

ALLEGHENY LAND TRUST  
AUDITED FINANCIAL STATEMENTS

Years ended June 30, 2017 and 2016

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Allegheny Land Trust

We have audited the accompanying financial statements of Allegheny Land Trust, which comprise the statements of financial position as of June 30, 2017 and 2016, 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 Allegheny Land Trust as of June 30, 2017 and 2016, 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.

*Siskerson & Co. LLP*

September 25, 2017

# ALLEGHENY LAND TRUST

## STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 376,667	\$ 1,086,083
Cash held as custodian (Note 7)	12,823	13,068
Grants and other receivables	58,002	644,539
Investments (Notes 3 and 9)	2,046,567	1,169,049
Prepaid expenses and other assets	13,276	10,740
Property, improvements and easements (Note 4)	13,350,361	12,722,281
Land deposit and pre-acquisition costs	70,465	31,383
Equipment, net of accumulated depreciation of \$43,254 and \$37,607	21,144	21,225
Total assets	<u>\$ 15,949,305</u>	<u>\$ 15,698,368</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 58,634	\$ 122,916
Other liabilities	2,796	1,072
Loan payable (Note 11)	--	400,000
Cash held as custodian (Note 7)	12,823	13,068
Total liabilities	<u>74,253</u>	<u>537,056</u>
<b>Net assets (Note 9)</b>		
Unrestricted		
Operating	(39,769)	144,874
Board designated	1,782,170	1,830,262
Temporarily restricted	875,399	598,086
Permanently restricted	13,257,252	12,588,090
Total net assets	<u>15,875,052</u>	<u>15,161,312</u>
Total liabilities and net assets	<u>\$ 15,949,305</u>	<u>\$ 15,698,368</u>

The accompanying notes are an integral part of these financial statements.



ALLEGHENY LAND TRUST

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support and other revenue				
Contributions	\$ 109,655	\$ 23,936	\$ 342,000	\$ 475,591
Grants	267,900	1,195,711	--	1,463,611
Fundraising events	51,000	--	--	51,000
Net gain on investments (Note 3), net of investment advisory fees	71,188	21,822	--	93,010
Other income	20,135	--	--	20,135
Transfers	<u>636,994</u>	<u>(964,156)</u>	<u>327,162</u>	<u>--</u>
Total support and other revenue	<u>1,156,872</u>	<u>277,313</u>	<u>669,162</u>	<u>2,103,347</u>
Expenditures and losses				
Program services	1,041,781	--	--	1,041,781
Fundraising	181,574	--	--	181,574
General and administrative	107,611	--	--	107,611
Uncollectible grant revenue	<u>58,641</u>	<u>--</u>	<u>--</u>	<u>58,641</u>
Increase (decrease) in net assets	(232,735)	277,313	669,162	713,740
Net assets at beginning of year	<u>1,975,136</u>	<u>598,086</u>	<u>12,588,090</u>	<u>15,161,312</u>
Net assets at end of year	<u>\$ 1,742,401</u>	<u>\$ 875,399</u>	<u>\$ 13,257,252</u>	<u>\$ 15,875,052</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, 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support and other revenue				
Contributions	\$ 112,558	\$ 267,659	\$ --	\$ 380,217
Grants	133,154	1,082,923	--	1,216,077
Fundraising events	31,060	--	--	31,060
Net gain (loss) on investments (Note 3), net of investment advisory fees	5,581	6,671	(7,754)	4,498
Other income	13,617	--	--	13,617
Lease income	113,695	--	--	113,695
Transfers	433,798	(1,860,200)	1,426,402	--
Total support and other revenue	<u>843,463</u>	<u>(502,947)</u>	<u>1,418,648</u>	<u>1,759,164</u>
Expenditures and losses				
Program services	613,442	--	--	613,442
Fundraising	152,569	--	--	152,569
General and administrative	166,721	--	--	166,721
Total expenditures and losses	<u>932,732</u>	<u>--</u>	<u>--</u>	<u>932,732</u>
Increase (decrease) in net assets	(89,269)	(502,947)	1,418,648	826,432
Net assets at beginning of year	<u>2,064,405</u>	<u>1,101,033</u>	<u>11,169,442</u>	<u>14,334,880</u>
Net assets at end of year	<u>\$ 1,975,136</u>	<u>\$ 598,086</u>	<u>\$ 12,588,090</u>	<u>\$ 15,161,312</u>

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

# ALLEGHENY LAND TRUST

## STATEMENTS OF CASH FLOWS

	Year ended June 30, 2017	2016
Cash flows from operating activities		
Increase in net assets	\$ 713,740	\$ 826,432
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	5,647	3,216
Contributed property	(340,000)	--
Net realized and unrealized gain on investments	(83,639)	5,279
Contributions of securities restricted for long-term purposes	--	(105,284)
Permanently restricted contributions	(2,000)	--
Contributions of securities sold nearly immediately upon receipt	(13,507)	(9,074)
Proceeds from securities sold nearly immediately upon receipt	13,837	9,012
Increase (decrease) in cash from changes in		
Grants and other receivables	586,537	(643,698)
Prepaid expenses and other assets	(2,536)	(7,303)
Accounts payable	(64,282)	84,797
Other liabilities	1,724	1,072
Net cash provided by operating activities	<u>815,521</u>	<u>164,449</u>
Cash flows from investing activities		
Purchases of equipment	(5,566)	(19,259)
Purchases of property	(278,180)	(1,399,236)
Land deposit and pre-acquisition costs paid	(48,982)	(27,166)
Interfund borrowings	--	--
Proceeds from sale of investments	758,618	628,966
Purchases of investments	(1,552,827)	(657,714)
Net cash used in investing activities	<u>(1,126,937)</u>	<u>(1,474,409)</u>
Cash flows from financing activities		
Proceeds from securities restricted for long-term purposes sold nearly immediately upon receipt	--	104,077
Permanently restricted contributions	2,000	--
Proceeds from loan payable	--	400,000
Payment on loan payable	(400,000)	--
Net cash provided by (used in) financing activities	<u>(398,000)</u>	<u>504,077</u>
Net decrease in cash and cash equivalents	(709,416)	(805,883)
Cash and cash equivalents, beginning of year	<u>1,086,083</u>	<u>1,891,966</u>
Cash and cash equivalents, end of year	<u>\$ 376,667</u>	<u>\$ 1,086,083</u>

The accompanying notes are an integral part of these financial statements.

ALLEGHENY LAND TRUST

STATEMENTS OF CASH FLOWS

(continued)

	Year ended June 30,	
	<u>2017</u>	<u>2016</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ <u>7,874</u>	\$ <u>--</u>
Supplemental disclosure of non-cash investing and financing activities		
Land deposit and pre-acquisition costs applied to purchase of property	\$ <u>9,900</u>	\$ <u>28,002</u>

The accompanying notes are an integral part of these financial statements.



# ALLEGHENY LAND TRUST

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - ORGANIZATION

Allegheny Land Trust (“ALT”) formed in 1993 as a domestic nonprofit organization in the Commonwealth of Pennsylvania with the mission to serve as the lead land trust conserving and stewarding lands that support the scenic, recreational and environmental well-being of communities in Allegheny County and its environs. ALT contributes to the overall sustainability of the region and the quality of life of its residents by protecting approximately 2,000 acres in 27 municipalities in Allegheny and Washington counties. There is an ALT conservation area within 12 miles of every resident of Allegheny County.

ALT has expanded its efforts to include increasingly innovative methods of land conservation in support of growing community needs for urban green space, and a professional environmental education team to teach people of all ages to understand, appreciate and sustainably steward the natural world. ALT has the responsibility to serve as one of the leading organizations in addressing the sustainability challenges and opportunities facing the region and has crafted an aggressive agenda for continued progress. The agenda is built upon the organization’s four strategic pillars:

Land Conservation – ALT protects land that contributes to the region’s biodiversity, water quality and scenic beauty to balance the effects of development.

Stewardship – ALT cares for its protected lands in perpetuity - by maintaining healthy conservation areas with the help of community and corporate volunteers, ALT guarantees the green spaces will continue to be an asset to communities, the wildlife that inhabit them and the visitors who use them.

Urban Greening – ALT works with a variety of diverse groups to recycle distressed urban parcels into the highest and best use for the region’s quality of life - urban green spaces can serve as land for community gardens and urban farms, provide local recreational opportunities, buffer noise pollution, filter air pollution, sequester rainwater, and promote health and wellness.

Education – ALT has certified educators to shape the future by applying their knowledge and experience to ALT’s STEM based curriculum geared towards individuals of all ages from two years old to adult. Curriculum is presented in the classroom and at ALT conservation areas.

In August 2016, ALT earned re-accreditation from the Land Trust Accreditation Commission (“LTAC”), an independent program of the Land Trust Alliance. Accreditation was a result of an 18-month process involving an intense audit of ALT’s practices, records, policies and procedures for consistency with LTA’s 12 Standards and 88 Practices for land trusts, which ALT has adopted. Currently, there are 1,363 land trusts operating in the United States, and ALT is one of approximately 350 that are accredited. Accreditation from LTAC is valid for five years. ALT’s accreditation currently runs through August 9, 2021.



# ALLEGHENY LAND TRUST

## NOTES TO FINANCIAL STATEMENTS

(continued)

### NOTE 1 - ORGANIZATION (continued)

ALT is supported by a diverse array of revenue sources including individuals, corporations, foundations and state government grants. Volunteers supporting our conservation mission have been tremendous with approximately 600 volunteers contributing over 4,000 hours of time annually.

### 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 as of June 30, 2017 and 2016 that were not specifically donated or purchased with the stipulation they would be held for conservation (see Note 4). 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 9).

#### 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.

# ALLEGHENY LAND TRUST

## NOTES TO FINANCIAL STATEMENTS

(continued)

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Basis of presentation (continued)

##### 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 9). 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 (loss) 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.

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 (loss) 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.



ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and related income (continued)

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, 2017, three grantors provided approximately 48% of total support and other revenue. There was no outstanding grants receivable from the grantors as of June 30, 2017. During the year ended June 30, 2016, two grantors provided approximately 34% of total support and other revenue. Grants receivable from the grantors was \$502,400 as of June 30, 2016.

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>2017</u>	<u>2016</u>
Program services	\$ 502,145	\$ 364,714
Fundraising	181,574	132,202
General and administrative	<u>76,718</u>	<u>75,837</u>
	<u>\$ 760,437</u>	<u>\$ 572,753</u>

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.

ALT has recognized grants receivable of \$58,002 and \$644,539 as of June 30, 2017 and 2016, respectively. An allowance for doubtful accounts is not required as of June 30, 2017 and 2016. All grants receivable are expected to be received within one year.

# ALLEGHENY LAND TRUST

## NOTES TO FINANCIAL STATEMENTS

(continued)

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Contributions, grants and grants receivable (continued)

Grants receivable consist of unconditional grants and conditional grants whose conditions have been met in the current fiscal year. Conditional grants totaling \$64,793 and \$321,850 were pledged to ALT as of June 30, 2017 and 2016, 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 3.

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, 2017 and 2016 is disclosed in Note 4.

#### 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.



# ALLEGHENY LAND TRUST

## NOTES TO FINANCIAL STATEMENTS

(continued)

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 25, 2017, 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, 2017 and 2016, ALT is unaware of any uncertain tax positions. ALT's federal income tax and excise tax returns for tax years 2014 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.

#### Reclassifications

Certain amounts previously reported in the 2016 financial statements have been reclassified to conform to the 2017 presentation.



# ALLEGHENY LAND TRUST

## NOTES TO FINANCIAL STATEMENTS

(continued)

### NOTE 3 - 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, certificates of deposit, listed common stocks and equity funds, and fixed income. ALT's investments are entirely composed of Level I investments as of June 30, 2017 and 2016.

Level II – Pricing inputs are other than quoted market prices included in Level I, however, are observable either directly or indirectly for the investment. ALT was not invested in any Level II investments as of June 30, 2017 and 2016.

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, 2017 and 2016.

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

	<u>2017</u>		<u>2016</u>	
	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>
Short-term investments	\$ 225,899	\$ 225,899	\$ 8,253	\$ 8,253
Certificate of deposit	300,000	300,000	--	--
Equity funds and common stocks	739,364	651,023	683,624	645,391
Fixed income	781,304	785,347	477,172	480,902
	<u>\$ 2,046,567</u>	<u>\$ 1,962,269</u>	<u>\$ 1,169,049</u>	<u>\$ 1,134,546</u>

As of June 30, 2017, one investment in an equity fund accounted for approximately 10% of ALT's investments. As of June 30, 2016, investments in one equity fund and one fixed income fund accounted for approximately 27% of ALT's investments.

# ALLEGHENY LAND TRUST

## NOTES TO FINANCIAL STATEMENTS

(continued)

### NOTE 3 - INVESTMENTS (continued)

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

2017				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Interest and dividend income	\$ 15,185	\$ 3,547	\$ --	\$ 18,732
Realized gain on investments	30,091	3,753	--	33,844
Unrealized gain on investments	34,215	15,580	--	49,795
Investment fees	(8,303)	(1,058)	--	(9,361)
Net gain on investments	\$ <u>71,188</u>	\$ <u>21,822</u>	\$ <u>--</u>	\$ <u>93,010</u>
2016				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Interest and dividend income	\$ 13,533	\$ 4,406	\$ --	\$ 17,939
Realized gain (loss) on investments	12,647	2,117	--	14,764
Unrealized gain (loss) on investments	(13,483)	1,194	(7,754)	(20,043)
Investment fees	(7,116)	(1,046)	--	(8,162)
Net gain (loss) on investments	\$ <u>5,581</u>	\$ <u>6,671</u>	\$ <u>(7,754)</u>	\$ <u>4,498</u>

### NOTE 4 - PROPERTY, IMPROVEMENTS AND EASEMENTS

During the year ended June 30, 2017, three parcels of land with permanent donor restrictions were purchased by ALT. These parcels included 35 acres of Beadnell Slopes with a cost of \$195,048 and two parcels at Linbrook Woodlands for a combined total of 13 acres and a combined cost of \$83,918. The Devil's Hollow property, a 76 acre parcel of land, with permanent donor restrictions was donated to ALT. The fair value of \$340,000, as of the date of the contribution, was recorded in the June 30, 2017 statement of activities and changes in net assets as permanently restricted contributions revenue. Additional costs incurred by ALT in acquiring the property totaling \$9,114 were capitalized.

During the year ended June 30, 2016, four parcels of land with permanent donor restrictions were purchased by ALT, including 168 acres of Linbrook Woodlands with a cost of \$815,491, 29 acres of Hunt Road with a cost of \$315,297, 32 acres of Waterworks Greenway Phase II with a cost of \$255,056 and 8 acres of Dead Man's Hollow with a cost of \$41,394.

# ALLEGHENY LAND TRUST

## NOTES TO FINANCIAL STATEMENTS

(continued)

### NOTE 4 - PROPERTY, IMPROVEMENTS AND EASEMENTS (continued)

Unrestricted property, improvements and easements as of June 30 2017 and 2016, are as follows:

<u>Property</u>	<u>Acreage</u>	
Castelli	12	\$ 60,615
Morton / Pineview Heights	29	39,089
Total	41	\$ 99,704

There is no allowance for impairment on unrestricted property, improvements and easements as of June 30, 2017 and 2016.

Unrestricted Board designated property, improvements and easements as of June 30, 2017 and 2016 are as follows:

<u>Property</u>	<u>Acreage</u>	
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, improvements and easements as of June 30, 2017 and 2016.

# ALLEGHENY LAND TRUST

## NOTES TO FINANCIAL STATEMENTS

(continued)

### NOTE 4 - PROPERTY, IMPROVEMENTS AND EASEMENTS (continued)

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

Property	2017		2016	
	Acreage		Acreage	
Audubon Greenway	161	\$ 5,219,765	161	\$ 5,219,765
Venango Trails	89	1,342,310	89	1,342,310
Wingfield Pines	87	1,231,038	87	1,231,038
Linbrook Woodlands	181	899,409	168	815,491
Waterworks Greenway	42	544,750	42	544,750
Meadowview - Barry	9	528,841	9	528,841
Fern Hollow - Standish	36	514,000	36	514,000
Irwin Run - Ludwig	73	447,108	73	447,108
Dead Man's Hollow	431	419,880	431	419,880
Devil's Hollow	76	349,114	--	--
Hunt Road	29	315,297	29	315,297
Sycamore Island	14	260,017	14	260,017
Beadnell Slopes	35	195,048	--	--
Barking Slopes	75	185,474	75	185,474
Fairhill Recreation Center	9	162,558	9	162,558
Marino Preserve	61	137,973	61	137,973
Murphy Property	8	91,062	8	91,062
Yough Slopes - Funk	16	81,400	16	81,400
Whetzel Preserve	212	40,374	212	40,374
Linder Farm Easement	104	--	104	--
Barnes Easement	27	--	27	--
Ferrie Easement	14	--	14	--
Mossie Slopes Easement	14	--	14	--
Zupcic Easement	11	--	11	--
Casciato Easement	11	--	11	--
Dead Man's Hollow Easement	9	--	9	--
Bradford Woods Easement	5	--	5	--
Meadowview Easement	1	--	1	--
Total	1,840	\$ 12,965,418	1,716	\$ 12,337,338

The allowance for impairment on permanently restricted easements is \$862,500 as of June 30, 2017 and 2016. There is no allowance for impairment on permanently restricted property as of June 30, 2017 and 2016.

ALT granted use of an easement in 2016 to an unrelated party and has presented the income as lease income in the accompanying statements of activities and changes in net assets.



ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 5 - OPERATING LEASES

Effective June 18, 2015, ALT signed an operating lease for an office in Sewickley, Pennsylvania that commenced on July 1, 2015 with an expiration date of June 30, 2020. Rent expense was \$36,996 and \$37,872 for the years ended June 30, 2017 and 2016, respectively.

Future minimum rentals under this non-cancelable lease are as follows as of June 30, 2017:

2018	\$	37,966
2019		38,966
2020		<u>39,966</u>
	\$	<u>116,898</u>

NOTE 6 - 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 \$9,293 and \$7,645 for the years ended June 30, 2017 and 2016, respectively.

NOTE 7 - 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 \$12,823 and \$13,068 as of June 30, 2017 and 2016, respectively.

NOTE 8 - 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, 2017 and 2016 was \$75,000.

NOTE 9 - NET ASSETS

Temporarily restricted net assets of \$875,399 and \$598,086 as of June 30, 2017 and 2016, respectively, are restricted for committed land acquisitions, projects, and general and administrative purposes.



# ALLEGHENY LAND TRUST

## NOTES TO FINANCIAL STATEMENTS

(continued)

### NOTE 9 - NET ASSETS (continued)

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.

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>2017</u>	<u>2016</u>
Stewardship endowment - unrestricted board designated	\$ 1,047,519	\$ 960,697
Stewardship endowment - temporarily restricted	47,241	38,769
Stewardship endowment - permanently restricted	84,500	84,500
John Hamm endowment - permanently restricted	117,219	116,219
John Hamm endowment - temporarily restricted	37,714	24,364
Operating endowment - unrestricted board designated	449,412	584,326
Operating endowment - permanently restricted	<u>19,650</u>	<u>18,650</u>
	<u>\$ 1,803,255</u>	<u>\$ 1,827,525</u>

# ALLEGHENY LAND TRUST

## NOTES TO FINANCIAL STATEMENTS

(continued)

### NOTE 9 - NET ASSETS (continued)

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.

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. ALT made an appropriation of \$135,000 from the unrestricted board designated operating endowment during the year ended June 30, 2017. No appropriations were made during the year ended June 30, 2016.

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, 2017 and 2016:

	Unrestricted - board designated	Temporarily restricted	Permanently restricted	Total
Balance, July 1, 2015	\$ 1,474,927	\$ 43,945	\$ 227,123	\$ 1,745,995
Additions	66,000	12,517	--	78,517
Investment income	11,986	4,406	--	16,392
Realized gains	12,709	2,117	--	14,826
Unrealized gains (losses)	(13,483)	1,194	(7,754)	(20,043)
Investment fees	(7,116)	(1,046)	--	(8,162)
Balance, June 30, 2016	\$ 1,545,023	\$ 63,133	\$ 219,369	\$ 1,827,525
Additions	16,833	--	2,000	18,833
Withdrawals	(135,000)	--	--	(135,000)
Investment income	14,402	3,547	--	17,949
Realized gains	29,761	3,753	--	33,514
Unrealized gains	34,215	15,580	--	49,795
Investment fees	(8,303)	(1,058)	--	(9,361)
Balance, June 30, 2017	\$ <u>1,496,931</u>	\$ <u>84,955</u>	\$ <u>221,369</u>	\$ <u>1,803,255</u>



ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 10 - 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 \$103,200 and \$102,100 for the years ended June 30, 2017 and 2016, respectively.

NOTE 11 - LOAN PAYABLE

During the year ended June 30, 2016, ALT entered into a loan agreement with a local non-profit organization. The loan provided for borrowings of \$400,000. The Linbrook Woodlands property served as collateral for the loan. In addition, the loan required that ALT maintain a minimum of \$400,000 in the board designated account. The loan was to mature on December 28, 2017. The outstanding principal and accrued interest were due at that time. The loan did not accrue interest during the first six months, interest accrued at 2.5% for the remainder of the loan. Interest expense for the years ended June 30, 2017 and 2016, respectively was \$7,874 and \$0. The outstanding principal and accrued interest were repaid during the year ended June 30, 2017.

NOTE 12 - LINE OF CREDIT

During the year ended June 30, 2017, ALT entered into a line of credit with a financial institution. The line of credit provides for borrowings up to \$300,000. The line expires on November 1, 2018, with the outstanding principal and accrued interest due at that time. As of June 30, 2017, the effective interest rate is 3.5% and no borrowings are outstanding on the line of credit.

