1,674	1,658
Dues and publications	10,806	47	1,276	3,040	526	15,695	12,494
Postage	1,082	593	1,050	625	595	3,945	4,943
Printing and copying	662	432	740	432	932	3,198	4,782
Telephone	1,161	1,161	1,161	1,160	1,160	5,803	5,521
Utilities	1,441	1,442	1,442	965	965	6,255	8,735
Insurance	4,087	24,426	4,087	4,087	4,086	40,773	38,852
Computer related expenses	2,311	2,311	2,311	3,017	2,311	12,261	11,851
Bank and credit card fees	-	-	-	6,760	-	6,760	5,030
Filing and recording	1,722	175	-	275	-	2,172	1,892
Stewardship expenses	-	6,014	-	-	-	6,014	5,084
Project expenses	11,037	-	-	-	-	11,037	115,985
Purchase of development rights	350,000	-	-	-	-	350,000	-
Property taxes	1,957	-	-	-	-	1,957	1,948
Rent expense	5,042	5,040	5,040	5,039	5,040	25,201	25,201
Miscellaneous	-	-	-	2,160	-	2,160	3,410
Depreciation	27,305	-	-	11,158	-	38,463	36,628
	<u>\$ 890,502</u>	<u>\$ 357,077</u>	<u>\$ 215,805</u>	<u>\$ 114,748</u>	<u>\$ 76,916</u>	<u>\$ 1,655,048</u>	<u>\$ 1,299,257</u>

See independent auditors' report and notes to financial statements.

DUTCHESS LAND CONSERVANCY, INC.
STATEMENT OF CASH FLOWS
Year ended December 31, 2015
(with memorandum totals for the year ended December 31, 2014)

	2015	2014 (memorandum only)
Cash Flows From Operating Activities:		
Change in net assets	\$ (380,389)	\$ 481,033
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	38,463	36,628
Restricted contributions for stewardship endowment and purchase of land	(39,575)	(96,625)
Investment return	171,353	(236,484)
Write down of property held for sale	-	14,000
Loss on sale of donated art work	-	1,000
Changes in:		
Unconditional promises to give	6,249	(53,310)
Accounts receivable	(300)	-
Grants receivable	(14,000)	-
Prepaid expenses	8,152	(6,570)
Accounts payable	19,245	444
Accrued expenses	(787)	(11,785)
Total adjustments	188,800	(352,702)
Net cash (used for)/provided by operating activities	(191,589)	128,331
Cash Flows From Investing Activities:		
Proceeds from sale of investments	1,124,421	833,734
Purchases of investments	(1,192,034)	(934,236)
Purchase of certificates of deposit	(100,000)	(155,850)
Proceeds from maturities of certificates of deposit	56,692	-
Purchases of property and equipment	(23,458)	(5,640)
(Increase)/decrease in restricted cash for endowment	(85,407)	16,750
Proceeds from sale of property held for sale	-	187,000
Proceeds from sale of donated art work	-	500
Net cash used for investing activities	(219,786)	(57,742)
Cash Flows From Financing Activities:		
Restricted contributions for stewardship endowment and purchase of land	39,575	96,625
Net cash provided by financing activities	39,575	96,625
Net (decrease)/increase in cash and cash equivalents	(371,800)	167,214
Cash and cash equivalents, beginning of year	693,981	526,767
Cash and cash equivalents, end of year	\$ 322,181	\$ 693,981
Supplemental disclosure of cash flow information:		
Donated Stock	\$ 9,961	\$ 5,374

See independent auditors' report and notes to financial statements.

DUTCHESS LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. Nature of Operations:

The Dutchess Land Conservancy, Inc., (the “Organization”) which is located in Millbrook, New York, was formed for the purpose of preserving and protecting the scenic, agricultural and environmental resources on land located primarily in Dutchess County, New York. The primary activities of the Organization are:

- A. Land conservation through acquisition of conservation easements (both donated and purchased) and other approaches to preserve open land.
- B. Stewardship of the land the Organization holds under conservation easement through monitoring and enforcement.
- C. Public education regarding techniques for open space preservation and land stewardship by hosting and participating in events, seminars, meetings and conferences, as well as public speaking, writing and disseminating information through the Organization’s website, e-mail, the press, newsletters, annual reports, brochures, and meeting with community members and public officials.
- D. Providing expert consulting services to landowners, municipalities and other non-profit groups on land conservation.

The Organization relies primarily on income derived from public support, grants, special events and consulting services to fund operations.

2. Summary of Significant Accounting Policies:

Financial Statement Presentation and Basis of Accounting:

The Organization follows standards of accounting and financial reporting for certain not-for-profit organizations. Accordingly, the financial statements are prepared on the accrual basis of accounting.

The financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, “Financial Statements for Not-for-Profit Organizations.” Under FASB ASC 958-205, the Organization 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. As permitted by this statement, the Organization has classified its financial statements to present the three classes of net assets required. A description of the three net asset categories follows:

- *Permanently Restricted* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all of the investment earnings on these assets to support annual costs of monitoring easements. Investment earnings on endowment assets are classified as temporarily restricted net assets. Endowment investment earnings remain temporarily restricted until “appropriated for expenditure” by the Organization’s Board of Directors.
- *Temporarily Restricted* – Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time. Temporarily restricted net assets are generally available for land protection, easement acquisitions, acquisition of property and equipment and future operating activities. The endowment investment earnings are restricted until “appropriated for expenditure” by the Organization’s Board of Directors.

See independent auditors’ report

DUTCHESS LAND CONSERVANCY, INC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

2. Summary of Significant Accounting Policies (Continued):

Financial Statement Presentation and Basis of Accounting (Continued):

- *Unrestricted* – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Expenses are reported as decreases in unrestricted net assets.

Operating activities include interest and dividend income generated from the Organization's bank accounts and 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 stewardship endowment, as well as contributions restricted by the Board to function as endowment.

Contributions:

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

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions and investment return received and expended in the same fiscal year are recorded as unrestricted support.

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 over the useful lives of the related long-lived assets.

Property held for sale:

The Organization received a property from an individual's life estate in 2011. The property is comprised of a home and 14.6 acres of land located in Clinton Corners, New York. The estimated fair value of the property was recorded in the year of receipt. During the year ended December 31, 2014, the Organization determined the recorded fair value of the property was overstated. As a result, the Organization wrote down the carrying value by \$93,000 based on a new appraisal valuing the property at \$187,000 in April 2014. The property was sold at the appraised value of \$187,000 in July 2014.

The Organization also owns certain land that it is trying to sell valued at \$106,000 as of December 31, 2015. Based on an appraisal performed in July 2014, the Organization wrote down the carrying value by \$14,000, from the original value of \$120,000.

See independent auditors' report

DUTCHESS LAND CONSERVANCY, INC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

2. Summary of Significant Accounting Policies (Continued):

Conservation Easements:

The Organization does not record donated easements at fair value. Donated easements are carried at zero book value primarily because a typical conservation easement provides the Organization with no affirmative rights except to monitor and enforce the easement and this constitutes a burden. Costs incurred by the Organization to purchase development rights are expensed in the period incurred.

Prior Year Amounts:

Amounts shown for December 31, 2014, in the accompanying statements are included to provide a basis for comparison with December 31, 2015, and present summarized totals only. Accordingly, the December 31, 2014, 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.

Cash and Cash Equivalents:

Cash equivalents include time deposits, certificates of deposit and highly liquid investments with maturities of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments:

In accordance with FASB ASC 958-320, "Accounting for Certain Investments Held by Not-for-Profit Organizations" investments in debt and equity securities are reported at fair value on the statement of financial position with corresponding unrealized gains and losses reported in the statement of activities as increases or decreases in unrestricted net assets, unless explicitly restricted by donor stipulation or by law.

The Organization accounts for its investments at market value on a trade date basis. The value of publicly traded common stocks is based upon quoted market prices. Bonds not actively traded without a readily determinable market value are recorded at estimated fair value based on pricing techniques used by the Organization's fund manager based primarily on discounted cash flows and comparable activity in an active market. Investment fees of \$34,763 are recorded as a reduction of interest and dividend income for the year ended December 31, 2015. The average cost method is primarily used to determine the basis for computing realized gains or losses.

Donated Services, Goods and Facilities:

A substantial number of volunteers have donated hours to the Organization's program services, educational events, and fund-raising 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. The Organization's office space is donated and during the year ended December 31, 2015, an estimated rental value of \$25,200 was recorded by the Organization. In addition, the Organization received donated legal services in the amount of \$14,108 during the year ended December 31, 2015. Other than the services stated above, no other donated goods or services were recorded.

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DUTCHESS LAND CONSERVANCY, INC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

2. Summary of Significant Accounting Policies (Continued):

Donated Services, Goods and Facilities (Continued):

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt. No materials or other assets were recorded by the Organization during the year ended December 31, 2015.

In accordance with the Organization's policy, the Organization applies Accounting Standards Update, "Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows" which requires not-for-profit entities to classify unrestricted cash receipts from the sale of donated financial assets that were nearly immediately converted into cash as cash inflows from operating activities. Cash receipts in which the donor restricts the use of contributed resources to long-term purposes should be classified as cash flows from financing activities.

Unconditional Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give are shown as receivables. Pledges receivable may be paid in full or over a period of years based on the terms of the pledge. The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on the prior years' experience and management's analysis of specific promises made. As of December 31, 2015, all promises to give are considered collectible. Given the short duration of the outstanding unconditional promises to give at December 31, 2015, no discounting was applied to the receivable balance.

Deferred Revenue:

Payments received on grants with contingencies are treated as deferred revenue until the contingency is met. Unspent funds, if any, are payable to the grantor upon completion of the grant specifications. As of December 31, 2015, there was no deferred revenue.

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 the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

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.

See independent auditors' report

DUTCHESS LAND CONSERVANCY, INC
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2015

2. Summary of Significant Accounting Policies (Continued):

Income taxes:

The Organization is exempt from Federal income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code.

Property, equipment and depreciation:

Property and equipment are recorded at cost, if purchased, or fair market value at the date of donation. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. The Organization capitalizes assets valued at \$500 or greater.

Fair value measurements:

FASB ASC 820-10 "Fair Value Measurements" defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. FASB 820-10 does not require any new fair value measurements but applies to other GAAP accounting pronouncements that use fair value as a relevant measurement attribute.

Subsequent Events:

Subsequent events have been evaluated through June 24, 2016, which is the date the financial statements were available to be issued. No subsequent events requiring adjustment or disclosure have been identified.

3. Cash and Cash Equivalents:

Cash and cash equivalents at December 31, 2015 comprised the following:

Bank	Book Balance	Bank Balance	FDIC Insurance	In Excess
Bank of Millbrook	\$ 208,046	\$ 215,920	\$ 250,000	\$ -
M&T Bank	200,342	200,342	250,000	-
Petty Cash	200	-	N/A	-
	<u>\$ 408,588</u>	<u>\$ 215,920</u>		<u>\$ -</u>

At December 31, 2015, within cash and cash equivalents is \$86,407 restricted for investment in the board designated stewardship and Molly Schaefer memorial education funds.

4. Certificates of Deposit:

The certificates of deposit balance consists of six certificates of deposit with a total balance at December 31, 2015 of \$199,158. The certificates of deposit have varying maturities ranging from 91 days to six months and earn interest at rates ranging from .10% and .20%. The certificates of deposit are held within a Certificate of Deposit Account Registry Service (CDARS) account with various financial institutions.

See independent auditors' report

DUTCHESS LAND CONSERVANCY, INC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

5. Investments:

Investments, stated at fair value, at December 31, 2015, are as follows:

	Cost	Unrealized Gain	Fair Market Value	FASB ASC 820-10 Measurements
Common Stocks	\$ 2,504,723	\$ 480,190	\$ 2,984,913	Level 1
Government Securities	124,729	(707)	124,022	Level 1
Corporate Fixed Income	1,965,627	(23,625)	1,942,002	Level 2
Cash and Cash equivalents	113,577	-	113,577	N/A
Total Investments	<u>\$ 4,708,656</u>	<u>\$ 455,858</u>	<u>\$ 5,164,514</u>	

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.

During the year ended December 31, 2014, in an effort to align its investment portfolio with the internal board approved investment strategy, the Organization withdrew \$333,152 from its account with a Public Charity / Foundation and re-invested the funds. In January 2015, the Organization withdrew the remaining \$31,425 from the account held with the Public Charity / Foundation and re-invested those funds. The account with the Public Charity / Foundation was closed.

6. Property, Plant, and Equipment:

A summary of property, plant, and equipment as of December 31, 2015, is as follows:

Leasehold improvements	\$ 388,012
Office furniture and equipment	<u>94,777</u>
	482,789
Less: accumulated depreciation	<u>(336,312)</u>
	<u>\$ 146,477</u>

Depreciation is calculated over the useful lives of the assets, which range from 5 to 10 years. Leasehold improvements are depreciated over the remaining term of the office lease. Total depreciation expense recorded for the year ended December 31, 2015 was \$38,463.

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DUTCHESS LAND CONSERVANCY, INC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

7. Commitments and Related Parties:

Office lease:

The Organization leases its office in Millbrook, New York under a twenty-year operating lease that expires in November 2020 from an individual who is a former board member, a current advisory board member and a relative of a current officer of the board. The lease agreement requires annual rent payments of \$1. The lease agreement gives the tenant (the Organization) the right to make substantial improvements to the property. Under the terms of the lease, all improvements made shall become the property of the landlord at the lease's termination, without any obligation to reimburse the Organization. In 2015, the Organization recorded donated rent income based on an estimated rental value of \$25,200 and a corresponding rent expense of \$25,201. This amount was based on a realtor estimate of the fair rental value of the property.

8. Defined Contribution Pension Plan:

The Organization has a 403(b) contribution retirement plan covering all full and part-time employees. Employees are eligible to participate in the plan on the date of hire, if they so elect. The 403(b) is a voluntary retirement savings program and is classified as a "defined contribution plan". In 2015, the Organization elected to contribute 3% of each employee's compensation. The total expense for the year ended December 31, 2015 was \$20,500, comprised of \$18,928 in contributions and \$1,572 in plan fees.

9. Net Assets:

Permanently Restricted Net Assets

The Organization's stewardship endowment fund was created to meet two needs: to provide a long term, ongoing source of funds to help cover the annual costs associated with monitoring and managing the Organization's conservation easements and to be available to cover expenses associated with managing, upholding or defending an easement should its terms or validity be at risk. The endowment is comprised of permanently restricted contributions invested to generate earnings specifically designated for easement stewardship. As of December 31, 2015 the endowment fund totaled \$672,962. If the Board of Directors decides that operating cash flows are sufficient to cover the annual stewardship costs, earnings are generally reinvested. Periodically, the Board of Directors will appropriate a portion of the accumulated earnings for expenditure based on the Organization's spending policy.

DUTCHESS LAND CONSERVANCY, INC
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December 31, 2015

9. Net Assets (Continued):

Temporarily Restricted Net Assets

The Organization has several funds designated as temporarily restricted net assets.

The Land Protection Fund (“LPF”) was first created in 1996 to provide long term funding to be available to cover expenses associated with upholding or defending conservation easements should their terms or validity be at risk, or for other purposes which the Board may designate. The principal of the LPF and the income generated by the fund are available for easement violation enforcement expenses. Contributions to this fund are not required to be invested in perpetuity but are to be available when needed to uphold or defend conservation easements and/or fund the cost of land protection. Investment earnings may be used for board designated purposes to further the Organization’s mission. Investment income and increases in value from the investment of assets in the fund are treated as board designated net assets.

The temporarily restricted Land Easement Acquisition Fund is a fund that is restricted by donor contributions to be used to purchase land or conservation easements. It is the policy of the Organization to use these funds as directed by the donor. These funds are invested by the Organization in order to generate investment returns in the Land Protection Fund but are tracked as Land Easement Acquisition Funds. Investment income and increases in value from the investment of assets in the fund are treated as board designated net assets.

Other temporarily restricted net assets are used and invested according to the purpose for which each was created. As of December 31, 2015, temporarily restricted net assets consist of funds contributed for the following specific purposes:

Land protection fund	\$ 1,198,420
Land easement acquisition fund	106,620
Sweetwater-Milan window	52,317
Stone Church project	31,008
Farmers’ assistance fund	31,940
Walbridge Foundation grant (2013-2015)	244,404
Stewardship Endowment fund - unspent earnings	254,100
Total	<u>\$ 1,918,809</u>

During the year ended December 31, 2015, the Organization incurred an expense of \$350,000 paid from the Land Easement Acquisition Fund related to the Verbank PDR project. This expense is recorded as a “Project Expense” on the Statement of Functional Expenses.

Board Designated Net Assets

The board-designated portion of the Land Protection Fund includes the investment income and increases in value from the investment of assets in the fund as well as other unrestricted contributions and is designated by the board to provide long term funding to cover expenses associated with upholding or defending conservation easements or for other purposes which the board may designate. Investment income and earnings may be used for board designated purposes to further the Organization’s mission. Income and increases in value from the investment of assets are reinvested in the Land Protection Fund until the point in time the board feels prudent.

The board-designated portion of the Land Easement Acquisition Fund includes the investment income and increases in value from the investment of assets in the fund and is designated to be used to purchase land or conservation easements.

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DUTCHESS LAND CONSERVANCY, INC
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2015

9. Net Assets (Continued):

Board Designated Net Assets (Continued):

The board designated Reserve Fund is maintained to address unanticipated contingencies that arise during a fiscal year, or for other purposes which the Board may designate. The reserve fund is made up of funds from budget surpluses, sale of property and other gifts or income so designated. At the end of each fiscal year, the Board may allocate any excess funds in the Operating Fund to the Reserve Fund, or alternatively, if a fiscal year ends with an operating deficit, with Board approval, funds from the Reserve Fund may be used to make up the difference. The Board may be also choose to use funds from the Reserve Fund for other purposes that meet the Organization’s mission.

The board designated Molly Schaefer Memorial Education Fund was established in 2015 from a bequest from long time Board Member Molly Schaefer and matching gifts made by her family and friends and is to be used for education purposes.

The stewardship fund includes funds designated by the Board for Stewardship purposes and any bequests that the Organization receives that are not otherwise designated per Board policy.

As of December 31, 2015, board designated and unrestricted net assets are as follows:

Land protection fund	\$ 1,266,410
Land easement acquisition fund	257,050
Stewardship fund	1,263,377
Molly Schaefer memorial education fund	30,356
Reserve Fund	<u>203,926</u>
Total board designated	3,021,119
Unrestricted net assets	<u>447,821</u>
Total unrestricted net assets	<u><u>\$ 3,468,940</u></u>

Endowment Net Assets

FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted and board designated (“invested net assets”) endowment funds for a not-for-profit organization that is subject Uniform Prudent Management of Institutional Funds Act (“UPMIFA”).

Return Objectives and Risk Parameters

It is the policy of the Organization to invest its funds in a manner which provides the highest investment return with optimum security while meeting the daily cash flow needs of the Organization.

Preservation of capital is the foremost objective of the Organization’s investment program. Investments are diversified by asset type to control risks. The Organization defines the investment time horizon as long term. The Organization holds investments within allocation ranges approved by the Board of Directors. Transfers from the Organization’s endowment and invested asset funds may be made with Investment Committee recommendation and Board approval by the President or any officer of the Organization from the investment account to another existing organizational account. Authority to appoint and change investment managers, and to move assets among investment vehicles, is the responsibility of the Board of Directors. The Board is advised by the Investment Committee, to which it has chosen to delegate its authority over these activities pursuant to the Organization’s Investment Policy and Board Resolutions delegating authority to the Investment Committee within specific investment parameters.

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DUTCHESS LAND CONSERVANCY, INC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

9. Net Assets (Continued):

Strategies Employed for Achieving Objectives

The Organization's Financial Management Policy designates that the Organization's financial assets must support current activities as well as longer term obligations and objectives. External professional investment managers manage most of the non-cash financial assets. Both separate accounts and commingled vehicles are used. Investment managers are given investment guidelines specific to their assignments. The Organization evaluates managers' performance on a "total return" basis, net of fees, and in relation to investment benchmarks and time periods it deems appropriate for each manager's mandate.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization's Financial Management and Investment Policies specify how the Organization's investment accounts will be overseen and managed. The Organization reinvests dividends and interest earned on an annual basis as long as unrestricted donations received for support are sufficient to cover annual operating expenditures and amounts to meet the Organization's annual fund goals. Accordingly, the Organization expects its endowments to grow over the long-term. This is consistent with the Organization's objective that the investment portfolio remains sufficiently liquid to meet all operating requirements reasonably anticipated over the succeeding year and designed to produce a return consistent with a strong desire to preserve capital and a need to maintain the purchasing power of the endowment assets.

Endowment and invested net assets composition by type of fund as of December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 254,100	\$ 672,962	\$ 927,062
Board designated funds ("invested net assets")	3,021,119	-	-	3,021,119
Total funds	<u>\$ 3,021,119</u>	<u>\$ 254,100</u>	<u>\$ 672,962</u>	<u>\$ 3,948,181</u>

Changes in endowment and invested net assets for the year ended December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment and invested net assets, beginning of year	\$ 3,068,351	\$ 278,840	\$ 631,087	\$3,978,278
Contributions	91,408	-	41,875	133,283
Withdrawal	(50,000)	-	-	(50,000)
Investment income	78,925	17,126	-	96,051
Investment fees	(28,933)	(5,830)	-	(34,763)
Net depreciation (realized and unrealized)	(140,701)	(30,652)	-	(171,353)
Reclassification between funds	2,069	(5,384)	-	(3,315)
Endowment and invested net assets, end of year	<u>\$ 3,021,119</u>	<u>\$ 254,100</u>	<u>\$ 672,962</u>	<u>\$3,948,181</u>

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DUTCHESS LAND CONSERVANCY, INC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

9. Net Assets (Continued):

Additional funds invested for various future land, education and stewardship expenses as of December 31, 2015 are comprised of:

Endowment and invested net assets, end of year	\$ 3,948,181
Cash and cash equivalents designated for investment in board designated stewardship and Molly Schaefer memorial education funds	(86,407)
Unconditional promises to give designated for investment in stewardship endowment	(2,300)
Temporarily restricted funds	1,305,040
Total investments	<u>\$ 5,164,514</u>

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