

DUTCHESS LAND CONSERVANCY, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
(and Report of Independent Auditors)

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

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017
(with memorandum totals for December 31, 2016)

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Independent Auditors' Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Dutchess Land Conservancy, Inc. (a non-profit corporation) and its wholly owned subsidiary Keeler Lane Development Corporation (an S. Corporation), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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

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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 consolidated financial statements.

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

Opinion

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities for the year ended December 31, 2017 are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Dutchess Land Conservancy, Inc.'s December 31, 2016 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 29, 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, Koshey, Howe & Bucci, CFAs, PC

Kingston, New York
June 28, 2018

DUTCHESS LAND CONSERVANCY, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2017
(with memorandum totals for December 31, 2016)

-----	2017	2016
ASSETS	<u>2017</u>	<u>(memorandum only)</u>
Current assets:		
Cash and cash equivalents	\$ 488,530	\$ 442,352
Unconditional promises to give	86,900	75,345
Accounts receivable	8,239	4,258
Prepaid expenses	37,899	17,092
Certificates of deposit	114,179	144,229
Total current assets	<u>735,747</u>	<u>683,276</u>
Land, property and equipment, net	<u>7,786,849</u>	<u>7,712,246</u>
Other assets:		
Investments	6,177,629	5,737,340
Restricted cash- for investment	259,380	37,000
Property held for sale	106,000	106,000
Total other assets	<u>6,543,009</u>	<u>5,880,340</u>
Total assets	<u>\$ 15,065,605</u>	<u>\$ 14,275,862</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 35,427	\$ 40,984
Accrued expenses	4,697	98,780
Deferred revenue	6,500	11,000
Total current liabilities	<u>46,624</u>	<u>150,764</u>
Long-term liabilities:		
Deferred tax liability	602,995	931,608
Total long-term liabilities	<u>602,995</u>	<u>931,608</u>
Total liabilities	<u>649,619</u>	<u>1,082,372</u>
Net assets:		
Temporarily restricted	2,440,443	2,012,948
Permanently restricted		
Stewardship endowment	825,469	736,112
Unrestricted		
Board designated	3,571,196	3,403,631
Unrestricted	7,578,878	7,040,799
Total net assets	<u>14,415,986</u>	<u>13,193,490</u>
Total liabilities and net assets	<u>\$ 15,065,605</u>	<u>\$ 14,275,862</u>

See independent auditors' report and notes to financial statements.

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

	2017			2016 (memorandum only)	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
Operating revenues and other support:					
Contributions:					
Unrestricted	\$ 709,737	\$ -	\$ -	\$ 709,737	\$ 748,390
Land and buildings - Keeler Lane	-	-	-	-	6,612,949
Land easement acquisition fund	-	257,500	-	257,500	7,500
Time restricted	-	53,665	-	53,665	-
Grants	335,263	182,500	-	517,763	429,588
Purchase of development rights grants	2,627,950	-	-	2,627,950	1,562,274
Events, net of related expenses of \$116,052	152,894	-	-	152,894	216,693
Miscellaneous income	9,261	-	-	9,261	16,293
Donated rent	25,200	-	-	25,200	25,200
Donated legal services	-	-	-	-	30,473
Dividend and interest income - bank	718	-	-	718	625
Releases from restrictions	181,684	(181,684)	-	-	-
	<u>4,042,707</u>	<u>311,981</u>	<u>-</u>	<u>4,354,688</u>	<u>9,649,985</u>
Total operating revenues and other support					
Operating expenses:					
Program					
Land conservation:					
Purchase of development rights	2,742,716	-	-	2,742,716	1,582,274
Other land conservation costs	532,303	-	-	532,303	611,229
Keeler Lane project expenses	175,467	-	-	175,467	113,779
Total land conservation	<u>3,450,486</u>	<u>-</u>	<u>-</u>	<u>3,450,486</u>	<u>2,307,282</u>
Stewardship	393,541	-	-	393,541	343,779
Education	225,753	-	-	225,753	210,056
Total program expenses	<u>4,069,780</u>	<u>-</u>	<u>-</u>	<u>4,069,780</u>	<u>2,861,117</u>
Management and general	90,060	-	-	90,060	99,136
Fundraising	87,734	-	-	87,734	73,519
Total operating expenses	<u>4,247,574</u>	<u>-</u>	<u>-</u>	<u>4,247,574</u>	<u>3,033,772</u>
(Decrease) increase in net assets from operating activities, before income taxes	(204,867)	311,981	-	107,114	6,616,213
Income tax benefit - Keeler Lane	<u>328,613</u>	<u>-</u>	<u>-</u>	<u>328,613</u>	<u>45,443</u>
Increase in net assets from operating activities, after income taxes	<u>123,746</u>	<u>311,981</u>	<u>-</u>	<u>435,727</u>	<u>6,661,656</u>
Non-operating activities:					
Realized gain on investments	130,250	25,939	-	156,189	144,509
Unrealized gain on investments	392,384	74,086	-	466,470	195,483
Dividend and interest income, net of expenses of \$38,404	59,264	15,489	-	74,753	67,981
Stewardship endowment contributions	-	-	89,357	89,357	63,150
Increase in net assets from non-operating activities	<u>581,898</u>	<u>115,514</u>	<u>89,357</u>	<u>786,769</u>	<u>471,123</u>
Net increase in net assets	705,644	427,495	89,357	1,222,496	7,132,779
Net assets, beginning of year	<u>10,444,430</u>	<u>2,012,948</u>	<u>736,112</u>	<u>13,193,490</u>	<u>6,060,711</u>
Net assets, end of year	<u>\$ 11,150,074</u>	<u>\$ 2,440,443</u>	<u>\$ 825,469</u>	<u>\$ 14,415,986</u>	<u>\$ 13,193,490</u>

See independent auditors' report and notes to financial statements.

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

	2017						2016 (memorandum only)	
	Land Conservation	Steward- ship	Education	Total Program	Management & General	Fund- raising	Total	Total
Salaries	\$ 294,700	\$ 254,164	\$ 142,503	\$ 691,367	\$ 23,823	\$ 40,153	\$ 755,343	\$ 718,071
Employment insurance	2,155	1,815	1,095	5,065	412	477	5,954	7,079
Health insurance	17,925	20,666	11,534	50,125	720	2,207	53,052	51,253
Payroll taxes	20,929	18,668	9,819	49,416	1,754	2,890	54,060	51,141
Retirement benefits	8,810	7,680	4,292	20,782	2,306	1,129	24,217	21,054
Professional fees	144,461	24,448	365	169,274	13,876	360	183,510	306,766
Marketing and development	-	-	-	-	-	9,053	9,053	6,924
Travel and meetings	5,569	3,431	1,152	10,152	1,495	435	12,082	11,644
Conferences and seminars	6,056	1,293	3,132	10,481	108	1,731	12,320	12,202
Office supplies	3,808	5,934	4,067	13,809	4,134	1,911	19,854	21,547
Equipment rental, repairs and maintenance	21,136	3,286	3,286	27,708	4,364	3,286	35,358	19,544
Education programs	-	-	20,765	20,765	-	-	20,765	25,454
Maps	576	331	-	907	-	-	907	1,448
Dues and publications	15,189	53	1,408	16,650	2,070	1,277	19,997	17,127
Postage	928	531	479	1,938	525	589	3,052	5,919
Printing and copying	472	322	227	1,021	752	677	2,450	2,971
Telephone	1,886	797	797	3,480	699	797	4,976	5,885
Utilities	14,042	1,287	1,287	16,616	949	949	18,514	12,259
Insurance	15,991	25,338	4,098	45,427	4,098	4,098	53,623	48,735
Computer related expenses	2,547	2,368	2,368	7,283	3,537	2,508	13,328	11,556
Bank and credit card fees	20	-	-	20	7,664	-	7,684	7,931
Filing and recording	1,874	670	-	2,544	807	-	3,351	2,533
Stewardship expenses	-	7,249	-	7,249	-	-	7,249	6,155
Project expenses	4,700	-	-	4,700	-	-	4,700	4,000
Purchase of development rights	2,742,716	-	-	2,742,716	-	-	2,742,716	1,582,274
Property taxes	76,963	-	-	76,963	-	-	76,963	2,082
Lobbying expense	50	-	-	50	-	-	50	1,964
Rent expense	5,041	5,040	5,040	15,121	5,040	5,040	25,201	25,202
Sales tax	5,382	-	-	5,382	-	-	5,382	-
Miscellaneous	-	131	-	131	2,888	128	3,147	3,249
Depreciation	36,560	8,039	8,039	52,638	8,039	8,039	68,716	39,803
	<u>\$ 3,450,486</u>	<u>\$ 393,541</u>	<u>\$ 225,753</u>	<u>\$ 4,069,780</u>	<u>\$ 90,060</u>	<u>\$ 87,734</u>	<u>\$ 4,247,574</u>	<u>\$ 3,033,772</u>

See independent auditors' report and notes to financial statements.

DUTCHESS LAND CONSERVANCY, INC.
AND SUBSIDIARY
CONSOLIDATED 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	\$ 1,222,496	\$ 7,132,779
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	68,716	39,803
Restricted contributions for stewardship endowment	(89,357)	(63,150)
Gain on investments	(622,659)	(339,992)
Donated land and buildings	-	(6,612,949)
Income taxes - Keeler Lane	(328,613)	(45,443)
Changes in:		
Unconditional promises to give	(11,555)	(10,394)
Accounts receivable	(3,981)	(3,958)
Grants receivable	-	14,000
Prepaid expenses	(20,807)	(3,349)
Accounts payable	(5,557)	(9,008)
Accrued expenses	(94,083)	91,752
Deferred revenue	(4,500)	11,000
Total adjustments	<u>(1,112,396)</u>	<u>(6,931,688)</u>
Net cash provided by operating activities	<u>110,100</u>	<u>201,091</u>
Cash Flows From Investing Activities:		
Proceeds from sale of investments	1,301,267	1,766,199
Purchases of investments	(1,118,896)	(1,999,033)
Purchase of certificates of deposit	-	-
Proceeds from maturities of certificates of deposit	30,050	54,929
Purchases of property and equipment	(143,320)	(15,572)
(Increase) decrease in restricted cash for endowment	(222,380)	49,407
Net cash used for investing activities	<u>(153,279)</u>	<u>(144,070)</u>
Cash Flows From Financing Activities:		
Restricted contributions for stewardship endowment and purchase of land	89,357	63,150
Net cash provided by financing activities	<u>89,357</u>	<u>63,150</u>
Net increase in cash and cash equivalents	46,178	120,171
Cash and cash equivalents, beginning of year	442,352	322,181
Cash and cash equivalents, end of year	<u>\$ 488,530</u>	<u>\$ 442,352</u>
Supplemental disclosure of cash flow information:		
Donated stock	<u>\$ 68,284</u>	<u>\$ 5,015</u>
Income tax paid	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report and notes to financial statements.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017

(with memorandum totals for December 31, 2016)

1. Nature of Operations:

The Dutchess Land Conservancy, Inc., (the “Dutchess Land”) 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:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Dutchess Land Conservancy, Inc. and its wholly owned subsidiary, Keeler Lane Development Corporation (“Keeler Lane”) (collectively, the “Organization”) effective December 31, 2016, the date 100% of Keeler Lane’s stock was contributed to Dutchess Land (see “trade lands”). Keeler Lane’s wholly owned subsidiary, Millbrook Property Holdings, LLC (“Millbrook Holdings”) is consolidated with Keeler Lane. On January 23, 2017, Millbrook Holdings was merged into Keeler Lane. All activity of Keeler Lane is included in these consolidated financial statements. All significant intercompany transactions have been eliminated in consolidation.

Financial Statement Presentation and Basis of Accounting:

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

See independent auditors’ report

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017
(with memorandum totals for December 31, 2016)

2. Summary of Significant Accounting Policies (Continued):

Financial Statement Presentation and Basis of Accounting (Continued):

The consolidated 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.
- *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.

See independent auditors' report

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017
(with memorandum totals for December 31, 2016)

2. Summary of Significant Accounting Policies (Continued):

Contributions (Continued):

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 owns certain land that it is trying to sell valued at \$106,000 as of December 31, 2017. 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.

Trade Land:

In the land conservation world, a trade land is any piece of donated real property that is sold to generate funding, whether it possesses conservation value or not. The Organization accepts fee interest donations of land with the understanding that it will resell the property and apply the proceeds to help further its mission. If the donated land has conservation value, a conservation easement will be placed on the property at the time of sale. Funds generated from the sale of the trade land help fund the Organization's work to protect land in Dutchess County and the surrounding area, and its long-term stewardship responsibilities for the land it protects in perpetuity.

The Organization currently owns two trade land properties; one located in the Town of Pawling, NY (see "Property held for sale" above) and the other in the Town of North East, NY, which it received as a gift on December 31, 2016 through a donation of 100% of the stock in Keeler Lane. The Keeler Lane property has significant conservation value and is located in an area that is of key conservation interest to the Organization. See Note 9 for additional information.

Carrying costs associated with the properties until time of sale that are periodic in nature are expensed as incurred. Costs that extend the useful life of the underlying buildings for property held and used are capitalized and depreciated (see Note 6). Often a sale takes many years due to the Organizations' commitment to careful conservation planning prior to resale. In addition, the value to the Organization will be reduced at the time of sale by the placement of a conservation easement restricting future use and development.

See independent auditors' report

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017
(with memorandum totals for December 31, 2016)

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, 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.

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 \$38,404 are recorded as a reduction of interest and dividend income for the year ended December 31, 2017. The average cost method is primarily used to determine the basis for computing realized gains or losses.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017
(with memorandum totals for December 31, 2016)

2. Summary of Significant Accounting Policies (Continued):

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, 2017, an estimated rental value of \$25,200 was recorded by the Organization (see Note 7). The Organization received donated stock in the amount of \$68,284 during the year ended December 31, 2017. Other than the services stated above, no other donated goods or services were recorded.

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.

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, 2017, all promises to give are considered collectible. Given the short duration of the outstanding unconditional promises to give at December 31, 2017, 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. Deferred revenue of \$6,500 was recorded as of December 31, 2017.

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.

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DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017
(with memorandum totals for December 31, 2016)

2. Summary of Significant Accounting Policies (Continued):

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.

Income Taxes:

Dutchess Land Conservancy is exempt from Federal income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. Effective December 31, 2016, Dutchess Land Conservancy received a donation of 100% of the stock of Keeler Lane Development Corporation. Dutchess Land Conservancy has been indemnified by the prior owners of Keeler Lane for any past tax liability. See Note 9 for additional information on the transaction.

Keeler Lane, with the consent of its shareholders, elected under the Internal Revenue Code to be taxed as an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the company's taxable income. Therefore, income passed to Dutchess Land Conservancy from Keeler Lane, if any, is subject to taxation as unrelated business income.

Dutchess Land Conservancy utilizes the method of accounting for income taxes set forth in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740 *Income Taxes*. Deferred income tax assets and liabilities are computed annually for differences between the consolidated financial statements and the tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change in deferred tax assets and liabilities.

The Company has evaluated any uncertain tax positions and related income tax contingencies and determined 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 Company is no longer subject to examination by federal and state taxing authorities for years prior to fiscal year ended December 31, 2014.

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DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017
(with memorandum totals for December 31, 2016)

2. Summary of Significant Accounting Policies (Continued):

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 28, 2018, which is the date the financial statements were available to be issued. There were no material subsequent events that required adjustment or disclosure.

3. Cash and Cash Equivalents:

Cash and cash equivalents at December 31, 2017 comprised the following:

Bank	Book Balance	Bank Balance	FDIC Insurance	In Excess
Dutchess Land:				
Bank of Millbrook	\$ 633,079	\$ 640,239	\$ 500,000	\$ 140,239
M&T Bank	105,138	105,138	250,000	-
Petty Cash	200	-	N/A	-
Keeler Lane:				
Bank of Millbrook	9,493	10,268	250,000	-
	<u>\$ 747,910</u>	<u>\$ 755,645</u>		<u>\$ 140,239</u>

At December 31, 2017, within cash and cash equivalents is \$4,380 restricted for the Organization's stewardship endowment fund and \$255,000 for the Land Easement Acquisition Fund.

4. Certificates of Deposit:

The certificates of deposit balance consists of three certificates of deposit with a total balance at December 31, 2017 of \$114,179. The certificates of deposit have varying maturities of three to six months and earn interest at a rate of 0.13% - 0.20%. The certificates of deposit are held within a Certificate of Deposit Account Registry Service (CDARS) account with various financial institutions.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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5. Investments:

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

	Cost	Unrealized Gain (Loss)	Fair Market Value	FASB ASC 820-10 Measurements
Common Stocks	\$ 2,295,767	\$ 965,134	\$ 3,260,901	Level 1
Government Securities	269,776	201,761	471,537	Level 1
Mutual Funds	150,000	988	150,988	Level 1
Municipal Bonds	65,000	563	65,563	Level 2
Corporate Fixed Income	1,828,281	(50,635)	1,777,646	Level 2
Cash and Cash equivalents	450,994	-	450,994	N/A
Total Investments	<u>\$ 5,059,818</u>	<u>\$ 1,117,811</u>	<u>\$ 6,177,629</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.

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DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
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6. Land, Property, and Equipment:

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

		<u>Useful Life</u>
Buildings and building improvements	\$ 949,940	15-40 years
Trade land	6,709,120	n/a
Leasehold improvements	394,888	4-18 years
Office furniture and equipment	111,496	5-7 years
Keeler lane equipment	66,235	5-15 years
	<u>8,231,679</u>	
Less: accumulated depreciation	<u>(444,830)</u>	
	<u>\$ 7,786,849</u>	

Depreciation is calculated over the useful lives of the assets. Leasehold improvements are depreciated over the remaining term of the office lease. Total depreciation expense recorded for the year ended December 31, 2017 was \$68,716.

See note 2 for discussion of trade land and buildings which at December 31, 2017 is comprised entirely of assets owned by Keeler Lane.

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 2017, 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.

The Organization leases approximately 25 acres of the Keeler Lane property to the Coon Brothers Partnership, owners of a local dairy farm operation, for agricultural purposes. The Organization leases the Carriage House Apartment on the Keeler Lane property as a benefit to and for the convenience of the Landlord/Organization, with regard to building and property oversight.

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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 2017, the Organization elected to contribute 3% of each employee’s compensation. The total expense for the year ended December 31, 2017 was \$24,217, comprised of \$22,589 in contributions and \$1,628 in plan fees.

9. Keeler Lane Development Corporation / Deferred Taxes:

Keeler Lane Development Corporation (KLDC) is a for-profit entity taxed as an “S” corporation. At the time the stock was donated to Dutchess Land Conservancy (DLC) in 2016 it had an appraised fair market value of \$7,590,000 which was used to step up the book basis of KLDC’s assets in accordance with generally accepted accounting principles which treat the donation as a purchase of the Corporation’s assets. That value was allocated between the Corporation’s only assets as follows: 435.75 acres of land - \$6,709,120 and buildings - \$880,880. The tax basis of the assets at the time of the donation of the stock was \$5,143,703. As of December 31, 2017, the tax basis was \$5,551,650, an increase from the time of donation due to expenses incurred since receipt that are being capitalized for tax purposes. The difference between the book basis and the tax basis of \$2,446,297 at the date of donation is considered a temporary difference and would be treated as Unrelated Business Income (UBI) if the property was sold since DLC received stock in the corporation versus the actual assets of the Corporation. The estimated unrelated business income tax (UBIT) on that difference was calculated at \$977,051 and was recorded on the books as a deferred tax liability for the year ended December 31, 2016.

Since Keeler Lane is not currently an income generating entity for tax purposes, all expenses incurred by Keeler Lane have been treated as deferred costs. The following is a summary of deferred taxes for Keeler Land activity as of December 31, 2017:

Initial liability on difference between book and tax basis:	\$ 977,051
Reduction of deferred tax liability for book losses not on return:	
\$113,779 loss for December 31, 2016	(45,443)
\$187,394 loss for December 31, 2017	(52,676)
Impact of change in federal tax rate for 2018	(275,937)
Deferred tax liability at December 31, 2017	\$ 602,995

During the year ended December 31, 2017, Keeler Lane reduced its net deferred tax balances for the effect of the Tax Cuts and Jobs Act enacted in December 2017.

In addition, due to the significant conservation value of the KLDC property, a conservation easement would be placed on the property restricting future use and development prior to any sale. An additional reduction in the value of the property would be recorded at that time to reflect the conservation easement.

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10. 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, 2017 the endowment fund totaled \$825,469. 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.

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 conversation 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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10. Net Assets (Continued):

Other temporarily restricted net assets are used and invested according to the purpose for which each was created. As of December 31, 2017, temporarily restricted net assets consist of funds contributed for the following specific purposes:

Land protection fund	\$ 1,198,420
Land easement acquisition fund	404,520
Sweetwater-Milan window	52,501
Stone Church project	22,308
Farmers' assistance fund	32,028
Walbridge Foundation grant (2014, 2016, 2017)	214,898
NYS CPP - Geospatial inventory	3,823
NYS CPP Grant - OLC Collaboration	18,000
Land conservation in Dover	2,876
Stewardship Endowment fund - unspent earnings	437,404
Time restricted contributions	53,665
Total	\$ 2,440,443

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.

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 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.

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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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10. Net Assets (Continued):

As of December 31, 2017, board designated and unrestricted net assets are as follows:

Land protection fund	\$ 1,193,342
Land easement acquisition fund	298,208
Stewardship fund	1,735,108
Molly Schaefer memorial education fund	77,353
Reserve Fund	<u>267,185</u>
Total board designated	3,571,196
Unrestricted net assets	<u>7,578,878</u>
Total unrestricted net assets	<u><u>\$ 11,150,074</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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10. 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, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 437,404	\$ 825,469	\$ 1,262,873
Board designated funds ("invested net assets")	3,571,196	-	-	3,571,196
Total funds	<u>\$ 3,571,196</u>	<u>\$ 437,404</u>	<u>\$ 825,469</u>	<u>\$ 4,834,069</u>

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10. Net Assets (Continued):

Changes in endowment and invested net assets for the year ended December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment and invested net assets, beginning of year	\$ 3,403,631	\$ 322,058	\$ 736,112	\$ 4,461,801
Contributions	17,183	-	89,357	106,540
Investment income	90,809	22,346	-	113,155
Investment fees	(31,379)	(7,025)	-	(38,404)
Net appreciation (realized and unrealized)	522,634	100,025	-	622,659
Amounts appropriated for expenditure	(431,682)	-	-	(431,682)
Endowment and invested net assets, end of year	<u>\$ 3,571,196</u>	<u>\$ 437,404</u>	<u>\$ 825,469</u>	<u>\$ 4,834,069</u>

Additional funds invested for various future land, education and stewardship expenses as of December 31, 2017 are comprised of:

Endowment and invested net assets, end of year	\$ 4,834,069
Cash and cash equivalents designated for investment in permanently restricted stewardship endowment fund	(4,380)
Cash and cash equivalents designated for investment in Land Easement Acquisition Fund	(255,000)
Temporarily restricted funds	1,602,940
Total investments	<u>\$ 6,177,629</u>

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SUPPLEMENTARY INFORMATION

DUTCHESS LAND CONSERVANCY, INC.
AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS

	Dutchess Land Conservancy, Inc.	Keeler Lane Development Corporation	Eliminations	Consolidated Totals
Current assets:				
Cash and cash equivalents	\$ 479,037	\$ 9,493	\$ -	\$ 488,530
Unconditional promises to give	86,900	-	-	86,900
Accounts receivable	7,790	449	-	8,239
Due from Keeler Lane	439,610	-	(439,610)	-
Prepaid expenses	15,078	22,821	-	37,899
Certificates of deposit	114,179	-	-	114,179
Total current assets	<u>1,142,594</u>	<u>32,763</u>	<u>(439,610)</u>	<u>735,747</u>
Property and equipment, net	<u>90,075</u>	<u>7,696,774</u>	<u>-</u>	<u>7,786,849</u>
Other assets:				
Investments	6,177,629	-	-	6,177,629
Investment in Keeler Lane Development Corporation	6,685,832	-	(6,685,832)	-
Restricted cash- for investment	259,380	-	-	259,380
Property held for sale	106,000	-	-	106,000
Total other assets	<u>13,228,841</u>	<u>-</u>	<u>(6,685,832)</u>	<u>6,543,009</u>
Total assets	<u>\$ 14,461,510</u>	<u>\$ 7,729,537</u>	<u>\$ (7,125,442)</u>	<u>\$ 15,065,605</u>

LIABILITIES AND NET ASSETS

Current liabilities:				
Accounts payable	\$ 34,327	\$ 1,100	\$ -	\$ 35,427
Accrued expenses	4,697	-	-	4,697
Deferred revenue	6,500	-	-	6,500
Deferred tax liability	-	602,995	-	602,995
Due to Dutchess Land	-	439,610	(439,610)	-
Total current liabilities	<u>45,524</u>	<u>1,043,705</u>	<u>(439,610)</u>	<u>649,619</u>
Total liabilities	<u>45,524</u>	<u>1,043,705</u>	<u>(439,610)</u>	<u>649,619</u>
Net assets:				
Unrestricted				
Board designated	3,571,196	-	-	3,571,196
Unrestricted	7,578,878	-	-	7,578,878
Temporarily restricted	2,440,443	-	-	2,440,443
Permanently restricted				
Stewardship endowment	825,469	-	-	825,469
Accumulated earnings	-	72,883	(72,883)	-
Capital Stock	-	6,612,949	(6,612,949)	-
Total net assets	<u>14,415,986</u>	<u>6,685,832</u>	<u>(6,685,832)</u>	<u>14,415,986</u>
Total liabilities and net assets	<u>\$ 14,461,510</u>	<u>\$ 7,729,537</u>	<u>\$ (7,125,442)</u>	<u>\$ 15,065,605</u>

See independent auditors' report and notes to financial statements.

DUTCHESS LAND CONSERVANCY, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
AND SUBSIDIARY
Year ended December 31, 2017

	Dutchess Land Conservancy, Inc.	Keeler Lane Development Corporation	Eliminations	Total
Operating revenues and other support:				
Contributions:				
Unrestricted	\$ 709,737	\$ -	\$ -	\$ 709,737
Land easement acquisition fund	257,500	-	-	257,500
Grants	517,763	-	-	517,763
Purchase of development rights	2,627,950	-	-	2,627,950
Events, net of related expenses of \$116,052	152,894	-	-	152,894
Gain on investment in Keeler Lane	141,219	-	(141,219)	-
Miscellaneous income	9,261	-	-	9,261
Donated rent	25,200	-	-	25,200
Interest income (expense) - Keeler Lane	11,927	(11,927)	-	-
Dividend and interest income - bank	718	-	-	718
	<u>4,507,834</u>	<u>(11,927)</u>	<u>(141,219)</u>	<u>4,354,688</u>
Total operating revenues and other support				
Operating expenses:				
Program				
Land conservation	532,303	175,467	-	707,770
Purchase of development rights	2,742,716	-	-	2,742,716
Stewardship	393,541	-	-	393,541
Education	225,753	-	-	225,753
Total program expenses	<u>3,894,313</u>	<u>175,467</u>	<u>-</u>	<u>4,069,780</u>
Management and general	90,060	-	-	90,060
Fundraising	87,734	-	-	87,734
Total operating expenses	<u>4,072,107</u>	<u>175,467</u>	<u>-</u>	<u>4,247,574</u>
Increase in net assets from operating activities, before income taxes	435,727	(187,394)	141,219	107,114
Income tax benefit - Keeler Lane	-	328,613	-	328,613
Increase in net assets from operating activities, after income taxes	<u>435,727</u>	<u>141,219</u>	<u>141,219</u>	<u>435,727</u>
Non-operating activities:				
Realized gain on investments	156,189	-	-	156,189
Unrealized gain on investments	466,470	-	-	466,470
Dividend and interest income, net of expenses of \$38,404	74,753	-	-	74,753
Stewardship endowment contributions	89,357	-	-	89,357
Increase in net assets from non-operating activities	<u>786,769</u>	<u>-</u>	<u>-</u>	<u>786,769</u>
Net increase in net assets	1,222,496	141,219	(141,219)	1,222,496
Net assets, beginning of year	<u>13,261,826</u>	<u>(68,336)</u>	<u>-</u>	<u>13,193,490</u>
Net assets, end of year	<u>\$ 14,484,322</u>	<u>\$ 72,883</u>	<u>\$ (141,219)</u>	<u>\$ 14,415,986</u>

See independent auditors' report and notes to financial statements.