

DUTCHESS LAND CONSERVANCY, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
(and Report of Independent Auditors)

December 31, 2018
(with memorandum totals for December 31, 2017)

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018
(with memorandum totals for December 31, 2017)

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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 organization) and its wholly owned subsidiary Keeler Lane Development Corporation (an S Corporation), which comprise the consolidated statement of financial position as of December 31, 2018, 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 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

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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, 2018, 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, 2018 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.

Emphasis of Matter

As discussed in Note 2, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Updates (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* and 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Dutchess Land Conservancy, Inc. and its wholly owned subsidiary's December 31, 2017 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it is derived.

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

Hudson, New York
June 28, 2019

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2018
(with memorandum totals for December 31, 2017)

	2018	2017 (memorandum only)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 758,968	\$ 488,530
Unconditional promises to give	23,176	86,900
Accounts receivable	3,955	8,239
Prepaid expenses	45,307	37,899
Certificates of deposit	130,830	114,179
Total current assets	962,236	735,747
Land, property and equipment, net	1,022,189	1,077,729
Other assets:		
Tradeland	7,359,120	6,709,120
Investments	5,865,178	6,177,629
Restricted cash- for investment	31,210	259,380
Property held for sale	106,000	106,000
Total other assets	13,361,508	13,252,129
Total assets	\$ 15,345,933	\$ 15,065,605
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 34,820	\$ 35,427
Accrued expenses	2,030	4,697
Contract liability	6,500	6,500
Total current liabilities	43,350	46,624
Long-term liabilities:		
Deferred tax liability	553,506	602,995
Total long-term liabilities	553,506	602,995
Total liabilities	596,856	649,619
Net assets:		
Without donor restrictions	11,525,206	11,150,074
With donor restrictions	3,223,871	3,265,912
Total net assets	14,749,077	14,415,986
Total liabilities and net assets	\$ 15,345,933	\$ 15,065,605

See independent auditors' report and notes to financial statements.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended December 31, 2018
(with memorandum totals for the year ended December 31, 2017)

	2018			2017 (memorandum only)
	Without Donor Restrictions	With Donor Restrictions	Total	
Operating activities:				
Operating revenues and other support:				
Contributions:				
General	\$ 800,732	\$ 30,964	\$ 831,696	\$ 709,737
Land and building	656,000	-	656,000	-
Land easement acquisition fund	-	5,000	5,000	257,500
Time restricted	-	-	-	53,665
Grants	365,418	293,796	659,214	517,763
Purchase of development rights grants	-	-	-	2,627,950
Total contributions and grants	1,822,150	329,760	2,151,910	4,166,615
Special events:				
Contributions	216,293	-	216,293	196,804
Special events revenue	97,070	-	97,070	72,142
Cost of direct benefit to donors	(100,139)	-	(100,139)	(75,737)
Net special events revenue	213,224	-	213,224	193,209
Miscellaneous income	8,030	-	8,030	9,261
Donated rent	25,200	-	25,200	25,200
Dividend and interest income - bank	1,405	-	1,405	718
Reclassification	(77,353)	77,353	-	-
Releases from restrictions	443,210	(443,210)	-	-
Total operating revenues and other support	2,435,866	(36,097)	2,399,769	4,395,003
Operating expenses:				
Program				
Land conservation:				
Purchase of development rights	363,063	-	363,063	2,742,716
Other land conservation costs	454,871	-	454,871	532,303
Keeler Lane project expenses	153,350	-	153,350	175,467
Total land conservation	971,284	-	971,284	3,450,486
Stewardship	402,884	-	402,884	393,541
Education	253,105	-	253,105	225,753
Total program expenses	1,627,273	-	1,627,273	4,069,780
Management and general	186,914	-	186,914	90,060
Fundraising	124,024	-	124,024	128,049
Total operating expenses	1,938,211	-	1,938,211	4,287,889
Increase (decrease) in net assets from operating activities, before income taxes	497,655	(36,097)	461,558	107,114
Income tax benefit - Keeler Lane	49,489	-	49,489	328,613
Increase (decrease) in net assets from operating activities, after income taxes	547,144	(36,097)	511,047	435,727
Non-operating activities:				
Investment return, net	(170,896)	(55,375)	(226,271)	697,412
Stewardship endowment contributions	-	49,431	49,431	89,357
Interest expense	(1,116)	-	(1,116)	-
(Decrease) increase in net assets from non- operating activities	(172,012)	(5,944)	(177,956)	786,769
Increase (decrease) in net assets	375,132	(42,041)	333,091	1,222,496
Net assets, beginning of year	11,150,074	3,265,912	14,415,986	13,193,490
Net assets, end of year	\$ 11,525,206	\$ 3,223,871	\$ 14,749,077	\$ 14,415,986

See independent auditors' report and notes to financial statements.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2018
(with memorandum totals for the year ended December 31, 2017)

	2018						2017
	Land Conservation	Stewardship	Education	Total Program	Management & General	Fund-raising	(memorandum only) Total
Salaries	\$ 241,310	\$ 224,102	\$ 169,463	\$ 634,875	\$ 81,891	\$ 71,840	\$ 755,343
Employment insurance	1,350	1,575	1,006	3,931	(111)	369	5,954
Health insurance	13,051	20,037	14,018	47,106	2,504	4,364	53,052
Payroll taxes	16,841	16,006	11,671	44,518	6,232	5,042	54,060
Retirement benefits	7,323	6,850	4,960	19,133	2,510	2,126	24,217
Professional fees	74,583	70,903	4,225	149,711	16,788	-	183,510
Marketing and development	-	-	-	-	-	18,378	22,983
Travel and meetings	4,099	3,232	1,507	8,838	1,775	1,833	33,264
Conferences and seminars	6,450	965	255	7,670	818	580	12,320
Office supplies	3,318	4,798	2,002	10,118	5,181	965	19,854
Equipment rental, repairs and maintenance	16,538	2,953	2,696	22,187	8,429	1,176	35,358
Education programs	-	-	17,626	17,626	-	-	20,765
Maps	480	177	-	657	-	-	907
Dues and publications	11,380	-	2,480	13,860	2,998	48	19,997
Postage	900	489	476	1,865	631	1,811	4,350
Printing and copying	557	551	1,324	2,432	644	5,860	6,355
Telephone	1,708	1,250	1,250	4,208	1,100	1,250	4,976
Utilities	17,140	1,470	1,475	20,085	1,884	1,070	18,514
Insurance	10,074	26,788	3,841	40,703	8,706	1,646	53,623
Computer related expenses	294	559	294	1,147	12,266	294	13,328
Bank and credit card fees	25	-	-	25	9,190	-	7,684
Filing and recording	1,169	944	-	2,113	785	-	3,351
Stewardship expenses	-	7,295	-	7,295	-	-	7,249
Project expenses	50,000	-	-	50,000	-	-	4,700
Purchase of development rights	363,063	-	-	363,063	-	-	2,742,716
Property taxes	82,307	-	-	82,307	-	-	76,963
Lobbying expense	-	-	-	-	-	-	50
Rent expense	5,041	5,040	5,292	15,373	7,560	2,268	25,201
Sales tax	-	-	-	-	-	-	5,382
Loss on insurance proceeds	3,300	-	-	3,300	-	-	-
Miscellaneous	-	-	-	-	4,777	-	3,147
Depreciation	38,983	6,900	7,244	53,127	10,356	3,104	68,716
	<u>\$ 971,284</u>	<u>\$ 402,884</u>	<u>\$ 253,105</u>	<u>\$ 1,627,273</u>	<u>\$ 186,914</u>	<u>\$ 124,024</u>	<u>\$ 4,287,889</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, 2018
(with memorandum totals for the year ended December 31, 2017)

	2018	2017 (memorandum only) (as adjusted)
Cash Flows From Operating Activities:		
Change in net assets	\$ 333,091	\$ 1,222,496
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	66,587	68,716
Restricted contributions for stewardship endowment	(49,431)	(89,357)
Loss (gain) on investments	307,161	(622,659)
Donated land and building	(656,000)	-
Income taxes - Keeler Lane	(49,489)	(328,613)
Changes in:		
Unconditional promises to give	63,724	(11,555)
Accounts receivable	4,284	(3,981)
Prepaid expenses	(7,408)	(20,807)
Accounts payable	(607)	(5,557)
Accrued expenses	(2,667)	(94,083)
Contract liability	-	(4,500)
Total adjustments	(323,846)	(1,112,396)
Net cash provided by operating activities	9,245	110,100
Cash Flows From Investing Activities:		
Proceeds from sale of investments	1,409,149	1,301,267
Purchases of investments	(1,403,859)	(1,118,896)
Purchase of certificates of deposit	(16,651)	-
Proceeds from maturities of certificates of deposit	-	30,050
Purchases of property and equipment	(5,047)	(143,320)
Net cash provided by (used for) investing activities	(16,408)	69,101
Cash Flows From Financing Activities:		
Restricted contributions for stewardship endowment and purchase of land	49,431	89,357
Net cash provided by financing activities	49,431	89,357
Net increase in cash and cash equivalents	42,268	268,558
Cash and cash equivalents, beginning of year, as adjusted	747,910	479,352
Cash and cash equivalents, end of year	\$ 790,178	\$ 747,910
Reconciliation of total cash and cash equivalents:		
Cash and cash equivalents	\$ 758,968	\$ 488,530
Restricted cash - for investment	31,210	259,380
	\$ 790,178	\$ 747,910
Supplemental disclosure of cash flow information:		
Donated stock	\$ 18,071	\$ 68,284
Income tax paid	\$ -	\$ -

See independent auditors' report and notes to financial statements.

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

December 31, 2018

(with memorandum totals for December 31, 2017)

1. Nature of Operations:

The Dutchess Land Conservancy, Inc., located in Millbrook, New York, was formed to preserve and protect 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, management assistance through referrals and education, 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, 2018
(with memorandum totals for December 31, 2017)

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 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). ASC 958-205 was effective January 1, 2018.

Under the provisions of the ASC, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

- *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.
- *Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Endowment earnings are restricted until "appropriated by expenditure" by the Organization's board.

Expenses are reported as decreases in net assets without donor restrictions.

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 net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions support.

See independent auditors' report.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018
(with memorandum totals for December 31, 2017)

2. Summary of Significant Accounting Policies (Continued):

Contributions (Continued):

The Organization reports gifts of goods and equipment as net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit donor stipulations that specify how the assets are to be used and gifts of cash and 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 upon acquisition of the assets and the assets are placed in service.

Property Held for Sale:

The Organization owns certain land that it is trying to sell valued at \$106,000 as of December 31, 2018. 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.

On December 21, 2018, the Organization received the gift of a 110-acre agricultural and forested property in the Town of Washington which has significant conservation value. The Organization is assessing its conservation options for this property. The Organization currently owns two additional 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, 2018
(with memorandum totals for December 31, 2017)

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, 2017, in the accompanying statements are included to provide a basis for comparison with December 31, 2018, and present summarized totals only. Accordingly, the December 31, 2017, 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. Certain 2017 amounts have been reclassified to conform to the current year presentation.

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 the net appreciation (depreciation) in the fair value investments, which consists of the realized gains or losses and the unrealized (depreciation) on those investments, is presented in the statement of activities in accordance with donor restrictions as investment return. Investment return is presented net of investment fees.

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. The average cost method is primarily used to determine the basis for computing realized gains or losses.

See independent auditors' report.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018
(with memorandum totals for December 31, 2017)

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, 2018, an estimated rental value of \$25,200 was recorded by the Organization (see Note 7). The Organization received donated stock in the amount of \$18,071 during the year ended December 31, 2018. 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, 2018, all promises to give are considered collectible. Given the short duration of the outstanding unconditional promises to give at December 31, 2018, no discounting was applied to the receivable balance.

Contract Liabilities:

Payments received on grants with contingencies are treated as contract liabilities until the contingency is met. Unspent funds, if any, are payable to the grantor upon completion of the grant specifications. Contract liabilities of \$6,500 was recorded as of December 31, 2018.

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.

See independent auditors' report.

DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018
(with memorandum totals for December 31, 2017)

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, 2015.

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.

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DUTCHESS LAND CONSERVANCY, INC. AND SUBSIDIARY
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2. Summary of Significant Accounting Policies (Continued):

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.

Functional Expenses:

The cost of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Office supplies	Full time equivalents
Equipment rental, repairs and maintenance	Square Footage
Postage	Full time equivalents
Printing and copying	Full time equivalents
Telephone	Full time equivalents
Utilities	Square Footage
Insurance	Square Footage
Computer related expenses	Full time equivalents
Rent	Square Footage
Depreciation	Square Footage

Measure of Operations:

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities including interest and dividend income generated from the Organization's bank accounts and investment return to support the current year operating budget. Non-operating activities are limited to resources that generate return from board and donor restricted endowments, less amounts authorized to support the current year operating budget, as well as donor restricted endowment contributions, financing costs, contributions of land and property restricted as to use by donors, and other activities considered to be of a more unusual or nonrecurring nature.

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2. Summary of Significant Accounting Policies (Continued):

New Accounting Pronouncements:

On August 18, 2016, FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities." The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Dutchess Land Conservancy, Inc. and Subsidiary have adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

In addition, the Organization implemented ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash." The update requires the presentation of total change in cash, cash equivalents, restricted cash and restricted cash equivalents for the period in the statement of cash flows. The ASU has been applied retrospectively to all periods presented. As a result of implementing this ASU, cash and cash equivalents as of December 31, 2017, increased by \$259,380 on the Statement of Cash Flows.

Subsequent Events:

Subsequent events have been evaluated through June 28, 2019, 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, 2018 comprised the following:

Bank	Book Balance	Bank Balance	FDIC Insurance	In Excess
Dutchess Land Conservancy:				
Bank of Millbrook	\$ 637,267	\$ 651,189	\$ 250,000	\$ 401,189
M&T Bank	140,310	140,310	250,000	-
Petty Cash	200	-	N/A	-
Keeler Lane:				
Bank of Millbrook	12,401	14,206	250,000	-
	<u>\$ 790,178</u>	<u>\$ 805,705</u>		<u>\$ 401,189</u>

At December 31, 2018, within cash and cash equivalents is \$20,000 restricted for the Organization's board designated stewardship fund and \$11,210 for the stewardship endowment.

4. Certificates of Deposit:

The certificates of deposit balance consists of three certificates of deposit with a total balance at December 31, 2018 of \$130,830. The certificates of deposit have maturities of six months and earn interest at a rate of 0.25% - 0.40%. The certificates of deposit are held within a Certificate of Deposit Account Registry Service (CDARS) account with various financial institutions.

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5. Investments:

Investments, stated at fair value, at December 31, 2018, are as follows:

	Cost	Unrealized Gain (Loss)	Fair Market Value	FASB ASC 820-10 Measurements
Common Stocks	\$ 2,719,308	\$ 591,765	\$ 3,311,073	Level 1
Government Securities	598,184	5,452	603,636	Level 1
Mutual Funds	175,000	(8,146)	166,854	Level 1
Municipal Bonds	65,000	514	65,514	Level 2
Corporate Fixed Income	1,619,531	(18,821)	1,600,710	Level 2
Cash and Cash equivalents	117,391	-	117,391	N/A
Total Investments	<u>\$ 5,294,414</u>	<u>\$ 570,764</u>	<u>\$ 5,865,178</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.

6. Land, Property, and Equipment:

A summary of land, property, and equipment as of December 31, 2018, is as follows:

		Useful Life
Buildings and building improvements	\$ 947,000	15-40 years
Leasehold improvements	394,888	4-18 years
Office furniture and equipment	112,616	5-7 years
Keeler Lane equipment	79,102	5-15 years
	<u>1,533,606</u>	
Less: accumulated depreciation	<u>(511,417)</u>	
	<u>\$ 1,022,189</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, 2018 was \$66,587.

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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 2018, 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.

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 2018, the Organization elected to contribute 3% of each employee's compensation. The total expense for the year ended December 31, 2018 was \$23,769, comprised of \$23,621 in contributions and \$148 in plan fees.

9. Keeler Lane Development Corporation / Deferred Taxes:

Keeler Lane Development Corporation (Keeler Lane) 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 Keeler Lane'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, 2018, the tax basis was \$5,699,550, 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.

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9. Keeler Lane Development Corporation / Deferred Taxes (Continued):

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 Lane activity as of December 31, 2018:

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)
\$176,056 loss for December 31, 2018		(49,489)
Impact of change in federal tax rate for 2018		<u>(275,937)</u>
Deferred tax liability at December 31, 2018	\$	<u><u>553,506</u></u>

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 Keeler Lane 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.

10. Net Assets:

Net Assets With Donor Restrictions

The Organization has several funds designated as net assets with donor restrictions.

Endowment Funds

The donor restricted Stewardship Endowment Fund (“SEF”) 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. 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.

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10. Net Assets (Continued):

Non-Endowment Funds

The donor restricted 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 donor restricted Land Easement Acquisition Fund ("LEAF") 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.

The donor restricted 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 donor restricted Milan Window Fund was established in 1993 to protect land in the Milan Window Area, a unique habitat area in the Towns of Milan and Clinton.

The donor restricted Hunt Country Fund was established in 2018 through an anonymous and generous gift to incentivize conservation activities within a specific area of the county to ensure land stays open and available for equestrian pursuits. Its purpose is to broaden awareness about the rich history of this area as it relates to the conservation work of DLC and the equestrian use of the land and to encourage area landowners to place conservation easements on their properties by providing the resources necessary to offset expenses of placing and stewarding easements.

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10. Net Assets (Continued):

Donor restricted net assets consist for the following purposes as of December 31, 2018:

Subject to expenditure for specified purpose:

Management and general -	
Strategic Plan / IT Security	\$ 35,000
Land Conservation:	
Land Protection Fund	1,198,420
Land Easement Acquisition Fund	159,520
Land Conservation in Dover	2,876
Farmland Protection / Seven Wells	108,000
Sweetwater-Milan Window Fund	52,501
Paddle raise donations	30,714
Hunt Country Fund	48,950
Farmers' Assistance Fund	32,028
Stone Church Fund	22,308
Education:	
Enhancing Communications / Photo Project	91,775
NYS CPP - Building Stewardship Capacity	9,071
Molly Schaefer Memorial Education Fund	70,058
Stewardship:	
Farmers Match / Stewardship Capacity	72,067
	1,933,288

Subject to the Organization's spending policy and appropriation:

Stewardship -	
Stewardship Endowment Fund	1,260,583
	1,260,583

Subject to the passage of time:

Time restricted contributions	30,000
Total	\$ 3,223,871

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10. Net Assets (Continued):

Releases from Donor Restricted Net Assets for the year ended December 31, 2018 are as follows:

Releases from restrictions:

Subject to the passage of time	\$ 23,665
Subject to expenditure for specified purpose:	
Land Conservation:	
Land Easement Acquisition Fund	250,000
Education:	
Molly Schaefer Memorial Fund	12,722
Walbridge Fund Grant	135,000
NYS CPP - Geospatial Inventory	3,823
NYS CPP - OLC Collaboration	18,000
	\$ 443,210

Net Assets Without Donor Restrictions

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 contributions without restrictions 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.

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10. Net Assets (Continued):

Board Designated Net Assets (Continued)

The board-designated Stewardship Fund (SF) was created to enhance the fund balance of the donor restricted Stewardship Endowment Fund. As the SEF, it meets two needs: to provide a long term, ongoing source of funds to help 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. If the Board of Directors decides that operating cash flows are sufficient to cover the annual stewardship costs, earnings are generally reinvested. 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.

Periodically, the Board of Directors will appropriate a portion of the accumulated earnings for expenditure based on the Organization’s spending policy.

As of December 31, 2018, board designated net assets are as follows:

Land protection fund	\$ 958,134
Land easement acquisition fund	233,405
Stewardship fund	1,714,212
Reserve Fund	302,308
Total board designated	<u>\$ 3,208,059</u>

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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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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, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ -	\$ 874,900	\$ 874,900
Accumulated investment gains	-	385,683	385,683
Board designated funds ("invested net assets")	3,208,059	-	3,208,059
Total funds	<u>\$ 3,208,059</u>	<u>\$ 1,260,583</u>	<u>\$ 4,468,642</u>

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10. Net Assets (Continued):

Changes in endowment and invested net assets for the year ended December 31, 2018:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Endowment and invested net assets, beginning of year	\$ 3,571,196	\$ 1,262,873	\$ 4,834,069
Contributions	20,000	49,431	69,431
Investment return, net	(170,784)	(51,721)	(222,505)
Amounts appropriated for expenditure	(135,000)	-	(135,000)
Reclassification	(77,353)	-	(77,353)
Endowment and invested net assets, end of year	<u>\$ 3,208,059</u>	<u>\$ 1,260,583</u>	<u>\$ 4,468,642</u>

Additional funds invested for various future land, education and stewardship expenses as of December 31, 2018 are comprised of:

Endowment and invested net assets, end of year	\$ 4,468,642
Cash and cash equivalents designated for investment in board designated stewardship fund	(20,000)
Cash and cash equivalents designated for investment in stewardship endowment	(11,210)
Donor restricted funds	1,427,746
Total investments	<u>\$ 5,865,178</u>

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYSUMIFA requires the Organization to retain as a fund of perpetual duration. There were none at December 31, 2018.

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11. Liquidity:

The Organization's financial assets available within one year of December 31, 2018 for general expenditure are as follows:

Current financial assets at year end:

Cash and cash equivalents	\$ 758,968
Unconditional promises to give	23,176
Accounts receivable, net	3,955
Prepaid expenses	45,307
Certificates of deposit	130,830
Total financial assets	<u>\$ 962,236</u>

The Organization's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of December 31, 2018 and amounts set aside for long-term investing in endowments.

In addition, the Organization has board designated net assets of \$3,208,059 (See Note 10) which the board could make available to the Organization for general expenditures, if necessary.

12. Special Events:

Special events generate revenue for the Organization as well as raise awareness about the Organization's mission. Some events are annual, and some are incidental to the Organization's central activities and do not happen regularly. Incidental events are recorded net in the accompanying statement of activities.

The Organization held two annual event during the year ended December 31, 2018.

Changes in net assets without donor restrictions:

Revenues:		
Contributions		\$ 216,293
Special event revenue	97,070	
Less: Costs of direct benefits to donors	<u>(100,139)</u>	
Net revenues from special events		<u>(3,069)</u>
Total revenues		213,224
Expenses:		
Fundraising		<u>7,202</u>
Increase in net assets without donor restrictions		<u>\$ 206,022</u>

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SUPPLEMENTARY INFORMATION

DUTCHESS LAND CONSERVANCY, INC.
AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

	Dutchess Land Conservancy, Inc.	Keeler Lane Development Corporation	Eliminations	Consolidated Totals
Current assets:				
Cash and cash equivalents	\$ 746,567	\$ 12,401	\$ -	\$ 758,968
Unconditional promises to give	23,176	-	-	23,176
Accounts receivable	3,955	-	-	3,955
Due from Keeler Lane	596,199	-	(596,199)	-
Prepaid expenses	16,340	28,967	-	45,307
Certificates of deposit	130,830	-	-	130,830
Total current assets	<u>1,517,067</u>	<u>41,368</u>	<u>(596,199)</u>	<u>962,236</u>
Property and equipment, net	<u>62,691</u>	<u>959,498</u>	<u>-</u>	<u>1,022,189</u>
Other assets:				
Tradeland	650,000	6,709,120	-	7,359,120
Investments	5,865,178	-	-	5,865,178
Investment in Keeler Lane Development Corporation	6,559,266	-	(6,559,266)	-
Restricted cash- for investment	31,210	-	-	31,210
Property held for sale	106,000	-	-	106,000
Total other assets	<u>13,211,654</u>	<u>6,709,120</u>	<u>(6,559,266)</u>	<u>13,361,508</u>
Total assets	<u>\$ 14,791,412</u>	<u>\$ 7,709,986</u>	<u>\$ (7,155,465)</u>	<u>\$ 15,345,933</u>

LIABILITIES AND NET ASSETS

Current liabilities:				
Accounts payable	\$ 33,805	\$ 1,015	\$ -	\$ 34,820
Accrued expenses	2,030	-	-	2,030
Contract liability	6,500	-	-	6,500
Deferred tax liability	-	553,506	-	553,506
Due to Dutchess Land	-	596,199	(596,199)	-
Total current liabilities	<u>42,335</u>	<u>1,150,720</u>	<u>(596,199)</u>	<u>596,856</u>
Total liabilities	<u>42,335</u>	<u>1,150,720</u>	<u>(596,199)</u>	<u>596,856</u>
Net assets:				
Without donor restrictions	11,525,206	-	-	11,525,206
With donor restrictions	3,223,871	-	-	3,223,871
Accumulated earnings	-	(53,683)	53,683	-
Capital Stock	-	6,612,949	(6,612,949)	-
Total net assets	<u>14,749,077</u>	<u>6,559,266</u>	<u>(6,559,266)</u>	<u>14,749,077</u>
Total liabilities and net assets	<u>\$ 14,791,412</u>	<u>\$ 7,709,986</u>	<u>\$ (7,155,465)</u>	<u>\$ 15,345,933</u>

See independent auditors' report and notes to financial statements.

DUTCHESS LAND CONSERVANCY, INC.
AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended December 31, 2018

	Dutchess Land Conservancy, Inc.	Keeler Lane Development Corporation	Eliminations	Total
Operating activities:				
Operating revenues and other support:				
Contributions:				
General	\$ 831,696	\$ -	\$ -	\$ 831,696
Land and buildings	656,000	-	-	656,000
Land easement acquisition fund	5,000	-	-	5,000
Grants	659,214	-	-	659,214
Total contributions and support	<u>2,151,910</u>	<u>-</u>	<u>-</u>	<u>2,151,910</u>
Special events:				
Contributions	216,293	-	-	216,293
Special events revenue	97,070	-	-	97,070
Cost of direct benefit to donors	(100,139)	-	-	(100,139)
Net special events revenue	<u>213,224</u>	<u>-</u>	<u>-</u>	<u>213,224</u>
Loss on investment in Keeler Lane	<u>(126,566)</u>	<u>-</u>	<u>126,566</u>	<u>-</u>
Miscellaneous income	<u>8,030</u>	<u>-</u>	<u>-</u>	<u>8,030</u>
Donated rent	<u>25,200</u>	<u>-</u>	<u>-</u>	<u>25,200</u>
Interest income (expense) - Keeler Lane	<u>21,589</u>	<u>(21,589)</u>	<u>-</u>	<u>-</u>
Dividend and interest income - bank	<u>1,405</u>	<u>-</u>	<u>-</u>	<u>1,405</u>
Total operating revenues and other support	<u>2,294,792</u>	<u>(21,589)</u>	<u>126,566</u>	<u>2,399,769</u>
Operating expenses:				
Program:				
Land conservation	454,871	153,350	-	608,221
Purchase of development rights	363,063	-	-	363,063
Stewardship	402,884	-	-	402,884
Education	253,105	-	-	253,105
Total program expenses	<u>1,473,923</u>	<u>153,350</u>	<u>-</u>	<u>1,627,273</u>
Management and general	186,914	-	-	186,914
Fundraising	124,024	-	-	124,024
Total operating expenses	<u>1,784,861</u>	<u>153,350</u>	<u>-</u>	<u>1,938,211</u>
Increase (decrease) in net assets from operating activities, before income taxes	509,931	(174,939)	126,566	461,558
Income tax benefit - Keeler Lane	<u>-</u>	<u>49,489</u>	<u>-</u>	<u>49,489</u>
Increase (decrease) in net assets from operating activities, after income taxes	<u>509,931</u>	<u>(125,450)</u>	<u>126,566</u>	<u>511,047</u>
Non-operating activities:				
Investment return, net	(226,271)	-	-	(226,271)
Stewardship endowment contributions	49,431	-	-	49,431
Interest expense	<u>-</u>	<u>(1,116)</u>	<u>-</u>	<u>(1,116)</u>
Decrease in net assets from non-operating activities	<u>(176,840)</u>	<u>(1,116)</u>	<u>-</u>	<u>(177,956)</u>
Net increase (decrease) in net assets	333,091	(126,566)	126,566	333,091
Net assets, beginning of year	<u>14,415,986</u>	<u>72,883</u>	<u>(72,883)</u>	<u>14,415,986</u>
Net assets, end of year	<u>\$ 14,749,077</u>	<u>\$ (53,683)</u>	<u>\$ 53,683</u>	<u>\$ 14,749,077</u>

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