

ALLEGHENY LAND TRUST
AUDITED FINANCIAL STATEMENTS

Years ended June 30, 2014 and 2013

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Allegheny Land Trust

We have audited the accompanying financial statements of Allegheny Land Trust ("ALT"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT
(continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ALT as of June 30, 2014 and 2013, 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.

Change in accounting principle

As discussed in Note 3 to the financial statements, during the year ended June 30, 2014, ALT changed its easement valuation policy to result in the immediate impairment of donated easements. The change in accounting principle has been applied to prior years by retroactively restating the financial statements. The effect of this restatement was to decrease permanently restricted property, improvements, and easements and permanently restricted net assets as of July 1, 2012 by \$477,500. Our opinion is not modified with respect to that matter.

Sisterson & Co. LLP

September 11, 2014

ALLEGHENY LAND TRUST
STATEMENT OF FINANCIAL POSITION

Year ended June 30, 2014

	<u>Unrestricted</u>	<u>Unrestricted - Board designated</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 80,128	\$ 582,339	\$ 471,004	\$ 18,250	\$ 1,151,721
Cash held as custodian (Note 8)	--	--	12,522	--	12,522
Investments (Notes 4 and 10)	--	885,888	25,691	228,742	1,140,321
Prepaid expenses	3,629	--	--	--	3,629
Property, improvements and easements (Note 5)	154,909	285,239	--	10,431,437	10,871,585
Land deposit and pre-acquisition costs	--	--	--	6,800	6,800
Equipment, net of accumulated depreciation of \$32,455	7,118	--	--	--	7,118
Total assets	\$ 245,784	\$ 1,753,466	\$ 509,217	\$ 10,685,229	\$ 13,193,696
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable	\$ 36,756	\$ --	\$ --	\$ --	\$ 36,756
Other liabilities	157	--	45,000	--	45,157
Cash held as custodian (Note 8)	--	--	12,522	--	12,522
Total liabilities	36,913	--	57,522	--	94,435
Net assets (Note 10)					
Endowment	--	1,468,227	25,691	246,992	1,740,910
Other	208,871	285,239	426,004	10,438,237	11,358,351
Total net assets	208,871	1,753,466	451,695	10,685,229	13,099,261
Total liabilities and net assets	\$ 245,784	\$ 1,753,466	\$ 509,217	\$ 10,685,229	\$ 13,193,696

The accompanying notes are an integral part of this financial statement.

ALLEGHENY LAND TRUST

STATEMENT OF FINANCIAL POSITION

Year ended June 30, 2013

	<u>Unrestricted</u>	<u>Unrestricted - Board designated</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 105,073	\$ 338,503	\$ 995,780	\$ 50,360	\$ 1,489,716
Cash held as custodian (Note 8)	--	--	10,767	--	10,767
Grants and other receivables	15,200	--	--	--	15,200
Investments (Notes 4 and 10)	--	755,697	10,510	163,338	929,545
Interfund borrowings	843	(843)	--	--	--
Prepaid expenses	3,549	--	--	--	3,549
Property, improvements and easements (Note 5)	235,029	285,239	--	9,712,531	10,232,799
Land deposit and pre-acquisition costs	--	--	--	85,713	85,713
Equipment, net of accumulated depreciation of \$30,148	4,634	--	--	--	4,634
Total assets	\$ 364,328	\$ 1,378,596	\$ 1,017,057	\$ 10,011,942	\$ 12,771,923
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable	\$ 11,257	\$ --	\$ --	\$ --	\$ 11,257
Other liabilities	75	--	--	--	75
Cash held as custodian (Note 8)	--	--	10,767	--	10,767
Total liabilities	11,332	--	10,767	--	22,099
Net assets (Note 10)					
Endowment	--	1,093,357	10,510	213,698	1,317,565
Other	352,996	285,239	995,780	9,798,244	11,432,259
Total net assets	352,996	1,378,596	1,006,290	10,011,942	12,749,824
Total liabilities and net assets	\$ 364,328	\$ 1,378,596	\$ 1,017,057	\$ 10,011,942	\$ 12,771,923

The accompanying notes are an integral part of this financial statement.

ALLEGHENY LAND TRUST

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2014

	<u>Unrestricted</u>	<u>Unrestricted - Board designated</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support and other revenue					
Contributions	\$ 95,663	\$ --	\$ 99,212	\$ 396,750	\$ 591,625
Grants	135,326	--	223,100	--	358,426
Fundraising event	36,770	--	708	--	37,478
Net gain on investments (Note 4), net of investment advisory fees	3,582	121,536	17,211	21,544	163,873
Other income	33,854	10,000	1,060	--	44,914
Gain on sale of property (Note 5)	162,164	--	--	--	162,164
Transfers	12,559	243,334	(895,886)	639,993	--
Total support and other revenue	<u>479,918</u>	<u>374,870</u>	<u>(554,595)</u>	<u>1,058,287</u>	<u>1,358,480</u>
Expenditures and losses					
Program services	388,367	--	--	--	388,367
Fundraising	119,083	--	--	--	119,083
General and administrative	116,593	--	--	--	116,593
Loss on impairment of property (Note 5)	--	--	--	385,000	385,000
Total expenditures and losses	<u>624,043</u>	<u>--</u>	<u>--</u>	<u>385,000</u>	<u>1,009,043</u>
Increase (decrease) in net assets	(144,125)	374,870	(554,595)	673,287	349,437
Net assets at beginning of year, as restated	<u>352,996</u>	<u>1,378,596</u>	<u>1,006,290</u>	<u>10,011,942</u>	<u>12,749,824</u>
Net assets at end of year	<u>\$ 208,871</u>	<u>\$ 1,753,466</u>	<u>\$ 451,695</u>	<u>\$ 10,685,229</u>	<u>\$ 13,099,261</u>

The accompanying notes are an integral part of this financial statement.

ALLEGHENY LAND TRUST

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2013

	<u>Unrestricted</u>	<u>Unrestricted - Board designated</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support and other revenue					
Contributions	\$ 142,591	\$ --	\$ 84,356	\$ 1,713,530	\$ 1,940,477
Grants	27,637	--	841,417	--	869,054
Fundraising event	43,427	--	--	--	43,427
Net gain on investments (Note 4), net of investment advisory fees	1,785	83,115	8,647	11,983	105,530
Other income	3,612	--	5,013	--	8,625
Transfers	263,498	--	(314,349)	50,851	--
Total support and other revenue	<u>482,550</u>	<u>83,115</u>	<u>625,084</u>	<u>1,776,364</u>	<u>2,967,113</u>
Expenditures					
Program services	437,470	--	--	--	437,470
Fundraising	110,924	--	--	--	110,924
General and administrative	129,865	--	--	--	129,865
Total expenditures	<u>678,259</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>678,259</u>
Increase (decrease) in net assets	(195,709)	83,115	625,084	1,776,364	2,288,854
Net assets at beginning of year, as previously reported	548,705	1,295,481	381,206	8,713,078	10,938,470
Prior period adjustment, beginning of year (Note 3)	--	--	--	(477,500)	(477,500)
Net assets at beginning of year, as restated	<u>548,705</u>	<u>1,295,481</u>	<u>381,206</u>	<u>8,235,578</u>	<u>10,460,970</u>
Net assets at end of year, as restated	<u>\$ 352,996</u>	<u>\$ 1,378,596</u>	<u>\$ 1,006,290</u>	<u>\$ 10,011,942</u>	<u>\$ 12,749,824</u>

The accompanying notes are an integral part of this financial statement.

ALLEGHENY LAND TRUST

STATEMENT OF CASH FLOWS

Year ended June 30, 2014

	Unrestricted	Unrestricted - Board designated	Temporarily restricted	Permanently restricted	Total
Cash flows from operating activities					
Increase (decrease) in net assets	\$ (144,125)	\$ 374,870	\$ (554,595)	\$ 673,287	\$ 349,437
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities					
Depreciation	2,307	--	--	--	2,307
Net realized and unrealized gain on investments	--	(112,087)	(8,289)	(21,544)	(141,920)
Permanently restricted contributions	--	--	--	(11,750)	(11,750)
Contributed property	--	--	--	(385,000)	(385,000)
Impairment loss on property	--	--	--	385,000	385,000
Gain on sale of property	(162,164)	--	--	--	(162,164)
Write-off of land deposit and pre-acquisition costs	--	--	--	10,713	10,713
Increase (decrease) in cash from changes in					
Grants and other receivables	15,200	--	--	--	15,200
Prepaid expenses and other assets	(80)	--	--	--	(80)
Accounts payable	25,499	--	--	--	25,499
Other liabilities	82	--	45,000	--	45,082
Net cash provided by (used in) operating activities	(263,281)	262,783	(517,884)	650,706	132,324
Cash flows from investing activities					
Purchases of equipment	(4,791)	--	--	--	(4,791)
Proceeds from sale of property	242,284	--	--	--	242,284
Purchases of property	--	--	--	(693,906)	(693,906)
Land deposit and pre-acquisition costs paid	--	--	--	(6,800)	(6,800)
Land deposit and pre-acquisition costs refunded	--	--	--	50,000	50,000
Interfund borrowings	843	(843)	--	--	--
Proceeds from sale of investments	--	591,270	44,288	--	635,558
Purchases of investments	--	(609,374)	(51,180)	(43,860)	(704,414)
Net cash provided by (used in) investing activities	238,336	(18,947)	(6,892)	(694,566)	(482,069)
Cash flows from financing activities					
Permanently restricted contributions	--	--	--	11,750	11,750
Net increase (decrease) in cash and cash equivalents	(24,945)	243,836	(524,776)	(32,110)	(337,995)
Cash and cash equivalents, beginning of year	105,073	338,503	995,780	50,360	1,489,716
Cash and cash equivalents, end of year	\$ 80,128	\$ 582,339	\$ 471,004	\$ 18,250	\$ 1,151,721
Supplemental disclosure of non-cash investing and financing activities					
Land deposit and pre-acquisition costs applied to purchase of property	\$ --	\$ --	\$ --	\$ 25,000	\$ --

The accompanying notes are an integral part of this financial statement.

ALLEGHENY LAND TRUST

STATEMENT OF CASH FLOWS

Year ended June 30, 2013

	Unrestricted	Unrestricted - Board designated	Temporarily restricted	Permanently restricted	Total
Cash flows from operating activities					
Increase (decrease) in net assets	\$ (195,709)	\$ 83,115	\$ 625,084	\$ 1,776,364	\$ 2,288,854
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:					
Depreciation	1,558	--	--	--	1,558
Net realized and unrealized (gain) loss on investments	138	(75,084)	(3,138)	(11,983)	(90,067)
Permanently restricted contributions	--	--	--	(16,449)	(16,449)
Contributed property	(94,294)	--	--	(1,697,081)	(1,791,375)
Increase (decrease) in cash from changes in					
Grants and other receivables	(11,500)	--	55,000	--	43,500
Prepaid expenses and other assets	156	--	--	--	156
Accounts payable	(61,925)	--	--	--	(61,925)
Other liabilities	63	--	--	--	63
	<u>(361,513)</u>	<u>8,031</u>	<u>676,946</u>	<u>50,851</u>	<u>374,315</u>
Net cash provided by (used in) operating activities					
Cash flows from investing activities					
Purchases of property and improvements	(2,720)	--	--	--	(2,720)
Land deposit paid	--	--	--	(33,913)	(33,913)
Interfund borrowings	4	(4)	--	--	--
Proceeds from sale of investments	--	410,946	34,104	--	445,050
Purchases of investments	--	(417,692)	(38,241)	--	(455,933)
	<u>(2,716)</u>	<u>(6,750)</u>	<u>(4,137)</u>	<u>(33,913)</u>	<u>(47,516)</u>
Net cash used in investing activities					
Cash flows from financing activities					
Permanently restricted contributions	--	--	--	16,449	16,449
Net increase (decrease) in cash and cash equivalents	(364,229)	1,281	672,809	33,387	343,248
Cash and cash equivalents, beginning of year	469,302	337,222	322,971	16,973	1,146,468
Cash and cash equivalents, end of year	<u>\$ 105,073</u>	<u>\$ 338,503</u>	<u>\$ 995,780</u>	<u>\$ 50,360</u>	<u>\$ 1,489,716</u>

The accompanying notes are an integral part of this financial statement.

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Allegheny Land Trust ("ALT") was formed in 1993 as a domestic nonprofit organization in the Commonwealth of Pennsylvania. The focus of the organization is to preserve green space and biological diversity in Allegheny County and surrounding areas. ALT acquires and manages land and supports the conservation efforts of landowners, communities, government and other nonprofit organizations. ALT also preserves trail corridors, scenic views and historic features where they coincide with natural lands. ALT supports local trail organizations using restricted grant monies awarded to ALT. In addition, ALT supports conservation education throughout the greater Pittsburgh area.

In December 2010, ALT received accreditation from the Land Trust Accreditation Commission ("LTAC"), an independent program of the Land Trust Alliance. Accreditation was the result of an 18 month process involving an intense audit of ALT's practices, records, policies and procedures for consistency with the Land Trust Alliance's 12 Standards and 88 Practices for land trusts, which ALT has adopted. In the words of the LTAC, "Accredited land trusts have demonstrated their commitment to national quality standards for nonprofit management and land conservation. The accreditation program verifies that the land trust has systems in place to keep its promise of permanent land protection." Currently there are approximately 1,700 land trusts operating in the United States of America and ALT is one of only 230 that are accredited. Accreditation runs through December 14, 2015.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Under accounting principles generally accepted in the United States of America, ALT is required to report its financial position and activities according to three classes of net assets, as follows:

Unrestricted net assets

These net assets are the net assets that are neither permanently nor temporarily restricted by donor or grantor-imposed stipulations.

ALT designates certain unrestricted assets as Board designated. These assets include two properties that were not specifically donated or purchased with the stipulation they would be held for conservation (see Note 5). The Board chose to restrict the land for such purposes. In addition, certain funds not specifically donor restricted, but raised for the purposes of stewardship or operational use, have been designated by the Board specifically for that purpose (see Note 10).

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

Temporarily restricted net assets

These net assets result from contributions or other inflows of assets limited by donor stipulations that either expire by the passage of time or can be fulfilled and removed by actions of ALT pursuant to those stipulations. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported as transfers in the statements of activities and changes in net assets. Grants or other donations that are donor designated for specific stewardship projects are classified as temporarily restricted and released at the time the restriction has been met.

Permanently restricted net assets

These net assets reflect the donation of land or the purchase of land with funds specifically donated for the purchase of land with the stipulation that the land is to be held for preservation purposes. Grants and other fundraising efforts for the purchase of land suggest the land will be permanently used for conservation. In addition, certain funds specifically restricted by donors for the purpose of funding stewardship and operating endowment funds are also permanently restricted (see Note 10). Temporarily restricted net assets held for the purchase of land for preservation are reclassified from temporarily restricted to permanently restricted net assets upon the purchase of land so designated and are included in transfers in the statements of activities and changes in net assets.

Cash and cash equivalents

For financial reporting purposes, ALT considers cash and cash equivalents to include cash on hand and at banks and short-term investments with original maturities of three months or less at the time of purchase. ALT maintains its cash and cash equivalents at financial institutions which, at times, may exceed federally insured limits. ALT does not believe that it is exposed to any significant credit risk related to this concentration.

Investments and related income

Investments are reported at fair value in the statements of financial position. Investment and dividend income, changes in the fair value of investments, as well as realized gains and losses, are included in net gain on investments in the statements of activities and changes in net assets. The fair value of short-term investments approximates their cost. The fair value of equity funds and common stocks is based on their quoted market prices. Fixed income investments include U.S. government obligations and fixed income mutual funds and are reported at their fair value based on quoted market prices.

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and related income (continued)

Investments considered to be permanently impaired are written down to their estimated net realizable value and the write down is recorded as a realized loss on investments within net gain on investments in the statements of activities and changes in net assets.

Realized gains and losses on disposals of investments are determined by the specific identification method, except for equity and bond mutual funds for which the cost of shares sold is determined by the first in – first out method.

Interest and dividend income are recognized on the accrual basis.

Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Concentrations

During the year ended June 30, 2014, there were no concentrations of revenue. During the year ended June 30, 2013, one grantor provided approximately 17% of total support and other revenue.

Functional allocation of expenses

Expenses which are specifically identifiable are charged directly to their respective functions. Joint costs are allocated between program services, fundraising, and general and administrative expenses. The allocations are based on employee job descriptions and applicable allocation calculations. The allocation of total joint costs was as follows for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Program services	\$ 275,435	\$ 232,351
Fundraising	102,467	96,995
General and administrative	<u>56,252</u>	<u>47,490</u>
	<u>\$ 434,154</u>	<u>\$ 376,836</u>

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions, grants and grants receivable

Contributions are donations received from corporations and individuals. Grants are received from foundations and public or governmental agencies. Contributions or grants are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions or grants subject to conditions are recorded as revenue when the conditions limiting the transfer of assets have been satisfied, typically when the promise becomes irrevocable.

Grants receivable consist of unconditional grants and conditional grants whose conditions have been met in the current fiscal year. Conditional grants totaling \$320,000 and \$645,500 were pledged to ALT as of June 30, 2014 and 2013, respectively, and are not reflected in the financial statements as the conditions upon which they are to be received have not yet been satisfied.

Property, improvements and easements

Property and improvements, consisting of land and improvements made to land, are initially recorded at the cost of acquisition and improvements or, for donated assets, at estimated fair value at the date of donation. Fair value is determined by taking into consideration pertinent data including the location of the property, its zoning classification, availability of public utilities, the size, shape, contour and limited usability of these parcels, sales of similar parcels of vacant land throughout the area, and the trend of the neighborhood and business conditions in general, at the time of donation, plus out of pocket expenses related to the acquisition. The carrying values of property and improvements are evaluated in relation to the operating performance and future undiscounted cash flows of the underlying assets if an event or series of events occur which may indicate impairment. Management estimates impairment loss based on anticipated future cash flows from the sale of land, net of selling costs, based on offers received and sales of comparable properties. The inputs used to determine the impairment are similar to Level II inputs within the fair value hierarchy as defined in Note 4.

ALT holds conservation easements for the purposes of outdoor recreation by, or the education of, the general public, conserving the natural habitat of fish, wildlife, or plants, open space, or historically important land areas. Easements represent certain rights or deed restrictions held by ALT. Easements can be gifted to ALT by a third party, purchased by ALT, or retained by ALT if land once held in fee by ALT is sold or gifted to a third party. Although conservation easements are real property rights, they possess no market value to ALT. The acreage of ALT's easements as of June 30, 2014 and 2013 is disclosed in Note 5.

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Equipment is recorded at cost and includes renewals and betterments that extend the physical or economic life of an asset. Depreciation is computed over periods ranging from three to seven years using the straight-line method. Maintenance and repairs are charged to expense as incurred. When equipment is sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved and any resulting gain or loss is reflected in the statements of activities and changes in net assets.

Subsequent events

ALT evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through September 11, 2014, the date on which the financial statements were available to be issued.

Taxes

ALT is a qualified tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income tax under Section 501(a) of the Internal Revenue Code. ALT is obligated to pay income taxes on its unrelated business income (as defined), if any.

The Financial Accounting Standards Board Accounting Standards Codification topic on Income Taxes clarifies recognition, measurement, presentation and disclosure relating to uncertain tax positions. ALT evaluates uncertain tax positions for recognition by determining whether evidence indicates it is more likely than not that a position will be sustained if examined by taxing authorities. As of June 30, 2014 and 2013, ALT is unaware of any uncertain tax positions. ALT's federal income tax and excise tax returns for tax years 2011 and beyond remain subject to examination by the Internal Revenue Service.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain amounts previously reported in the June 30, 2013 financial statements have been reclassified for comparative purposes to conform to the presentation in the June 30, 2014 financial statements.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2014, ALT changed its easement valuation policy to result in the immediate impairment of donated easements. Due to the industry in which ALT operates, management believes this valuation method is preferable as the easements have no market value to ALT. The change in accounting principle has been applied to prior years by retroactively restating the financial statements. The effect of this restatement was to decrease permanently restricted property, improvements, and easements and permanently restricted net assets as of July 1, 2012 by \$477,500.

NOTE 4 - INVESTMENTS

Investments measured and reported at fair value are classified and disclosed in one of the following categories based on the extent of market price observability:

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments in Level I include short-term investments, listed common stocks and equity funds, and fixed income. ALT's investments are entirely composed of Level I investments as of June 30, 2014 and 2013.

Level II – Pricing inputs are other than quoted market prices included in Level I, however, are observable indirectly for the investment. ALT was not invested in any Level II investments as of June 30, 2014 or 2013.

Level III – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. ALT was not invested in any Level III investments as of June 30, 2014 or 2013.

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE 4 - INVESTMENTS (continued)

The fair value and the corresponding cost of ALT's investments are as follows as of June 30:

	2014		2013	
	Fair value	Cost	Fair value	Cost
Short-term investments	\$ 27,320	\$ 27,320	\$ 2,202	\$ 2,202
Equity funds and common stocks	748,492	603,786	558,968	481,505
Fixed income	364,509	364,676	368,375	368,032
	<u>\$ 1,140,321</u>	<u>\$ 995,782</u>	<u>\$ 929,545</u>	<u>\$ 851,739</u>

Investments in two equity funds and one fixed income fund account for approximately 37% and 39% of ALT's investments as of June 30, 2014 and 2013, respectively.

Net gain on investments consists of the following for the years ended June 30:

	2014				
	Unrestricted	Unrestricted-Board designated	Temporarily restricted	Permanently restricted	Total
Interest and dividend income	\$ 3,582	\$ 16,035	\$ 9,582	\$ --	\$ 29,199
Realized gain on investments	--	66,933	8,254	--	75,187
Unrealized gain on investments	--	45,154	35	21,544	66,733
Investment fees	--	(6,586)	(660)	--	(7,246)
Net gain on investments	<u>\$ 3,582</u>	<u>\$ 121,536</u>	<u>\$ 17,211</u>	<u>\$ 21,544</u>	<u>\$ 163,873</u>
	2013				
	Unrestricted	Unrestricted-Board designated	Temporarily restricted	Permanently restricted	Total
Interest and dividend income	\$ 2,324	\$ 13,637	\$ 5,509	\$ --	\$ 21,470
Realized gain on investments	--	44,424	3,138	--	47,562
Unrealized gain (loss) on investments	(138)	30,660	--	11,983	42,505
Investment fees	(401)	(5,606)	--	--	(6,007)
Net gain on investments	<u>\$ 1,785</u>	<u>\$ 83,115</u>	<u>\$ 8,647</u>	<u>\$ 11,983</u>	<u>\$ 105,530</u>

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE 5 - PROPERTY, IMPROVEMENTS AND EASEMENTS

During the year ended June 30, 2014, two parcels of land with permanent donor restrictions were purchased by ALT, including 48 acres of Audubon Greenway (\$627,844) and Murphy (\$91,062).

During the year ended June 30, 2014, one property easement with permanent donor restrictions was donated to ALT, Barnes Easement (\$385,000). The fair value as of the date of the contribution was recorded in the June 30, 2014 statement of activities and changes in net assets as permanently restricted contribution revenue. ALT recognized a loss on impairment on the easement of \$385,000 during the year ended June 30, 2014.

During the year ended June 30, 2013, two parcels of land with permanent donor restrictions were donated to ALT, including Venango Trails (\$1,342,310) and Metcalf (\$354,771). The fair value as of the date of the contributions were recorded in the June 30, 2013 statement of activities and changes in net assets as permanently restricted contribution revenue.

During the year ended June 30, 2013, two parcels of land were donated to ALT absent donor restrictions, including Kendrick (\$55,205) and Morton (\$39,089). The fair value as of the date of the contributions were recorded in the June 30, 2013 statement of activities and changes in net assets as unrestricted contribution revenue.

During the year ended June 30, 2014, ALT sold certain property in Pine Township. The sale resulted in a gain on sale of property of \$162,164 which is recorded in the June 30, 2014 statement of activities and changes in net assets.

Unrestricted property, improvements and easements, net of an allowance for impairment, at June 30, are as follows:

<u>Property</u>	<u>2014</u>		<u>2013</u>	
	<u>Acreage</u>		<u>Acreage</u>	
Castelli	12	\$ 60,615	12	\$ 60,615
Kendrick	2	55,205	2	55,205
Morton / Pineview Heights	29	39,089	29	39,089
Pine Township	--	--	2	80,120
Total	<u>43</u>	<u>\$ 154,909</u>	<u>45</u>	<u>\$ 235,029</u>

As of June 30, 2013, the book value of the Pine Township property of \$80,120 was recorded net of an allowance for impairment of \$264,880. No loss on impairment was recognized on unrestricted property during the years ended June 30, 2014 and 2013.

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE 5 - PROPERTY, IMPROVEMENTS AND EASEMENTS (continued)

Unrestricted Board designated property, improvements and easements as of June 30, 2014 and 2013 are as follows:

Property	Acreage		
Barking Slopes	84	\$	158,239
Lowries Run Slopes	16		127,000
Total	100	\$	285,239

There is no allowance for impairment on Unrestricted Board designated property as of June 30, 2014 and 2013.

Permanently restricted property, improvements and easements are as follows as of June 30:

Property	2014		2013	
Acreage			Acreage	
Audubon Greenway	161	\$ 5,219,765	113	\$ 4,591,921
Venango Trails	89	1,342,310	89	1,342,310
Wingfield Pines	87	1,231,038	87	1,231,038
Meadowview - Barry	9	528,841	9	528,841
Meadowview Easement	1	--	1	--
Fern Hollow - Standish	36	514,000	36	514,000
Linder Farm Easement	104	--	104	--
Irwin Run - Ludwig	73	447,108	73	447,108
Barnes Easement	27	--	--	--
Dead Man's Hollow	421	352,075	421	352,075
Dead Man's Hollow Easement	9	--	9	--
Sycamore Island	14	260,017	14	260,017
Barking Slopes	75	185,474	75	185,474
Marino Preserve	61	137,973	61	137,973
Murphy Property	8	91,062	--	--
Yough Slopes - Funk	16	81,400	16	81,400
Whetzel Preserve	212	40,374	212	40,374
Mosside Slopes Easement	14	--	14	--
Bradford Woods Easement	5	--	5	--
Zupcic Easement	11	--	11	--
Casciato Easement	11	--	11	--
Ferrie Easement	14	--	14	--
Total	1,458	\$ 10,431,437	1,375	\$ 9,712,531

An allowance for impairment on permanently restricted easements is \$862,500 and \$477,500 as of June 30, 2014 and 2013. There is no allowance for impairment on permanently restricted property as of June 30, 2014 and 2013.

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 6 - OPERATING LEASES

ALT leased office space under a non-cancelable operating lease that expired on April 30, 2014. ALT leases the office space on a month-to-month basis since expiration of the lease.

ALT's rent expense for the years ended June 30, 2014 and 2013 was \$31,377 and \$33,377, respectively.

NOTE 7 - RETIREMENT SAVINGS PLAN

ALT maintains a retirement savings plan under Internal Revenue Code Section 403(b) for all full time employees who have completed one year of service. ALT contributes an amount up to a maximum match of 3% of the qualified employee's compensation. ALT's contributions to the plan totaled \$3,979 and \$3,900 for the years ended June 30, 2014 and 2013, respectively.

NOTE 8 - CUSTODIAN FUNDS

ALT maintains various assets it does not own, and therefore records an offsetting liability. The custodian funds consist of deposit accounts held for other unincorporated organizations and are accordingly recorded as temporarily restricted amounts totaling \$12,522 and \$10,767 as of June 30, 2014 and 2013, respectively.

NOTE 9 - CONTINGENCY

ALT provides certain full-time employees with \$15,000 of life insurance through self-insured coverage. The maximum unrecorded liability as of June 30, 2014 and 2013 was \$45,000 and \$30,000, respectively.

NOTE 10 - NET ASSETS

Temporarily restricted net assets of \$451,695 and \$1,006,290 as of June 30, 2014 and 2013, respectively, are restricted for committed land acquisitions, projects, and general and administrative purposes.

Over the years, several contributions were made to ALT by individuals and private organizations stipulating that contributed funds be used to create stewardship and operating endowment funds which consist of cash and investments.

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE 10 - NET ASSETS (continued)

The stewardship endowment was created by ALT to support the perpetual costs of maintaining land owned by ALT. This endowment can include both unrestricted Board designated funds and permanently restricted funds that serve two purposes. First, some of the income from the account may be used to pay for stewardship activities of ALT including annual monitoring, problem resolution, maintenance, property taxes and minor repairs. Second, the available principal of this endowment shall be reserved to pay for extraordinary expenses such as major capital improvements, major repairs and the legal defense of conservation easements and fee owned properties. Funds shall only be taken for this purpose from the unrestricted Board designated portion of this endowment through direct action of the Board of Directors. Income from permanently restricted contributions may only be used as restricted by the donors.

The John Hamm Endowment was created to support an internship dedicated to the monitoring and development of the Chartiers Creek Watershed.

The operating endowment can include unrestricted Board designated funds and permanently restricted funds used for the purpose of providing long-term general operating support for ALT. Income from this endowment fund can be used for expenses such as payroll, payments to vendors, programs, and other similar operating expenses.

The original contributions made, plus cumulative investment income, less cumulative amounts appropriated for distribution constitute the balance of ALT's endowment. The balance of ALT's endowment is restricted to support the following as of June 30:

	<u>2014</u>	<u>2013</u>
Stewardship endowment - unrestricted Board designated	\$ 885,888	\$ 754,854
Stewardship endowment - temporarily restricted	14,232	6,857
Stewardship endowment - permanently restricted	89,636	74,500
John Hamm endowment - permanently restricted	139,106	121,698
John Hamm endowment - temporarily restricted	11,459	3,653
Operating endowment - unrestricted Board designated	582,339	338,503
Operating endowment - permanently restricted	<u>18,250</u>	<u>17,500</u>
	<u>\$ 1,740,910</u>	<u>\$ 1,317,565</u>

In accordance with Pennsylvania law, ALT's Board of Directors elected to be governed by a total return policy with respect to endowment income, including both capital appreciation and investment earnings. As such, ALT has adopted a policy seeking to achieve a reasonable long-term total return consistent with acceptable investment risk, and the preservation of capital. The policy prescribes diversified asset allocations for fixed income, equity, and cash equivalents. It also prescribes measures for performance evaluation.

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 10 - NET ASSETS (continued)

Consistent with Pennsylvania law, ALT has also adopted a policy to appropriate distributions from endowments based on a spending policy. In accordance with the policy, ALT may appropriate from its endowment an annual amount up to 3% of the average fair value of the endowment for the previous three-year period or the fair value on June 30, whichever is less. The spending rate can be adjusted by the Board of Directors as necessary. Appropriations were made in accordance with this policy during the years ended June 30, 2014 and 2013 of \$2,261 and \$3,000, respectively.

As prescribed by accounting principles generally accepted in the United States of America, ALT classifies the amount of original contributions designated for permanently restricted endowments as permanently restricted net assets. Investment income, gains and losses are classified as either temporarily restricted or unrestricted depending on whether donors stipulated the use of such amounts.

The following table represents endowment activity for the years ended June 30, 2014 and 2013:

	Unrestricted - Board designated	Temporarily restricted	Permanently restricted	Total
Balance, July 1, 2012	\$ 1,010,242	\$ 3,235	\$ 168,328	\$ 1,181,805
Additions	--	1,628	33,387	35,015
Amounts appropriated for expenditure	--	(3,000)	--	(3,000)
Investment income	13,637	5,509	--	19,146
Realized gains	44,424	3,138	--	47,562
Unrealized gains	30,660	--	11,983	42,643
Investment fees	(5,606)	--	--	(5,606)
Balance, June 30, 2013	\$ 1,093,357	\$ 10,510	\$ 213,698	\$ 1,317,565
Additions	253,334	231	11,750	265,315
Amounts appropriated for expenditure	--	(2,261)	--	(2,261)
Investment income	16,035	9,582	--	25,617
Realized gains	66,933	8,254	--	75,187
Unrealized gains	45,154	35	21,544	66,733
Investment fees	(6,586)	(660)	--	(7,246)
Balance, June 30, 2014	\$ 1,468,227	\$ 25,691	\$ 246,992	\$ 1,740,910

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 11 - RELATED PARTY TRANSACTIONS

During the year ended June 30, 2013, ALT purchased consulting services from a business owned by an individual who was a member of management through September 30, 2012. The payments totaled approximately \$23,000 during the time of the related party relationship. No services were purchased from a related party during the year ended June 30, 2014.

NOTE 12 - DONATED SERVICES

Numerous volunteers donate significant amounts of time and perform a variety of tasks for ALT including property maintenance and administrative support. Although no amounts have been reflected in the financial statements because the criteria for recognition of such efforts under accounting principles generally accepted in the United States of America have not been satisfied, management estimates the fair value of these services to be approximately \$127,000 and \$105,000 for the years ended June 30, 2014 and 2013, respectively.

