

ALLEGHENY LAND TRUST
AUDITED FINANCIAL STATEMENTS
Years ended June 30, 2022 and 2021

310 GRANT STREET, STE 2100
PITTSBURGH, PA 15219

SISTERSON.COM

PHONE: 412.281.2025

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Allegheny Land Trust

Opinion

We have audited the accompanying financial statements of Allegheny Land Trust, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, 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 Allegheny Land Trust as of June 30, 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 ("U.S. GAAS"). 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 Allegheny Land Trust 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 Allegheny Land Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT
(continued)

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 U.S. GAAS 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 U.S. GAAS, 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 Allegheny Land Trust'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 Allegheny Land Trust'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.

Winston & G. LLP

November 3, 2022

ALLEGHENY LAND TRUST

STATEMENTS OF FINANCIAL POSITION

| | June 30, | |
|---|----------------------|----------------------|
| | <u>2022</u> | <u>2021</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ 1,340,866 | \$ 1,081,284 |
| Cash held as custodian (Note 9) | 86,599 | 158,528 |
| Grants, contributions and other receivables, net (Note 2) | 879,084 | 1,616,776 |
| Investments (Notes 4 and 10) | 2,368,747 | 2,641,325 |
| Prepaid expenses and other assets | 34,876 | 26,209 |
| Property, improvements and easements (Note 5) | 22,187,664 | 20,647,016 |
| Depreciable property improvements, net of accumulated depreciation of \$1,120 and \$725, respectively | 8,003 | 4,198 |
| Land deposit and pre-acquisition costs | 212,147 | 53,361 |
| Equipment, net of accumulated depreciation of \$72,497 and \$67,776, respectively | 18,130 | 8,755 |
| Total assets | <u>\$ 27,136,116</u> | <u>\$ 26,237,452</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable | \$ 33,107 | \$ 61,878 |
| Other liabilities | 27,848 | 26,027 |
| Cash held as custodian (Note 9) | 86,599 | 158,528 |
| Paycheck Protection Program loan (Note 13) | -- | 144,070 |
| Note payable (Note 14) | -- | 515,000 |
| Total liabilities | <u>147,554</u> | <u>905,503</u> |
| Net assets | | |
| Without donor restrictions | | |
| Operating | 1,233,431 | 1,150,226 |
| Board designated (Notes 2 and 10) | 1,659,068 | 1,659,068 |
| | <u>2,892,499</u> | <u>2,809,294</u> |
| With donor restrictions | | |
| Time and/or purpose restricted (Note 10 and 12) | 1,858,826 | 1,984,852 |
| Perpetual in nature (Notes 5, 10 and 12) | 22,237,237 | 20,537,803 |
| | <u>24,096,063</u> | <u>22,522,655</u> |
| Total net assets | <u>26,988,562</u> | <u>25,331,949</u> |
| Total liabilities and net assets | <u>\$ 27,136,116</u> | <u>\$ 26,237,452</u> |

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

ALLEGHENY LAND TRUST

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2022

| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|----------------------|
| Support and other revenue | | | |
| Contributions | \$ 162,108 | \$ 620,301 | \$ 782,409 |
| Contributions of property and easements | -- | 1,187,274 | 1,187,274 |
| Grants | 1,598,490 | 499,696 | 2,098,186 |
| Program revenue | 298,761 | 5,000 | 303,761 |
| Net loss on investments, net of investment advisory fees (Note 4) | (292,917) | (30,473) | (323,390) |
| Forgiveness of Paycheck Protection Program loan | 144,070 | -- | 144,070 |
| Other income | 81,733 | -- | 81,733 |
| Release from restrictions | 708,390 | (708,390) | -- |
| | <u>2,700,635</u> | <u>1,573,408</u> | <u>4,274,043</u> |
| Total support and other revenue | | | |
| Expenditures and losses | | | |
| Program services | 2,070,640 | -- | 2,070,640 |
| Fundraising | 348,654 | -- | 348,654 |
| General and administrative | 198,136 | -- | 198,136 |
| | <u>2,617,430</u> | <u>--</u> | <u>2,617,430</u> |
| Total expenditures and losses | | | |
| Increase in net assets | 83,205 | 1,573,408 | 1,656,613 |
| Net assets at beginning of year | <u>2,809,294</u> | <u>22,522,655</u> | <u>25,331,949</u> |
| Net assets at end of year | <u>\$ 2,892,499</u> | <u>\$ 24,096,063</u> | <u>\$ 26,988,562</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, 2021

| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|----------------------|
| Support and other revenue | | | |
| Contributions | \$ 180,821 | \$ 826,669 | \$ 1,007,490 |
| Contributions of property and easements | -- | 86,795 | 86,795 |
| Grants | 23,950 | 4,030,031 | 4,053,981 |
| Program revenue | 67,223 | 8,200 | 75,423 |
| Net gain on investments, net of investment advisory fees (Note 4) | 421,016 | 38,044 | 459,060 |
| Forgiveness of Paycheck Protection Program loan | 147,100 | -- | 147,100 |
| Other income | 19,784 | 1,392 | 21,176 |
| Release from restrictions | 1,148,290 | (1,148,290) | -- |
| | <u>2,008,184</u> | <u>3,842,841</u> | <u>5,851,025</u> |
| Total support and other revenue | | | |
| Expenditures and losses | | | |
| Program services | 1,496,643 | -- | 1,496,643 |
| Fundraising | 305,334 | -- | 305,334 |
| General and administrative | 177,656 | -- | 177,656 |
| | <u>1,979,633</u> | <u>--</u> | <u>1,979,633</u> |
| Total expenditures and losses | | | |
| Increase in net assets | 28,551 | 3,842,841 | 3,871,392 |
| Net assets at beginning of year | <u>2,780,743</u> | <u>18,679,814</u> | <u>21,460,557</u> |
| Net assets at end of year | <u>\$ 2,809,294</u> | <u>\$ 22,522,655</u> | <u>\$ 25,331,949</u> |

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

ALLEGHENY LAND TRUST

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022

| | Program services | | | | | Support services | | | Grand total |
|-------------------------------------|---------------------|-------------------|-------------------|------------------------|---------------------|----------------------------|-------------------|-------------------|---------------------|
| | Land protection | Land stewardship | Education | Community conservation | Total | General and administrative | Fundraising | Total | |
| Salaries and wages | \$ 204,373 | \$ 94,326 | \$ 70,745 | \$ 62,884 | \$ 432,328 | \$ 141,489 | \$ 212,234 | \$ 353,723 | \$ 786,051 |
| Professional services | 177,866 | 9,267 | 7,451 | 26,653 | 221,237 | 14,619 | 30,272 | 44,891 | 266,128 |
| Office expenses | 42,182 | 14,089 | 9,729 | 8,473 | 74,473 | 11,009 | 59,296 | 70,305 | 144,778 |
| Payroll taxes and benefits | 35,170 | 16,233 | 12,174 | 10,822 | 74,399 | 24,349 | 36,525 | 60,874 | 135,273 |
| Easement and impairment offset | 1,075,581 | -- | -- | -- | 1,075,581 | -- | -- | -- | 1,075,581 |
| Program materials and supplies | 11,200 | 1,985 | 11,360 | 9,502 | 34,047 | -- | -- | -- | 34,047 |
| Insurance | 7,515 | 3,469 | 2,601 | 2,312 | 15,897 | 5,205 | 7,804 | 13,009 | 28,906 |
| Land acquisition expenses | 89,429 | -- | -- | 11,868 | 101,297 | -- | -- | -- | 101,297 |
| Subcontractors | 17,349 | -- | -- | -- | 17,349 | -- | -- | -- | 17,349 |
| Registration, fees and sponsorships | 9,254 | -- | -- | -- | 9,254 | -- | -- | -- | 9,254 |
| Travel and entertainment | 2,290 | 562 | 2,810 | 242 | 5,904 | 545 | 1,141 | 1,686 | 7,590 |
| Meeting and volunteer expenses | 3,503 | -- | -- | -- | 3,503 | -- | -- | -- | 3,503 |
| Truck expenses | 432 | 2,125 | -- | -- | 2,557 | -- | -- | -- | 2,557 |
| Total expenses before depreciation | 1,676,144 | 142,056 | 116,870 | 132,756 | 2,067,826 | 197,216 | 347,272 | 544,488 | 2,612,314 |
| Depreciation | 1,330 | 614 | 461 | 409 | 2,814 | 920 | 1,382 | 2,302 | 5,116 |
| Total | <u>\$ 1,677,474</u> | <u>\$ 142,670</u> | <u>\$ 117,331</u> | <u>\$ 133,165</u> | <u>\$ 2,070,640</u> | <u>\$ 198,136</u> | <u>\$ 348,654</u> | <u>\$ 546,790</u> | <u>\$ 2,617,430</u> |

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

ALLEGHENY LAND TRUST

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021

| | <u>Program services</u> | | | | | <u>Support services</u> | | | <u>Grand total</u> |
|-------------------------------------|-------------------------|-------------------------|-------------------|-------------------------------|---------------------|-----------------------------------|--------------------|-------------------|---------------------|
| | <u>Land protection</u> | <u>Land stewardship</u> | <u>Education</u> | <u>Community conservation</u> | <u>Total</u> | <u>General and administrative</u> | <u>Fundraising</u> | <u>Total</u> | |
| Salaries and wages | \$ 175,754 | \$ 79,451 | \$ 57,117 | \$ 51,548 | \$ 363,870 | \$ 122,006 | \$ 184,774 | \$ 306,780 | \$ 670,650 |
| Professional services | 54,638 | 337,649 | 24,427 | 49,538 | 466,252 | 14,258 | 23,699 | 37,957 | 504,209 |
| Subcontractors | 107,713 | 13,995 | 105 | 49,934 | 171,747 | -- | 100 | 100 | 171,847 |
| Contribution of property | 143,953 | -- | -- | -- | 143,953 | -- | -- | -- | 143,953 |
| Office expenses | 38,699 | 13,934 | 11,464 | 10,015 | 74,112 | 12,988 | 54,757 | 67,745 | 141,857 |
| Payroll taxes and benefits | 22,599 | 17,074 | 9,086 | 5,823 | 54,582 | 23,805 | 35,239 | 59,044 | 113,626 |
| Easement and impairment offset | 98,259 | -- | -- | -- | 98,259 | -- | -- | -- | 98,259 |
| Land acquisition expenses | 66,434 | -- | -- | -- | 66,434 | -- | -- | -- | 66,434 |
| Meeting and volunteer expenses | 18,807 | 849 | -- | -- | 19,656 | -- | -- | -- | 19,656 |
| Insurance | 4,993 | 2,304 | 1,728 | 1,536 | 10,561 | 3,457 | 5,185 | 8,642 | 19,203 |
| Program materials and supplies | 9,725 | 2,876 | 5,888 | -- | 18,489 | 25 | -- | 25 | 18,514 |
| Loss on impairment of property | 2,462 | -- | -- | -- | 2,462 | -- | -- | -- | 2,462 |
| Truck expenses | 509 | 1,871 | -- | -- | 2,380 | -- | -- | -- | 2,380 |
| Travel and entertainment | 723 | 8 | 33 | -- | 764 | 183 | 179 | 362 | 1,126 |
| Registration, fees and sponsorships | 268 | -- | -- | -- | 268 | -- | -- | -- | 268 |
| Total expenses before depreciation | 745,536 | 470,011 | 109,848 | 168,394 | 1,493,789 | 176,722 | 303,933 | 480,655 | 1,974,444 |
| Depreciation | 1,349 | 623 | 467 | 415 | 2,854 | 934 | 1,401 | 2,335 | 5,189 |
| Total | <u>\$ 746,885</u> | <u>\$ 470,634</u> | <u>\$ 110,315</u> | <u>\$ 168,809</u> | <u>\$ 1,496,643</u> | <u>\$ 177,656</u> | <u>\$ 305,334</u> | <u>\$ 482,990</u> | <u>\$ 1,979,633</u> |

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

ALLEGHENY LAND TRUST

STATEMENTS OF CASH FLOWS

| | Year ended June 30, | |
|---|---------------------|--------------------|
| | <u>2022</u> | <u>2021</u> |
| Cash flows from operating activities | | |
| Increase in net assets | \$ 1,656,613 | \$ 3,871,392 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities | | |
| Depreciation | 5,116 | 5,189 |
| Contributed property | (1,187,274) | (86,795) |
| Impairment loss on property | -- | 2,462 |
| Easement and impairment offset | 1,075,581 | 98,259 |
| Net realized and unrealized (gain) loss on investments | 336,562 | (436,505) |
| Contributions of securities sold nearly immediately upon receipt | (54,036) | (66,601) |
| Proceeds from securities sold nearly immediately upon receipt | 52,461 | 66,389 |
| Forgiveness of Paycheck Protection Program loan | (144,070) | (147,100) |
| Increase (decrease) in cash from changes in | | |
| Grants, contributions and other receivables, net | 737,692 | (97,046) |
| Prepaid expenses and other assets | (8,667) | 19,867 |
| Accounts payable | (28,771) | 10,143 |
| Other liabilities | 1,821 | (20,311) |
| | <u>2,443,028</u> | <u>3,219,343</u> |
| Cash flows from investing activities | | |
| Purchases of equipment | (18,296) | (2,438) |
| Purchases of property | (1,408,486) | (3,715,236) |
| Proceeds from sale of property | -- | 143,954 |
| Net land deposit and pre-acquisition costs paid | (179,255) | (25,177) |
| Proceeds from sale of investments | 1,494,753 | 1,631,734 |
| Purchases of investments | (1,557,162) | (1,715,122) |
| | <u>(1,668,446)</u> | <u>(3,682,285)</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>2022</u> | <u>2021</u> |
| Cash flows from financing activities | | |
| Paycheck Protection Program loan | \$ -- | \$ 144,070 |
| Proceeds from note payable | -- | 515,000 |
| Payments on note payable | <u>(515,000)</u> | <u>--</u> |
| Net cash provided by (used in) financing activities | <u>(515,000)</u> | <u>659,070</u> |
| Net increase in cash and cash equivalents | 259,582 | 196,128 |
| Cash and cash equivalents, beginning of year | <u>1,081,284</u> | <u>885,156</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,340,866</u> | <u>\$ 1,081,284</u> |
| Supplemental disclosure of non-cash investing and financing activities | | |
| Land deposit and pre-acquisition costs applied to purchase of property | <u>\$ 20,469</u> | <u>\$ 15,300</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”) was formed in 1993 as a domestic nonprofit organization in the Commonwealth of Pennsylvania with the mission to conserve and care for local land for the health and well-being of current and future generations. ALT contributes to the overall sustainability of the region and the quality of life of its residents by protecting approximately 3,700 acres in 37 municipalities in Allegheny, Beaver, Butler, and Washington counties. There is an ALT conservation area within 8 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.

Land Stewardship – ALT cares for and restores 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.

Community Conservation – ALT works with a variety of diverse groups to reimagine vacant 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.

Nature-Based 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 (“LTA”). 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 over 1,300 land trusts operating in the United States, and ALT is one of approximately 450 that are accredited. Accreditation from LTAC is valid for five years. ALT received re-accreditation from the LTAC in August 2022, which is valid through August 2027.

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 ALT's conservation mission have been tremendous with 489 volunteers contributing 2,632 hours of time during this fiscal year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Under accounting principles generally accepted in the United States of America ("U.S. GAAP"), ALT is required to report its financial position and activities according to two classes of net assets, as follows:

Net assets without donor restrictions

These net assets are neither held in perpetuity nor restricted by donor or grantor-imposed stipulations.

Net assets without donor restrictions represent resources over which the Board of Directors ("Board") have discretionary control and are used to carry out the operations of the organization in accordance with its by-laws. ALT designates certain net assets without donor restrictions as Board designated. These assets include two properties as of June 30, 2022 and 2021 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. The Board has designated certain funds in the amount of \$434,264 as of June 30, 2022 and 2021, to be utilized for future land protection. 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).

Net assets with donor restrictions

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as release from restrictions in the statements of activities and changes in net assets. Grants or other donations that are donor designated for specific projects are classified as net assets with donor restrictions 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)

Net assets with donor restrictions (continued)

Net assets to be held in perpetuity 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 held in perpetuity for conservation. In addition, certain funds specifically restricted by donors for the purpose of funding stewardship and operating endowment funds are also included in net assets with donor restrictions to be held in perpetuity (see Note 10).

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. Interest 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, net of investment advisory fees, 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, net of investment advisory fees, 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.

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations

During the year ended June 30, 2022, one grantor provided approximately 24% of total support and other revenue. Grants receivable from the grantor was \$111,169 as of June 30, 2022. During the year ended June 30, 2021, two grantors provided approximately 28% and 15% of total support and other revenue, respectively. Grants receivable from the grantors was \$213,070 and \$628,300 as of June 30, 2021, respectively.

Functional allocation of expenses

The costs of providing the various programs and supporting activities of ALT are presented in the statements of functional 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.

Contributions, grants and other receivables

Contributions are donations received from corporations and individuals. Grants are received from foundations and public or governmental agencies. Contributions and grants are recorded as increases to net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions and 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. Contributions and grants receivable are not adjusted to present value using a discount rate commensurate with the risks involved because the present value is not materially less than the amounts expected to be received. ALT establishes allowances for uncollectible amounts when management determines collection of a receivable is doubtful.

Anticipated collection of contributions, grants and other receivable are as follows as of June 30:

| | <u>2022</u> | <u>2021</u> |
|-------------------|-------------------|---------------------|
| Within one year | \$ 879,084 | \$ 1,466,776 |
| One to five years | <u>--</u> | <u>150,000</u> |
| | <u>\$ 879,084</u> | <u>\$ 1,616,776</u> |

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions, grants and other receivables (continued)

Grants receivable consist of unconditional grants and conditional grants whose conditions have been met in the current fiscal year. Conditional grants totaling \$703,872 and \$67,491 were pledged to ALT as of June 30, 2022 and 2021, respectively, and are not reflected in the financial statements as the conditions upon which they are to be received have not yet been satisfied.

Program revenue and other income recognition

ALT records program revenue in accordance with the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) Topic 606, *Revenue from Contracts with Customers*. Program revenue consists of fees charged for educational programs, consulting on land acquisitions, general consulting, and revenue from the sale of carbon credits generated from held property. Fees for services rendered are recognized at a point in time when the services are provided, and the sale of carbon credits are recognized at a point in time when both the risk of loss and title have transferred to the customer. Other income includes rental income, which is recorded ratably over the lease period, as it is earned. In all instances, collection is reasonably assured prior to the recognition of revenue.

Receivables generated from program revenue and other income, are recorded in grants, contributions and other receivables in the statements of financial position. Management assesses the collectability of these amounts and has determined that all such receivables as of June 30, 2022 are expected to be collected within one fiscal year.

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. Depreciable property improvements with a limited life span are capitalized and depreciated over a fifteen-year life using the straight-line method. 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 impairment are similar to Level III inputs within the fair value hierarchy as defined in Note 4.

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, improvements and easements (continued)

ALT holds conservation easements for the purposes of conserving and caring for 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, 2022 and 2021 is disclosed in Note 5.

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.

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 FASB ASC 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, 2022 and 2021, ALT is unaware of any uncertain tax positions. ALT's federal income tax and excise tax returns for tax years 2019 and beyond remain subject to examination by the Internal Revenue Service.

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 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 presented in the June 30, 2021 financial statements have been reclassified for comparative purposes.

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 November 3, 2022, the date on which the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY

ALT receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. ALT has established an operating endowment fund, which can include operating and board designated net assets without donor restrictions and net assets with donor restrictions used for the purpose of providing long-term general operating support for ALT. The balance of the operating cash reserve as of June 30, 2022 and 2021 was \$489,618, of which \$19,650 of this amount is to be held in perpetuity.

Cash receipts are deposited in a money market account and transferred to the operating checking account as needed. Restricted cash required to be segregated by the donor, or by ALT for which it is held in trust, is kept in separate bank accounts. The operating reserve endowment is invested and drawn upon annually in accordance with ALT's endowment drawdown policies. ALT strives to maintain at a minimum 90 days of cash on hand in its checking and money market accounts. To achieve this target, ALT monitors its liquidity monthly. During the years ended June 30, 2022 and 2021, the level of liquidity was managed within this target.

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 3 - LIQUIDITY AND AVAILABILITY (continued)

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Financial assets, as of June 30: | | |
| Cash and cash equivalents | \$ 1,427,465 | \$ 1,239,812 |
| Grants, contributions and other receivables, net | 879,084 | 1,616,776 |
| Investments | <u>2,368,747</u> | <u>2,641,325</u> |
| Total financial assets | <u>4,675,296</u> | <u>5,497,913</u> |
| Amounts not available for general expenditure | | |
| Cash held as custodian (see Note 9) | (86,599) | (158,528) |
| Endowment funds (see Note 10) | (1,222,908) | (1,253,381) |
| Add back: amounts to be available per drawdown policy in following year | 70,331 | 36,673 |
| Donor-restricted – purpose (see Note 12) | (1,858,826) | (1,834,852) |
| Donor-restricted – time (see Note 12) | <u>--</u> | <u>(150,000)</u> |
| Financial assets available to meet cash needs for general expenditure within one year | <u>\$ 1,577,294</u> | <u>\$ 2,137,825</u> |

In addition, as disclosed in Note 15, ALT also maintains a line of credit available to meet short-term cash needs should an unforeseen liquidity need arise.

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, 2022 and 2021.

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, 2022 and 2021.

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, 2022 and 2021.

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:

| | Level | 2022 | | 2021 | |
|-----------------------------------|-------|---------------------|---------------------|---------------------|---------------------|
| | | Fair value | Cost | Fair value | Cost |
| Short-term investments | I | \$ 85,098 | \$ 85,098 | \$ 52,924 | \$ 52,924 |
| Equity funds and common stocks | I | 1,281,758 | 1,207,120 | 1,640,158 | 1,182,252 |
| Fixed income | I | <u>1,001,891</u> | <u>1,096,630</u> | <u>948,243</u> | <u>933,253</u> |
| | | \$ <u>2,368,747</u> | \$ <u>2,388,848</u> | \$ <u>2,641,325</u> | \$ <u>2,168,429</u> |

As of June 30, 2022 and 2021, one investment in fixed income accounted for approximately 11% of ALT's investments.

Net gain (loss) on investments, net of investment advisory fees, consists of the following for the years ended June 30:

| | 2022 | | |
|--------------------------------|-------------------------------|----------------------------|---------------------|
| | Without donor restrictions | With donor restrictions | Total |
| Interest and dividend income | \$ 38,020 | \$ 1,462 | \$ 39,482 |
| Realized gain on investments | 150,643 | 5,792 | 156,435 |
| Unrealized loss on investments | (456,244) | (36,753) | (492,997) |
| Investment fees | <u>(25,336)</u> | <u>(974)</u> | <u>(26,310)</u> |
| Net loss on investments | \$ <u>(292,917)</u> | \$ <u>(30,473)</u> | \$ <u>(323,390)</u> |
| | 2021 | | |
| | Without donor restrictions | With donor restrictions | Total |
| Interest and dividend income | \$ 44,573 | \$ 1,249 | \$ 45,822 |
| Realized gain on investments | 189,348 | 5,304 | 194,652 |
| Unrealized gain on investments | 209,727 | 32,125 | 241,852 |
| Investment fees | <u>(22,632)</u> | <u>(634)</u> | <u>(23,266)</u> |
| Net gain on investments | \$ <u>421,016</u> | \$ <u>38,044</u> | \$ <u>459,060</u> |

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 5 - PROPERTY, IMPROVEMENTS AND EASEMENTS

During the year ended June 30, 2022, parcels of land to be held in perpetuity were purchased by ALT. These parcels included 56 acres at Buerkle Woodlands with a cost of \$870,645 and a fair value of \$850,000, 53 acres at Jones Estate with a cost of \$351,216 and a fair value of \$320,000, less than 1 acre at Healcrest with a cost of \$94,768 and a fair value of \$84,100, 8 acres at Gourley with a cost of \$66,194 and a fair value of \$50,000, less than 1 acre at Enright Garden with a cost of \$49,817 and a fair value of \$125,000, less than 1 additional acre at Kincaid Gardens with a cost of \$18,979 and a fair value of \$19,000, and less than 1 additional acre at the Hemlock parcels with a cost and fair value of \$6,167.

During the year ended June 30, 2022, two parcels to be held in perpetuity were donated to ALT. The first parcel included 9 acres at Buerkle Woodlands with a fair value of \$160,000. ALT incurred costs totaling \$928 and recognized a land donation of \$160,000 during the year ended June 30, 2022. The second parcel included less than 1 additional acre at the Hemlock parcels with a cost of \$1,585. As ALT incurred costs of this amount to close on the property, no portion of this amount was recognized as a land donation. During the year ending June 30, 2022, three easements to be held in perpetuity were also donated to ALT. The Goswell Easement of 120 acres of land has a fair value of \$455,000 and \$24,237 of costs were incurred related to acquiring this easement. The Getty Easement of 35 acres of land has a fair value of \$90,000 and \$13,734 of costs were incurred related to acquiring this easement. The Chalfant Easement of 6 acres of land has a fair value of \$8,840 and \$8,840 of costs were incurred related to acquiring this easement. ALT recognized an impairment loss on donated easements of \$553,840 during the year ending June 30, 2022, which is recorded as easement and impairment offset.

During the year ended June 30, 2021, parcels of land to be held in perpetuity were purchased by ALT. These parcels included 151 acres at Churchill Valley with a cost of \$3,053,534 and a fair value of \$3,400,000, 156 acres at Girty's Woods with a cost of \$613,073 and a fair value of \$620,000, 1 additional acre at the Hemlock Parcels with a cost and fair value of \$25,121, and less than 1 additional acre at Bethel Green – Pittsburgh Terminal with a cost of \$2,462. ALT recognized a loss on impairment on the purchased parcels of \$2,462 during the year ended June 30, 2021, which is recorded as a loss on impairment of property.

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 5 - PROPERTY, IMPROVEMENTS AND EASEMENTS (continued)

During the year ended June 30, 2021, two properties to be held in perpetuity were donated to ALT. The first property consisted of 1 acre at Walker-Ewing Log House with a fair value of \$10,370. ALT incurred costs of \$6,870 and recognized a land donation of \$3,500 during the year ended June 30, 2021. The second property consisted of less than 1 acre at Kincaid Gardens with a fair value of \$499. As ALT incurred costs of this amount to close on the property, no portion of this amount was recognized as a land donation. In addition, during 2021, miscellaneous donations associated with property costs totaling \$812 were also recognized. During the year ending June 30, 2021, two easements to be held in perpetuity were also donated to ALT. The Beeson Easement of 70 acres of land has a fair value of \$95,000 and \$12,517 of costs were incurred related to acquiring this easement. The Meakem Easement of 6 acres of land has a fair value of \$3,259 and \$3,259 of related costs were incurred related to acquiring this easement. ALT recognized a loss on impairment on these easements of \$98,259 during the year ended June 30, 2021, which is recorded as easement and impairment offset.

During the year ended June 30, 2021, 20 acres at the Hampton Parcels, including the Anderson, Moore, and Miller properties, were donated to Allegheny County for the purpose of expanding the buffer of North Park. The donation of the land was recorded at its fair value estimated to be \$143,953, and is recorded as contribution of property in the statement of functional expenses. No gain or loss was recognized on this transaction as the fair value approximated the carrying value of these properties at the time of the donation.

Property, improvements and easements without donor restrictions as of June 30, 2022 and 2021, are as follows:

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

There is no allowance for impairment on property, improvements and easements without donor restrictions as of June 30, 2022 and 2021.

Property, improvements and easements board designated without donor restrictions as of June 30, 2022 and 2021 are as follows:

| <u>Property</u> | <u>Acreage</u> | |
|--------------------|----------------|-------------------|
| Barking Slopes | 84 | \$ 158,239 |
| Lowries Run Slopes | 16 | <u>127,000</u> |
| Total | <u>100</u> | <u>\$ 285,239</u> |

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 5 - PROPERTY, IMPROVEMENTS AND EASEMENTS (continued)

There is no allowance for impairment on property, improvements and easements board designated without donor restrictions as of June 30, 2022 and 2021.

Property, improvements and easements to be held in perpetuity, net of impairment, are as follows as of June 30:

| Property | 2022 | | 2021 | |
|------------------------------------|---------|--------------|---------|--------------|
| | Acreage | | Acreage | |
| Audubon Greenway | 161 | \$ 5,219,765 | 161 | \$ 5,219,765 |
| Churchill Valley | 151 | 3,053,534 | 151 | 3,053,534 |
| Venango Trails | 88 | 1,324,408 | 88 | 1,324,408 |
| Wingfield Pines | 87 | 1,231,038 | 87 | 1,231,038 |
| Buerkle Woodlands | 65 | 1,010,000 | -- | -- |
| Linbrook Woodlands | 181 | 899,542 | 181 | 899,542 |
| Bethel Green - Pittsburgh Terminal | 41 | 699,000 | 41 | 699,000 |
| Girty's Woods | 156 | 613,073 | 156 | 613,073 |
| Waterworks Greenway | 42 | 536,630 | 42 | 536,630 |
| Meadowview - Barry | 9 | 528,841 | 9 | 528,841 |
| Fern Hollow - Standish | 36 | 514,000 | 36 | 514,000 |
| Simmons Property | 5 | 500,000 | 5 | 500,000 |
| Irwin Run – Ludwig | 73 | 447,108 | 73 | 447,108 |
| Dead Man's Hollow | 431 | 419,880 | 431 | 419,880 |
| McKissock Property | 25 | 411,857 | 25 | 411,857 |
| Devil's Hollow | 95 | 388,525 | 95 | 388,525 |
| Buena Vista Heights - Trueline | 155 | 378,935 | 155 | 378,935 |
| Rhodes Property | 50 | 358,519 | 50 | 358,519 |
| Meyer Farm | 45 | 358,000 | 45 | 358,000 |
| Lilly | 50 | 350,000 | 50 | 350,000 |
| Jones Estate | 53 | 320,000 | -- | -- |
| Hunt Road | 29 | 315,297 | 29 | 315,297 |
| Sycamore Island | 14 | 260,017 | 14 | 260,017 |
| Beadnell Slopes | 35 | 195,048 | 35 | 195,048 |
| Barking Slopes | 75 | 185,474 | 75 | 185,474 |
| Fairhill Recreation Center | 9 | 162,558 | 9 | 162,558 |
| Montour Green - Haudenshield | 38 | 154,000 | 38 | 154,000 |
| Marino Preserve | 61 | 137,973 | 61 | 137,973 |
| Hemlock Properties | 4 | 123,583 | 4 | 115,831 |
| Garden Dreams Community Garden | 1 | 111,200 | 1 | 111,200 |
| Horseshoe Hills - Dorsch | 18 | 95,000 | 18 | 95,000 |
| Murphy Property | 8 | 91,062 | 8 | 91,062 |
| Healcrest | 1 | 84,100 | -- | -- |
| Yough Slopes - Funk | 16 | 81,400 | 16 | 81,400 |
| Gourley | 8 | 50,000 | -- | -- |
| Enright Garden | 1 | 49,817 | -- | -- |
| Whetzel Preserve | 212 | 40,374 | 212 | 40,374 |
| Raphael Property | 57 | 37,417 | 57 | 37,417 |
| Eastfield Community Garden | 1 | 35,898 | 1 | 35,898 |
| Kincaid Gardens | 1 | 19,478 | -- | 499 |

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 5 - PROPERTY, IMPROVEMENTS AND EASEMENTS (continued)

| <u>Property</u> | <u>2022</u> | | <u>2021</u> | |
|----------------------------|----------------|----------------------|----------------|----------------------|
| | <u>Acreage</u> | | <u>Acreage</u> | |
| Walker-Ewing Log House | 1 | 10,370 | 1 | 10,370 |
| Goswell Easement | 120 | -- | -- | -- |
| Linder Farm Easement | 104 | -- | 104 | -- |
| Beeson Easement | 70 | -- | 70 | -- |
| Thornburg Easement | 56 | -- | 56 | -- |
| Getty Easement | 35 | -- | -- | -- |
| Barnes Easement | 27 | -- | 27 | -- |
| Mossie Slopes Easement | 14 | -- | 14 | -- |
| Ferrie Easement | 14 | -- | 14 | -- |
| Orenstein Easement | 12 | -- | 12 | -- |
| Zupcic Easement | 11 | -- | 11 | -- |
| Casciato Easement | 11 | -- | 11 | -- |
| Dead Man's Hollow Easement | 9 | -- | 9 | -- |
| Chalfant Easement | 6 | -- | -- | -- |
| Meakem Easement | 6 | -- | 6 | -- |
| Bradford Woods Easement | 5 | -- | 5 | -- |
| Meadowview Easement | 1 | -- | 1 | -- |
| | | | | |
| Total | <u>3,090</u> | <u>\$ 21,802,721</u> | <u>2,800</u> | <u>\$ 20,262,073</u> |

The allowance for impairment on easements to be held in perpetuity is \$2,651,455 and \$1,575,874 as of June 30, 2022 and 2021, respectively. The allowance for impairment on property to be held in perpetuity is \$105,190 as of June 30, 2022 and 2021.

NOTE 6 - OPERATING LEASES COMMITMENTS

Effective June 18, 2015, ALT has an operating lease for an office in Sewickley, Pennsylvania that commenced on July 1, 2015 with an extended expiration date of June 30, 2025. Rent expense was \$39,961 for the years ended June 30, 2022 and 2021.

Future minimum rentals under the lease are as follows as of June 30, 2022:

| | |
|------|-------------------|
| 2023 | \$ 42,200 |
| 2024 | 42,800 |
| 2025 | <u>43,400</u> |
| | \$ <u>128,400</u> |

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE 7 - OPERATING LEASE REVENUE

Effective July 1, 2020, ALT entered into a lease agreement to lease their Garden Dreams Community Garden property to a non-profit organization for the purpose of establishing a community garden. The agreement has an initial lease term through 2035 and includes eight renewal options, each for an additional five-year term. Rental income under this agreement of \$2,954 and \$4,260 for the years ended June 30, 2022 and 2021, respectively, has been reported as other income in the statements of activities and changes in net assets.

Minimum future rental income under this operating lease is as follows for the years ending June, 30:

| | | |
|------------------------------|----|----------------------|
| 2023 | \$ | 2,998 |
| 2024 | | 3,088 |
| 2025 | | 3,180 |
| 2026 | | 3,276 |
| 2027 | | 3,374 |
| Thereafter | | <u>33,079</u> |
| Total minimum future rentals | \$ | <u><u>48,995</u></u> |

NOTE 8 - 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 \$18,589 and \$16,882 for the years ended June 30, 2022 and 2021, respectively.

NOTE 9 - CUSTODIAN FUNDS

From time to time, ALT acts as a fiscal agent for other organizations. Resources received and disbursed in transactions with third parties in which ALT acts as an agent have been reported in accordance with U.S. GAAP within the statements of financial position rather than as support and other revenue and expenditures and losses. ALT reports the cash held on behalf of these organizations totaling \$86,599 and \$158,528 as of June 30, 2022 and 2021, respectively as cash held as custodian assets and cash held as custodian liabilities on the statements of financial position.

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE 10 - NET ASSETS

Net assets with donor restrictions of \$1,858,826 and \$1,984,852 as of June 30, 2022 and 2021, 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.

The stewardship endowment was created by ALT to support the perpetual costs of maintaining land owned by ALT. This endowment can include both Board designated funds and funds to be held in perpetuity 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 Board designated portion of this endowment through direct action of the Board of Directors. Income from contributions that are to be held in perpetuity 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 Board designated funds and funds to be held in perpetuity. The funds are 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 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>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Stewardship endowment – board designated | \$ 469,597 | \$ 469,597 |
| Stewardship endowment – perpetual in nature | 84,500 | 84,500 |
| John Hamm endowment – perpetual in nature | 118,219 | 118,219 |
| John Hamm endowment – time and/or purpose restricted | 60,974 | 91,447 |
| Operating endowment – board designated | 469,968 | 469,968 |
| Operating endowment – perpetual in nature | <u>19,650</u> | <u>19,650</u> |
| | <u>\$ 1,222,908</u> | <u>\$ 1,253,381</u> |

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE 10 - 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. Appropriations in the amount of \$65,654 were made during the year ended June 30, 2022. No appropriations were made during the year ended June 30, 2021.

As prescribed by U.S. GAAP, ALT classifies the amount of original contributions designated for endowments to be held in perpetuity as net assets with donor restrictions. Investment income, gains and losses are classified as either with donor restrictions or without donor restrictions depending on whether donors stipulated the use of such amounts.

From time to time, the fair value of assets associated with individual endowments with donor restrictions may fall below the amount of the contributed principal. ALT has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. No deficiencies of this nature existed in ALT's donor restricted endowment funds, which together have an original value of \$222,369. As of June 30, 2022 and 2021, the funds had a current value of \$283,343 and \$313,816, respectively.

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE 10 - NET ASSETS (continued)

The following table represents endowment activity for the years ended June 30, 2022 and 2021:

| | Without donor restrictions- board designated | With donor restrictions- time and/or purpose | With donor restrictions- perpetual in nature | Total |
|------------------------|--|--|--|---------------------|
| Balance, July 1, 2020 | \$ 939,565 | \$ 53,403 | \$ 222,369 | \$ 1,215,337 |
| Investment income | -- | 1,249 | -- | 1,249 |
| Realized gains | -- | 5,304 | -- | 5,304 |
| Unrealized gains | -- | 32,125 | -- | 32,125 |
| Investment fees | -- | (634) | -- | (634) |
| Balance, June 30, 2021 | \$ 939,565 | \$ 91,447 | \$ 222,369 | \$ 1,253,381 |
| Investment income | -- | 1,462 | -- | 1,462 |
| Realized gains | -- | 5,792 | -- | 5,792 |
| Unrealized losses | -- | (36,753) | -- | (36,753) |
| Investment fees | -- | (974) | -- | (974) |
| Balance, June 30, 2022 | \$ <u>939,565</u> | \$ <u>60,974</u> | \$ <u>222,369</u> | \$ <u>1,222,908</u> |

NOTE 11 - 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 U.S. GAAP have not been satisfied, management estimates the fair value of these services to be approximately \$78,900 and \$59,200 for the years ended June 30, 2022 and 2021, respectively.

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE 12 - DONOR RESTRICTIONS

Net assets are donor restricted as follows as of June 30:

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| Subject to expenditure for specified purpose: | | |
| Land protection activities | | |
| Acquisition | \$ 965,287 | \$ 830,902 |
| Conservation easements | 92,478 | 126,385 |
| Stewardship activities | | |
| Property maintenance | 221,234 | 316,589 |
| Special projects | 9,975 | 10,975 |
| Education activities | 11,255 | 26,909 |
| Community conservation | <u>558,597</u> | <u>523,092</u> |
| | <u>1,858,826</u> | <u>1,834,852</u> |
| Subject to the passage of time: | | |
| For periods after June 30 | <u>--</u> | <u>150,000</u> |
| Not subject to appropriation: | | |
| Investments held in perpetuity | 222,369 | 222,369 |
| Costs incurred for land to be held for conservation | 212,147 | 53,361 |
| Land required to be held for conservation | <u>21,802,721</u> | <u>20,262,073</u> |
| | <u>22,237,237</u> | <u>20,537,803</u> |
| | <u>\$ 24,096,063</u> | <u>\$ 22,522,655</u> |

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE 13 - PAYCHECK PROTECTION PROGRAM LOANS

On April 6, 2020, ALT received a Paycheck Protection Program (“PPP”) loan in the amount of \$147,100 from a lender, which was funded under the provisions of the United States of America Small Business Administration Paycheck Protection Program. The outstanding balance of the note was subject to an initial deferment period of six months, which was extended to ten months, upon which ALT can apply for forgiveness to the extent that the proceeds are used in accordance with the provisions of Section 1106 of the Coronavirus Aid, Relief and Economic Security (“CARES”) Act. After the deferment period, to the extent that the note was not forgiven, payments of interest and principal were due in equal installments through maturity in April 2022. The note was subject to a fixed interest rate of 1.0% over the entirety of the two-year term, and interest that accrued over the initial deferment period was payable ten months from the date of the initial disbursement. On March 19, 2021, ALT received full forgiveness of the PPP loan from the Small Business Administration, under the provisions of the CARES Act, which is recognized as forgiveness of Paycheck Protection Program loan in the 2021 statement of activities and changes in net assets.

On February 27, 2021, ALT received a second PPP loan in the amount of \$144,070. The second PPP loan is subject to the same CARES Act forgiveness provisions as the initial PPP loan, has an initial deferment period of 10 months, and accrues interest at a rate of 1.0%. To the extent that the loan was not forgiven, payments of principal and interest were due in equal installments beginning in December 2021, through maturity in February 2026. Accrued interest on the PPP loan was not recorded in the accompanying financial statements due to immateriality and the expectation that the interest would be forgiven. On October 28, 2021, ALT received full forgiveness of the second PPP loan, which is recognized as forgiveness of Paycheck Protection Program loan in the 2022 statement of activities and changes in net assets.

NOTE 14 - NOTE PAYABLE

On May 28, 2021, ALT entered into a loan agreement in the amount of \$515,000 with a funder to supplement the purchase of the Churchill property. The loan was interest-free for the initial 24-months of the 36-month term, at which time any outstanding balance would accrue interest at a rate of 2.5% per annum. The loan balance and any accrued interest were due in full upon maturity of the loan in May 2024, however the balance could be repaid prior to maturity without penalty. On December 1, 2021, the loan balance was paid in full by ALT.

ALLEGHENY LAND TRUST

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 15 - LINE OF CREDIT FACILITIES

During the year ended June 30, 2020, ALT entered into an unsecured line of credit arrangement with a financial institution. The line of credit provided for borrowings of up to \$250,000 with an effective interest rate of prime plus 2.00%. In March of 2021, ALT entered into a new line of credit arrangement with the same financial institution, which effectively closed the prior line of credit. The new line of credit provides for borrowings of up to \$500,000 with an effective interest rate of prime plus 3.25%. As of June 30, 2022 and 2021, there were no borrowings outstanding on the current line of credit facility.