

Summit Land Conservancy

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2022 and 2021



SUMMIT LAND CONSERVANCY

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Independent Auditor's Report

To the Board of Directors
Summit Land Conservancy

Opinion

We have audited the accompanying financial statements of **Summit Land Conservancy**, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Summit Land Conservancy** as of December 31, 2022 and 2021 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Summit Land Conservancy** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Summit Land Conservancy's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Summit Land Conservancy's** ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in cursive script that reads "Larson & Company P.C.".

Salt Lake City, Utah
September 1, 2023

SUMMIT LAND CONSERVANCY

Statements of Financial Position
As of December 31, 2022 and 2021

	2022	2021
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,232,928	\$ 767,182
Restricted cash	804,784	759,585
Accounts receivable	55,290	22,680
Promises to give, net	42,722	9,231
Other assets	5,606	23,655
Total current assets	2,141,330	1,582,333
PROPERTY AND EQUIPMENT	605,143	621,900
LAND HELD FOR EASEMENTS	4,966,000	4,966,000
PROMISES TO GIVE, NET	19,038	34,905
CERTIFICATES OF DEPOSIT	-	17,820
INVESTMENTS	1,041,488	1,276,659
BENEFICIAL INTEREST IN ASSETS	76,444	90,025
TOTAL ASSETS	\$ 8,849,443	\$ 8,589,642
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable, trade	\$ 3,899	\$ 5,967
Accrued liabilities	45,643	24,119
Mortgage loans	11,003	3,526,520
Total current liabilities	60,545	3,556,606
NONCURRENT MORTGAGE LOANS	3,834,328	427,741
TOTAL LIABILITIES	3,894,873	3,984,347
NET ASSETS		
Without donor restrictions		
Undesignated	3,019,870	2,969,676
Board designated as endowment	564,428	421,050
	3,584,298	3,390,726
With donor restrictions		
Restricted for specific purpose	868,801	772,769
Donor restricted as endowment	501,471	441,800
	1,370,272	1,214,569
TOTAL NET ASSETS	4,954,570	4,605,295
TOTAL LIABILITIES AND NET ASSETS	\$ 8,849,443	\$ 8,589,642

The accompanying notes are an integral part of these financial statements

SUMMIT LAND CONSERVANCY

Statement of Activities

For the Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
CHANGE IN NET ASSETS			
SUPPORT, REVENUES AND LOSS			
Contributions	\$ 840,093	\$ 607,948	\$ 1,448,041
Grants	176,924	9,060,835	9,237,759
Contract revenue	149,245	-	149,245
Special events (net direct benefits of \$115,734)	254,842	-	254,842
Special events in-kind contributions	48,734	-	48,734
In-kind contributions	12,747	-	12,747
Return (loss) on investments	(243,189)	-	(243,189)
Return on beneficial interest	13,581	-	13,581
Other income	5,118	-	5,118
TOTAL SUPPORT, REVENUES AND LOSS	1,258,095	9,668,783	10,926,878
SATISFACTION OF RESTRICTIONS	9,513,080	(9,513,080)	-
TOTAL SUPPORT, REVENUES, LOSS AND SATISFACTION OF RESTRICTIONS	10,771,175	155,703	10,926,878
EXPENSES			
Program services	10,135,832	-	10,135,832
Supporting services			
General and administrative	351,855	-	351,855
Fundraising	89,916	-	89,916
TOTAL EXPENSES	10,577,603	-	10,577,603
CHANGE IN NET ASSETS	193,572	155,703	349,275
NET ASSETS, BEGINNING OF YEAR	3,390,726	1,214,569	4,605,295
NET ASSETS, END OF YEAR	\$ 3,584,298	\$ 1,370,272	\$ 4,954,570

The accompanying notes are an integral part of these financial statements

SUMMIT LAND CONSERVANCY

Statement of Activities

For the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
CHANGE IN NET ASSETS			
SUPPORT, REVENUES AND GAIN			
Contributions	\$ 573,303	\$ 423,360	\$ 996,663
Grants	82,849	2,144,000	2,226,849
Contract revenue	62,426	-	62,426
Special events (net direct benefits of \$30,943)	277,940	-	277,940
Special events in-kind contributions	143,800	-	143,800
In-kind contributions	700,000	-	700,000
Return (loss) on investments	143,641	-	143,641
Return on beneficial interest	10,276	-	10,276
Other income	8,773	-	8,773
TOTAL SUPPORT, REVENUES AND GAIN	2,003,008	2,567,360	4,570,368
SATISFACTION OF RESTRICTIONS	1,961,354	(1,961,354)	-
TOTAL SUPPORT, REVENUES, GAIN AND SATISFACTION OF RESTRICTIONS	3,964,362	606,006	4,570,368
EXPENSES			
Program Services	2,507,130	-	2,507,130
Supporting services			
General and administrative	265,822	-	265,822
Fundraising	97,418	-	97,418
TOTAL EXPENSES	2,870,370	-	2,870,370
CHANGE IN NET ASSETS	1,093,992	606,006	1,699,998
NET ASSETS, BEGINNING OF YEAR	2,296,734	608,563	2,905,297
NET ASSETS, END OF YEAR	\$ 3,390,726	\$ 1,214,569	\$ 4,605,295

The accompanying notes are an integral part of these financial statements

SUMMIT LAND CONSERVANCY

Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Compensation officers	\$ 59,139	\$ 72,661	\$ 19,465	\$ 151,265
Other compensation	408,943	108,812	32,474	550,229
Pension plans contributions	9,392	4,799	1,627	15,818
Employee benefits	47,403	27,177	7,277	81,857
Payroll taxes	34,444	13,668	3,929	52,041
Legal fees	3,500	-	-	3,500
Accounting fees	-	23,675	-	23,675
Lobbying fees	-	1,860	-	1,860
Other fees	21,561	13,242	9,543	44,346
Office expenses	19,564	6,076	2,680	28,320
Information technology	11,737	3,041	-	14,778
Occupancy	18,729	7,914	5,459	32,102
Travel	2,510	486	1,261	4,257
Conferences and meetings	3,912	1,018	1,178	6,108
Interest	140,640	-	-	140,640
Depreciation	-	26,004	-	26,004
Insurance	2,740	8,192	100	11,032
Easements purchased	9,150,000	-	-	9,150,000
Conservation expenses	166,174	-	-	166,174
Professional development	4,297	-	-	4,297
Camp staffing and supplies	4,375	-	-	4,375
Bank fees and credit card expense	1,396	1,162	2,273	4,831
Program related outreach	12,802	12,160	2,650	27,612
Dues and licenses	12,574	9,298	-	21,872
Accreditation expense	-	10,610	-	10,610
Total functional expenses	\$ 10,135,832	\$ 351,855	\$ 89,916	\$ 10,577,603

The accompanying notes are an integral part of these financial statements

SUMMIT LAND CONSERVANCY

Statement of Functional Expenses For the Year Ended December 31, 2021

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Compensation officers	\$ 50,567	\$ 52,818	\$ 14,316	\$ 117,701
Other compensation	301,455	70,751	43,984	416,190
Pension plans contributions	9,283	3,407	1,562	14,252
Employee benefits	35,279	14,636	5,087	55,002
Payroll taxes	28,756	6,749	4,196	39,701
Accounting fees	-	22,850	-	22,850
Lobbying fees	1,252	-	-	1,252
Other fees	31,751	8,962	15,295	56,008
Office expenses	17,292	4,286	1,256	22,834
Information technology	15,032	1,774	451	17,257
Occupancy	24,217	9,172	1,436	34,825
Travel	2,522	-	508	3,030
Conferences and meetings	524	-	7	531
Interest	140,640	-	-	140,640
Depreciation	-	29,817	-	29,817
Insurance	1,989	12,098	-	14,087
Easements purchased	1,800,000	-	-	1,800,000
Conservation expenses	15,838	-	-	15,838
Professional development	964	3,684	-	4,648
Camp staffing and supplies	1,595	-	-	1,595
Bank fees and credit card expense	-	9,888	-	9,888
Program related outreach	27,999	4,560	9,320	41,879
Dues and licenses	175	9,520	-	9,695
Accreditation expense	-	850	-	850
Total functional expenses	\$ 2,507,130	\$ 265,822	\$ 97,418	\$ 2,870,370

The accompanying notes are an integral part of these financial statements

SUMMIT LAND CONSERVANCY
 Statements of Cash Flows
 For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 349,275	\$ 1,699,998
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	26,004	29,817
Donated land	-	(700,000)
Donated securities	(67,821)	(98,398)
Unrealized (gain) loss on investments	302,992	(116,615)
Unrealized (gain) loss on beneficial interest	13,792	(9,790)
Realized gains	(211)	(486)
Decrease (increase) in operating assets:		
Accounts receivable	(32,610)	22,788
Promises to give	(17,624)	35,597
Prepaid expenses	18,049	(915)
Increase (decrease) in operating liabilities:		
Accounts payable, trade	(2,068)	1,094
Accrued liabilities	21,524	738
Accrued Interest note payable	-	(17,339)
	611,302	846,489
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(9,247)	(7,051)
Purchase of certificates of deposit.	17,820	(523)
Proceeds from sale of investments	-	65,770
	8,573	58,196
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on mortgage loans payable	(108,930)	(10,057)
	(108,930)	(10,057)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	510,945	894,628
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,526,767	632,139
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,037,712	\$ 1,526,767
CASH AND CASH EQUIVALENTS	1,232,928	767,182
RESTRICTED CASH	804,784	759,585
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,037,712	\$ 1,526,767
<u>SUPPLEMENTAL INFORMATION</u>		
Cash paid:		
Interest	\$ 140,640	\$ 157,979
Income taxes	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

SUMMIT LAND CONSERVANCY

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Summit Land Conservancy (the “Conservancy”) is a nonprofit corporation organized in 2002 in the State of Utah. The Conservancy is accredited by the Land Trust Accreditation Commission and is organized and operated exclusively for the purpose of working with our communities to protect and preserve land and water for the benefit of people and nature. The Conservancy holds conservation easements, provides information on ways that natural lands can be preserved, and works to connect people with nature through its educational programs. The primary sources of support and revenue are individual, corporate and foundation contributions, government grants, and contracts with municipal government.

Basis of Presentation

The Conservancy prepares its financial statements on the accrual basis of accounting and follows accounting principles generally accepted in the United States (“U.S. GAAP”) for nonprofit organizations and reports information regarding its financial position and activities according to two classes of net assets, with donor restrictions and without donor restrictions, based upon the following criteria:

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 Conservancy. These net assets may be used at the discretion of the Conservancy’s management and the Board of Directors.

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 actions of the organization by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Conservancy considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash consists of amounts being held for easement purchases.

SUMMIT LAND CONSERVANCY

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounts and Contract Receivables and Promises to Give

Accounts and contract receivables and promises to give are recorded at their estimated fair value less an appropriate allowance for uncollectible amounts. Allowances are based on historical experience and management's analysis of specific balances. An account is written off when it is determined that all collection efforts have been exhausted. Promises to give due later than one year are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which promises are received. Discounts on promises to give that are measured at present value are amortized between the date the promise to give is initially recognized and the date the cash or other contributed assets are received.

Investments and Certificates of Deposit

The Conservancy invests in long-term certificates of deposit which are recorded at cost. Interest earned on certificates of deposit is reported in the statement of activities. The Conservancy also invests in other marketable securities which are recorded at their fair market value. Unrealized gains and losses and investment returns net of related expenses are included in the statement of activities.

The Conservancy receives donations of marketable securities. These gifts are recorded in the financial records at their fair value on the date of the donation as it is the policy of the Conservancy is to sell donations of stock immediately after they are received.

Endowment Investment Policies and Objectives

The endowment of the Conservancy includes three components: a board designated endowment, funds held at the Park City Foundation (PCF), and endowment funds with donor restrictions invested by the organization. The portion transferred to the PCF is held by PCF for the benefit of the Conservancy (Note 12). PCF maintains a formal investment policy that sets out performance criteria and investment guidelines. Spending policies, including distributions, are set by the Board of Trustees of PCF and reviewed annually. The endowment held by the Conservancy is invested in cash and cash equivalents and investments. The objectives of the Conservancy's endowment investment program are to ensure the safety and preservation of the invested funds and to provide liquidity of investments sufficient to meet the needs for stewardship of conservation easements. The Conservancy also seeks to diversify risk and meet their fiduciary responsibilities regarding the management of the investments. Composed of gifts restricted in perpetuity and board designated endowment funds, the principal will remain intact and the earnings used for stewardship of conservation easements.

SUMMIT LAND CONSERVANCY

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Equipment and Land

Acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs and maintenance that materially prolong the useful lives of property and equipment are capitalized. If donors stipulate how long the assets must be used, the contributions are recorded as contributions with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as contributions without donor restrictions. Property and equipment are stated at cost less accumulated depreciation, or if acquired by donation, at estimated fair value at the date of the donation. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected in the statement of activities for the period. Depreciation is computed over the following estimated useful lives using the straight-line method:

<u>Assets</u>	<u>Useful Lives</u>
Office furniture and equipment	3 - 5 years
Vehicles	5 years
Building	39 years

Land Conservation Easements

Land conservation easements are acquired by the Conservancy by purchase or by a gift of the easement itself from a donor. Since the Conservancy's inception, land conservation easements acquired by purchase or by gift are not recognized as assets and are not carried on the statement of financial position. The Conservancy has determined that donated conservation easements have no market value in the hands of the Conservancy and are therefore not considered income. Monetary contributions made to the Conservancy to purchase easements are recorded as contributions with donor restrictions and as a program service expense when funds are expended to purchase the easements.

At times the Conservancy will purchase property to create easements either by donating or selling the property or placing under easement once all legal filings are complete. The Conservancy had land held for easements in the amount of **\$4,966,000** and \$4,966,000 as of December 31, 2022 and 2021, respectively.

At times the Conservancy will make deposits towards the purchase of easements. These are recorded as deposits on easement purchases. The Conservancy had deposits in the amount of **\$0** and \$0 as of December 31, 2022 and 2021, respectively.

Contributions and In-Kind Donations

Contributions are recognized when the donor makes a promise to give to the Conservancy that is, in substance, unconditional. Contributions with donor restrictions are reported and recorded as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

SUMMIT LAND CONSERVANCY

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributions and In-Kind Donations (Continued)

Donations of property and equipment are recorded as support at their estimated fair market value at the date of gift. These donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as contributions with donor restrictions and reclassified as net assets without donor restrictions when placed in service.

Donations of goods and services for events and activities held by the Conservancy totaled **\$48,042** and \$143,800 for the years ended December 31, 2022 and 2021, respectively. These donations included goods or services for fundraising. The Conservancy received donated stock securities and land parcels with a fair value of **\$67,821** and \$798,398 during the years ended December 31, 2022 and 2021, respectively. Proceeds from the stock were used for programs of the Conservancy.

Contributions of services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation, are recorded at their fair values when received. No contributions of services meeting these criteria were donated and recorded for the years ended December 31, 2022 and 2021.

Functional Allocation of Expenses

Program costs and supporting services have been summarized on a functional basis in the statement of activities. All direct costs are charged to the functional area they pertain to. Indirect costs are charged to programs and supporting services based on allocation employee hours, taking into account the nature of the expense and how it relates to the functional area. General and administrative costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Conservancy.

Advertising Costs

Advertising costs are charged to operations when incurred. The Conservancy did not incur advertising expense for the years ended December 31, 2022 and 2021.

Income Taxes

The Conservancy qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no provision has been made for federal and state income taxes. The Conservancy remains subject to income taxes on net income that is derived from a trade or business, regularly carried on, and not for its exempt purpose.

SUMMIT LAND CONSERVANCY

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

ASC Topic 740, *Income Taxes*, provides guidance on how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation by management of tax positions taken or expected to be taken in preparation of the Conservancy's tax returns to determine if the positions are more-likely-than-not of being sustained if examined by the taxing authorities. Management has determined there are no uncertain income tax positions. Tax years that remain subject to examination are 2016 and forward.

Financial Instruments and Concentrations of Credit Risk

The Conservancy manages deposit concentration risk by placing cash, money markets accounts and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates. Investments are monitored by the Finance Committee and Board of Directors. While fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare and objectives of the Conservancy. The Conservancy has two donors who have made promises to give which represent **100%** of the outstanding balance as of December 31, 2022 and 2021, respectively.

Recently Issued Accounting Pronouncements

In September of 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure requirements. The amendments in this update require organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Additionally, organizations are required to enhance disclosures by disaggregating the amount of nonfinancial assets recognized within the statement of activities by type of contributed nonfinancial asset and providing additional qualitative information for each disaggregated category. This new guidance is effective for fiscal years beginning after June 15, 2021. The Conservancy has adopted this standard for the year ended February 28, 2023 and has applied the guidance retrospectively.

2. INVESTMENTS AND FAIR VALUE DISCLOSURES

Certain investment assets are reported at fair value in the financial statements. Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

SUMMIT LAND CONSERVANCY

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

2. INVESTMENTS AND FAIR VALUE DISCLOSURES (Continued)

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entities own assumptions about those that market participant would use in pricing the asset based on the best information available.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs are as follows:

Level 1 – Inputs are observable quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 – Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs.

Level 3 – Inputs are unobservable inputs for the asset that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability. Management develops inputs by using the best information available.

The following table sets forth by level, within the fair value hierarchy, the Conservancy's financial instruments at fair value as of December 31, 2022 and 2021.

Assets measured at fair value on a recurring basis are as follows:

	Investments at Fair Value as of December 31, 2022:			
	Level 1	Level 2	Level 3	Total
Stocks	\$ 800,887	\$ -	\$ -	\$ 800,887
Mutual funds **	240,601	-	-	240,601
Total investments in the fair value hierarchy	<u>\$ 1,041,488</u>	<u>\$ -</u>	<u>\$ -</u>	1,041,488
Beneficial interest in assets ***				<u>76,444</u>
Total investments				<u>\$ 1,117,932</u>

SUMMIT LAND CONSERVANCY

Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

2. INVESTMENTS AND FAIR VALUE DISCLOSURES (Continued)

	<u>Investments at Fair Value as of December 31, 2021:</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 975,970	\$ -	\$ -	\$ 975,970
Mutual funds **	300,689	-	-	300,689
Total investments in the fair value hierarchy	<u>\$ 1,276,659</u>	<u>\$ -</u>	<u>\$ -</u>	1,276,659
Beneficial interest in assets ***				<u>90,025</u>
Total investments				<u>\$ 1,366,684</u>

** Valuations are based on inputs that are observable and significant to the overall fair value measurement.

*** Valuations are based on NAV provided by the fund's manager. The NAV is based on the fair value of the underlying assets owned by the fund. These underlying assets are traded in active public markets with observable market data.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,232,928	\$ 767,182
Restricted cash	804,784	759,585
Accounts receivable	55,290	22,680
Promises to give, net	42,722	9,231
Certificates of deposit	-	17,820
Investments	1,041,488	1,276,659
Beneficial interest in assets	<u>76,444</u>	<u>90,025</u>
Total financial assets	<u>3,253,656</u>	<u>2,943,182</u>
Less amounts not available to be used within one year		
Net assets with donor restrictions	1,370,272	1,214,569
Less net assets with purpose restrictions to be met in less than a year	<u>305,000</u>	<u>123,000</u>
Total amounts not available to be used within one year	<u>1,675,272</u>	<u>1,337,569</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,578,384</u>	<u>\$ 1,605,613</u>

Financial assets available to meet general expenditures over the next twelve months exceed the approved operating budget by \$158,733. The budget for the general operations of the Conservancy has been approved at \$1,420,028 for 2023.

SUMMIT LAND CONSERVANCY

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

3. LIQUIDITY AND AVAILABILITY (Continued)

As part of our liquidity management plan, we invest cash periodically according to our investment policy. Occasionally, the Board designates a portion of operating surplus to its operating savings as board designated net assets without donor restrictions. A minimum operating cash requirement of approximately three months is kept in short-term investments at all times; should the need arise, these funds can be used to cover operating expenses.

The Board has designated funds for legal defense and stewardship which are only to be spent if circumstances mandate their usage in accordance with our adopted Standards & Practices. The amounts are available if necessary.

4. CERTIFICATES OF DEPOSIT

The Conservancy invests surplus cash in long-term certificates of deposit which are recorded at cost which approximates fair market value. Interest earned on certificates of deposit is accrued and reported in the statement of activities and is available for operating expenses.

5. PROMISES TO GIVE

Promises to give due in more than one year are recorded at the present value of estimated future cash flows using a discount rate of 4%. Promises to give are as follows at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Current	\$ 45,000	\$ 10,000
Less: unamortized discount, current	<u>(2,278)</u>	<u>(769)</u>
Current, net	42,722	\$ 9,231
Long-term	20,000	40,000
Less: unamortized discount, long-term	<u>(962)</u>	<u>(5,095)</u>
Long-term, net	<u>19,038</u>	<u>34,905</u>
Total promises to give	<u>\$ 61,760</u>	<u>\$ 44,136</u>

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Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

6. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Office furniture and equipment	46,204	\$ 46,204
Vehicles	15,247	6,000
Building	611,950	611,950
Accumulated depreciation	<u>(68,258)</u>	<u>(42,254)</u>
Property and equipment	<u>\$ 605,143</u>	<u>\$ 621,900</u>

Depreciation for years ended December 31, 2022 and 2021 was **\$26,004** and \$29,817, respectively.

7. BENEFICIAL INTEREST IN ASSETS

The Conservancy holds investments with the Park City Community Foundation (“PCCF”). The PCCF invests in securities that are publicly traded. These investments are recorded as a beneficial interest in assets on the statement of financial position. To address market risk of investments, the PCCF maintains a formal investment policy that sets out performance criteria and investment guidelines. Spending policies, including distributions, are set by the Board of Trustees of the PCCF and reviewed annually. No distributions were received by the Conservancy from the PCCF for the years ended December 31, 2022 and 2021.

The change in the beneficial interest recorded in the statement of activities consisted of investment income and realized and unrealized gains and (losses) and totaled **\$13,581** and \$10,276 for the years ended December 31, 2022 and 2021, respectively. No other changes affected the value of this investment during these years.

8. LAND CONSERVATION EASEMENTS

As of December 31, 2022, the Conservancy held land conservation easements on approximately 13,047 acres of property with 31 landowners. Pursuant to the national Land Trust Alliance’s standards, the Conservancy monitors each of its conservation easements on an annual basis, at a minimum, to ensure that lands are being used in accordance with the terms of the easements, and so that any violations of the easements are identified and corrected as soon as possible.

A number of government agencies have agreed to provide funding for new transactions that are expected to close in 2023. The grants are conditional upon the Conservancy raising additional matching funds, the finalization of the easement, and final closing of the transaction. Due to conditions that must be met for the funding to be provided, these grants were considered conditional and were not recorded as revenue by the Conservancy as of December 31, 2022.

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Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

9. MORTGAGE LOAN PAYABLE

The Conservancy entered into a mortgage loan agreement with a financial institution on October 29, 2020. The loan amount is \$450,000 with an interest rate of 4.5%. The monthly payment is \$2,502. This loan is collateralized by property held by the Conservancy. The outstanding balance on the loan was **\$329,331** and \$438,261 as of December 31, 2022 and 2021, respectively. The loan matures on October 29, 2045.

The Conservancy entered into a mortgage loan agreement with a financial institution on November 16, 2020. The loan amount is \$3,516,000 with an interest rate of 4% which accrues daily. The loan was refinanced during the year ended December 31, 2022 and the refinanced loan matures on March 16, 2024. The note calls for a balloon payment of the full principal balance at maturity. This note is collateralized by property held by the Conservancy that it plans to use for easement projects. The outstanding balance on the loan was **\$3,516,000** and \$3,516,000 as of December 31, 2022 and 2021, respectively. Accrued interest was **\$0** and \$0 as of December 31, 2022 and 2021.

Total future payments of loan commitments are as follows:

Years ending December 31,	
2023	\$ 11,003
2024	3,527,455
2025	12,034
2026	12,587
Thereafter	<u>282,252</u>
Total	<u>\$ 3,845,331</u>

10. NET ASSETS WITHOUT DONOR RESTRICTIONS

Board Designated

As of December 31, 2022 and 2021, the Board of Directors has designated **\$564,428** and \$421,050, respectively, of net assets without donor restrictions to be held as endowment funds for future stewardship programs and for the legal defense of the Conservancy's conservation easements. The earnings and any realized and unrealized gain or loss on these funds are held as net assets without donor restrictions until they are expended for stewardship and legal defense activities. Board designations are for the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Endowments board designated		
Stewardship of easements	\$ 476,234	\$ 338,856
Legal defense	88,194	82,194
	<u>\$ 564,428</u>	<u>\$ 421,050</u>

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Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Purchase of easements	\$ 829,125	\$ 733,093
Legal defense	<u>39,676</u>	<u>39,676</u>
	<u>\$ 868,801</u>	<u>\$ 772,769</u>
Endowments restricted by donors:		
Available for stewardship	<u>\$ 501,471</u>	<u>\$ 441,800</u>
Total net assets with donor restrictions	<u>\$ 1,370,272</u>	<u>\$ 1,214,569</u>

Endowments funds consists of two components:

(1) In 2012 and 2011, the Conservancy transferred \$26,000 and \$20,000, respectively, to the Park City Community Foundation ("PCCF"). The funds are invested and held by the PCCF for the benefit of the Conservancy. As of December 31, 2022 and 2021, the original corpus of the gift of \$46,000 had increased to a fair value of **\$76,444** and \$90,025, respectively.

The increase in the fair value and earnings on these endowment funds is held in the net assets without donor restrictions net asset class as of December 31, 2022 and is available for use by the Conservancy.

(2) The original corpus of the endowment restricted by donors also include funds totaling **\$519,229** and \$395,800 as of December 31, 2022 and 2021, respectively. These funds are held by the Conservancy in restricted cash and cash equivalents, stocks, mutual funds, and certificates of deposit.

The original corpus of endowment restricted by donors held by the Conservancy which includes funds held at the PCF totaled **\$501,471** and \$441,800 as of December 31, 2022 and 2021, respectively.

12. DONOR AND BOARD DESIGNATED ENDOWMENT FUNDS

The Conservancy's endowment includes both funds restricted by donors which are presented as in the net assets with donor restrictions and funds designated by the Board of Directors to function as endowments which are presented in the net assets without donor restrictions class. These funds are held in the form of restricted cash and cash equivalents, certificates of deposit and other investments and classified and reported based on the existence of donor-imposed restrictions.

SUMMIT LAND CONSERVANCY

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For the Years Ended December 31, 2022 and 2021

12. **DONOR AND BOARD DESIGNATED ENDOWMENT FUNDS (Continued)**

In accordance with the Uniform Prudent Management of Institutional Funds Act “(UPMIFA” as implemented in Utah), the Conservancy’s policy is to preserve the fair value of the original endowment gift as of the gift date of the funds unless there are explicit donor stipulations to the contrary. The Conservancy classifies as net assets with donor restrictions (1) the original gift (2) the original value of subsequent gifts (3) accumulations to the endowment in accordance with the direction of the original donor gift (if there are any).

The policy of the Conservancy is that subsequent accumulations of investment return on the endowment are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Conservancy for use in the stewardship activities of the Conservancy. In the organization’s experience earnings on the endowment are immaterial and stewardship expenses far exceed these earnings. As a practical matter these earnings are released directly to net assets without donor restrictions to be expended on stewardship activities.

In accordance with Conservancy policy the board designated endowment is recorded at the amount stipulated by the Board of Directors and classified as net assets without donor restrictions. It is the intention of the Board of Directors to maintain the designations in perpetuity. With subsequent accumulations of total investment return classified as net assets without donor restriction until those amounts are appropriated for expenditure by the Conservancy for use in the legal defense or stewardship activities of the Conservancy and in a manner consistent with their policy. The Conservancy considers the following factors when making a determination to expend or accumulate donor-restricted endowment funds:

- The duration and need to preserve the endowment funds
- The purpose of the organization and the donor-restricted endowment
- The impact of inflation and deflation and economic conditions
- The expected total return on the investments
- Other resources available to the organization
- The investment policies of the organization

SUMMIT LAND CONSERVANCY

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

12. DONOR AND BOARD DESIGNATED ENDOWMENT FUNDS (Continued)

The following table presents the various components of the endowment funds including assets held as board designated without donor restrictions and with donor restrictions:

	Without Donor Restrictions Board Designated	With Donor Restrictions	Total
Endowment net assets			
December 31, 2020	\$ 357,292	\$ 400,800	\$ 758,092
Contributions / designations	63,758	41,000	104,758
Endowment net assets			
December 31, 2021	421,050	441,800	862,850
Contributions / designations	143,378	59,671	203,049
Endowment net assets			
December 31, 2022	\$ 564,428	\$ 501,471	\$ 1,065,899

13. CONTRIBUTIONS OF NONFINANCIAL ASSETS

For the years ended June 30, 2022 and 2021, in-kind contributions recognized within the statement of activities consisted of the following:

	2022	2021	Utilization in Programs or Other Activities	Donor Restrictions	Valuation Techniques and Inputs
Goods	\$ 48,734	\$ 143,800	Land Conservation	None	Goods are valued at the estimated fair value based on current rates for similar products. Contributed services are valued at the estimated fair value based on current rates for similar services. Vehicles are valued at the estimated fair value based on current rates for similar products. Contributed land is valued using appraisals.
Services	3,500	-	Land Conservation	None	
Vehicle	9,247	-	Land Conservation	None	
Land	-	700,000	Land Conservation	None	
Total	\$ 61,481	\$ 843,800			

SUMMIT LAND CONSERVANCY

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For the Years Ended December 31, 2022 and 2021

14. RETIREMENT PLAN

The Conservancy maintains a SIMPLE IRA retirement plan that covers all employees who meet the eligibility requirements. The Conservancy matches employee contributions up to 3% of eligible compensation. Contributions to the plan were **\$15,818** and \$14,252 for the years ended December 31, 2022 and 2021, respectively.

15. SUBSEQUENT EVENTS

Subsequent events have been considered through the date of the report, which is the date the financial statements were available to be issued. No other events have occurred subsequent to December 31, 2022 which would have a material effect on the financial condition of the Conservancy.