

**Weantinoge Heritage Land Trust, Inc.
Financial Statements and
Independent Auditor's Report
December 31, 2018**

Weantinoge Heritage Land Trust, Inc.
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December 31, 2018

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REYNOLDS + ROWELLA
ACCOUNTING AND CONSULTING

Independent Auditor's Report

To the Board of Directors of
Weantinoge Heritage Land Trust, Inc.
Kent, Connecticut

We have audited the accompanying financial statements of Weantinoge Heritage Land Trust, Inc. (the "Land Trust") which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Land Trust'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 Land Trust'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.

Opinion

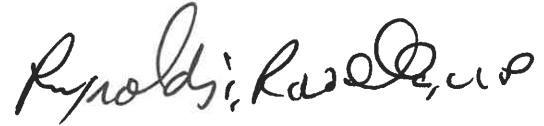
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Weantinoge Heritage Land Trust, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, management has adopted Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for Profit Entities. Our opinion is not modified with respects to that matter.

Report on Summarized Comparative Information

We have previously audited the Weantinoge Heritage Land Trust, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Reynolds + Rowella, LLP

New Canaan, Connecticut
October 21, 2019

Weantinoge Heritage Land Trust, Inc.
Statements of Financial Position
As of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 507,723	\$ 570,807
Investments at fair value (cost \$279,878 and \$266,444 as of December 31, 2018 and 2017, respectively)	665,193	698,753
Miscellaneous receivables	162,080	25,030
Prepaid expenses	5,396	-
Total Current Assets	<u>1,340,392</u>	<u>1,294,590</u>
Restricted cash and cash equivalents	1,602,405	1,613,196
Property and equipment, net	334,217	327,326
Conservation land and easements	39,391,903	37,700,900
Total Assets	<u>\$ 42,668,917</u>	<u>\$ 40,936,012</u>
 Liabilities and Net Assets		
Liabilities		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 62,656	\$ 50,759
Total Current Liabilities	<u>62,656</u>	<u>50,759</u>
Note payable	250,000	250,000
Total Liabilities	<u>312,656</u>	<u>300,759</u>
Net Assets		
Without donor restrictions	40,882,805	39,100,395
With donor restrictions	1,473,456	1,534,858
Total Net Assets	<u>42,356,261</u>	<u>40,635,253</u>
Total Liabilities and Net Assets	<u>\$ 42,668,917</u>	<u>\$ 40,936,012</u>

See accompanying notes to financial statements.

Weantinoge Heritage Land Trust, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018 with Summarized Comparative Totals for 2017

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Comparative Total
Operating Revenue and Support				
Contributions - conservation land and easements	\$ 1,691,003	-	\$ 1,691,003	\$ 3,055,001
Contributions - cash and securities	652,958	63,500	716,458	556,655
Government grants	-	-	-	369
Program service income	1,564	-	1,564	-
Net realized and unrealized gains/(losses) on investments	(46,906)	-	(46,906)	113,023
Interest and dividends	37,555	9,936	47,491	26,694
Other income	29,300	-	29,300	15,875
Special events, net of direct costs (\$98,471 and \$73,246, respectively)	251,316	-	251,316	351,218
Sub-Total	<u>2,616,790</u>	<u>73,436</u>	<u>2,690,226</u>	<u>4,118,835</u>
Net assets released from restrictions	<u>134,838</u>	<u>(134,838)</u>	<u>-</u>	<u>-</u>
Total Operating Revenue and Support	<u>2,751,628</u>	<u>(61,402)</u>	<u>2,690,226</u>	<u>4,118,835</u>
Operating Expenses				
Program services:				
Stewardship	255,240	-	255,240	213,804
Education and Outreach	253,082	-	253,082	180,882
Acquisitions	137,103	-	137,103	53,009
Partnership	94,429	-	94,429	70,097
Management and general	121,055	-	121,055	173,938
Fundraising	108,309	-	108,309	76,884
Total Operating Expenses	<u>969,218</u>	<u>-</u>	<u>969,218</u>	<u>768,614</u>
Change in Net Assets	<u>1,782,410</u>	<u>(61,402)</u>	<u>1,721,008</u>	<u>3,350,221</u>
Net Assets, Beginning of Year	<u>39,100,395</u>	<u>1,534,858</u>	<u>40,635,253</u>	<u>37,285,032</u>
Net Assets, End of Year	<u>\$ 40,882,805</u>	<u>\$ 1,473,456</u>	<u>\$ 42,356,261</u>	<u>\$ 40,635,253</u>

See accompanying notes to financial statements.

**Weantinoge Heritage Land Trust, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2018
With Summarized Comparative Totals for 2017**

Expenses	Program Services					Supporting Services		2018		2017	
	Stewardship	Education and Outreach	Acquisitions	Partnership	Total Program	Management and General	Fundraising	Total Expenses	Total Expenses	Comparative Total	
Payroll	\$ 151,775	\$ 153,040	\$ 58,080	\$ 77,148	\$ 440,043	\$ 43,416	\$ 78,990	\$ 562,449	\$ 469,123	\$ 469,123	
Professional services	7,713	22,332	38,900	1,750	70,695	1,262	11,775	83,732	32,560	32,560	
Professional fees	14,789	341	14,124	172	29,426	42,438	185	72,049	55,871	55,871	
Land maintenance	39,839	3,900	581	-	44,320	-	-	44,320	28,046	28,046	
Rent	11,051	11,161	4,239	5,630	32,081	3,398	6,060	41,539	39,942	39,942	
Insurance	10,856	1,281	486	645	13,268	21,370	696	35,334	29,006	29,006	
Other special event	-	30,065	-	230	30,295	-	-	30,295	34,268	34,268	
Office expenses	4,880	15,775	1,000	1,328	22,983	3,190	2,799	28,972	25,265	25,265	
Property taxes	-	-	18,596	-	18,596	-	-	18,596	10,161	10,161	
Printing	98	5,156	-	-	5,254	2,147	5,221	12,622	12,347	12,347	
Depreciation	6,816	1,704	648	860	10,028	519	925	11,472	7,100	7,100	
Travel and meals	1,292	2,604	442	3,071	7,409	1,069	421	8,899	7,566	7,566	
Postage and shipping	182	5,326	7	7	5,522	-	568	6,090	4,104	4,104	
Utilities	5,073	-	-	-	5,073	-	-	5,073	4,188	4,188	
Dues and memberships	250	-	-	3,338	3,588	-	-	3,588	3,707	3,707	
Credit card fees	-	-	-	-	-	1,726	669	2,395	3,134	3,134	
Meetings	-	-	-	250	250	520	-	770	180	180	
Vehicle expense	626	-	-	-	626	-	-	626	736	736	
Advertising	-	397	-	-	397	-	-	397	1,310	1,310	
Total Expenses	\$ 255,240	\$ 253,082	\$ 137,103	\$ 94,429	\$ 739,854	\$ 121,055	\$ 108,309	\$ 969,218	\$ 768,614	\$ 768,614	

See accompanying notes to financial statements.

Weantinoge Heritage Land Trust, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Activities		
Change in net assets	\$ 1,721,008	\$ 3,350,221
Adjustment to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	11,472	7,100
Unrealized net depreciation (appreciation) on investments	46,994	(111,462)
Realized gain on investments	(88)	(1,561)
Contributions of conservation land and easements	(1,691,003)	(3,055,001)
Contributions of securities	(60,398)	(61,458)
Changes in operating assets and liabilities:		
Miscellaneous receivables	(137,050)	13,157
Prepaid expenses	(5,396)	3,426
Restricted cash and cash equivalents	10,791	(25,643)
Accounts payable and accrued expenses	11,897	8,697
Net Cash (Used in) Provided by Operating Activities	<u>(91,773)</u>	<u>127,476</u>
Investing Activities		
Purchases of property and equipment	(18,363)	-
Purchases of investments	(13,433)	(12,062)
Proceeds from sales of investments	60,485	63,019
Net Cash Provided by Investing Activities	<u>28,689</u>	<u>50,957</u>
Change in Cash & Cash Equivalents	(63,084)	178,433
Cash & Cash Equivalents, Beginning of Year	570,807	392,374
Cash & Cash Equivalents, End of Year	<u>\$ 507,723</u>	<u>\$ 570,807</u>
Supplemental Disclosures of Cash Flow information		
Non cash investing and financing transactions:		
Donated securities	\$ 60,398	\$ 61,458
Donated conservation land and easements	<u>\$ 1,691,003</u>	<u>\$ 3,055,001</u>

See accompanying notes to financial statements.

Weantinoge Heritage Land Trust, Inc.
Notes to Financial Statements
December 31, 2018

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Weantinoge Heritage Land Trust, Inc. (the "Land Trust") is a non-profit land trust that promotes the permanent protection of natural areas, fish and wildlife, and working farmland through the acquisition and stewardship of conservation lands. The Land Trust accepts both contributions of title to property and contributions of conservation easements, which are then monitored. Sources of revenue include contributions and special fundraising events, investment earnings, grants, and fees for certain services related to land preservation.

Program Services

The Land Trust offers various programs designated to fulfill its mission.

Acquisitions:

As Connecticut's largest land trust and the 18th largest in the nation, the Land Trust preserves 10,300 acres (and growing) of vast, connected natural areas in Litchfield and northern Fairfield Counties. The Land Trust's conserved lands include 12 public hiking preserves; 29 working farms; over 3,000 acres of habitat for rare, threatened, and endangered species; and 42 miles of rivers, lakes, and streams. The Land Trust is Connecticut's land acquisition leader, protecting more properties for conservation each year than any other organization statewide. Over the course of the Land Trust's 54-year history, it has conserved on average 7 properties each year for a total of 384 protected properties.

Education and Outreach:

The Land Trust's conserved lands serve a resident population of 200,000 people. Each year, the Land Trust provides free educational and recreational programming to more than 2,000 people. These programs are designed to connect people to nature and help demonstrate benefits of natural and working lands. The Land Trust's programs include guided hikes, lectures, monthly Green Drinks, and the Fall Celebration, a community gathering and celebration of conservation at our 220-acre Smyrski Farm in New Milford. In addition, the Land Trust provides internship and volunteer opportunities, which include education as a leading component. Lastly, the Land Trust also works in partnership with local libraries, schools, and education-based non-profits to reach further into the communities served and create opportunities for discussions on environmental topics for all ages and physical abilities.

Stewardship:

The Land Trust's stewardship program ensures the conserved properties are protected and cared for in perpetuity. The Land Trust's staff perform annual inspections of each conservation property to confirm there are no encroachments or violations and the conservation values are protected. The Land Trust defends its conservation interests when necessary. In addition, the Land Trust maintains 12 public preserves with 18 miles of hiking trails and manages, leases, or protects through fee ownership and easement 29 working farms. Stewardship also entails invasive plant removal; building maintenance; active protection for rare and endangered species; land maintenance, such as mowing and hazard tree removal; and water quality testing and protection.

Weantinoge Heritage Land Trust, Inc.

Notes to Financial Statements

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Partnership:

The Land Trust safeguards natural lands and waters, conserves working farmland, and creates healthy communities by connecting people to nature. In working to achieve its mission, the Land Trust invests in regional partnerships that foster conservation, support the work of partner land trusts and government agencies, and provide conservation benefits to the communities served. Annually, the Land Trust provides hundreds of hours of staff support to its nonprofit and governmental partners for acquisitions, advocacy, education and trainings, events, grant writing, and stewardship. The Land Trust's staff serve in leadership positions with the Connecticut Land Conservation Council, Land Trust Accreditation Commission, Land Trust Alliance Conservation Defense Advisory Council, Land Trust Alliance Leadership Council, Litchfield Hills Greenprint Collaborative, and Working Lands Alliance. The Land Trust also convenes Litchfield County Green Drinks, a monthly gathering for Litchfield County's environmental professionals and enthusiasts.

Basis of Accounting and Presentation

The financial statements have been prepared using the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America ("GAAP"). Revenues are recognized when earned and expenses are recognized when incurred. The Land Trust reports information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expensed for any purpose in performing the primary objectives of the Land Trust. The Land Trust's board may designate assets without restrictions for specific operational purposes from time to time.
- Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates in these financial statements include: fair value of land and conservations easements and allocations of functional expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Land Trust has defined cash equivalents as highly liquid investments with original maturities of three months or less.

Weantinoge Heritage Land Trust, Inc.

Notes to Financial Statements

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Concentration of Credit Risk

The Land Trust maintains cash balances in bank accounts, including brokerage accounts which may at times exceed federally insured limits. The Land Trust has not experienced any losses from such concentration and believes it is not exposed to any significant credit risk with respect to such balances.

Investments

The Land Trust records purchases and sales of securities on a trade-date basis. Realized gains and losses are recorded in the period in which they occur and are reflected in the statement of activities and changes in net assets. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis and net of investment fees.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in future statement of activities and changes in net assets.

Fair Value of Investments

The Land Trust records its financial assets and liabilities at fair value. The accounting standard for fair value provides a framework for measuring fair value, clarifies the definition of fair value and expands disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting standard establishes a three-tier hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Money Market - Valued using amortized cost.

Publicly Traded Mutual Funds - Valued at market value.

Weantinoge Heritage Land Trust, Inc.
Notes to Financial Statements
December 31, 2018

Property and Equipment

Property and equipment are recorded at cost, or if donated, at the approximate fair value at the date of donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions and are then reclassified to net assets without donor restriction upon acquisition of the assets and the assets being placed in service.

Assets are depreciated using the straight-line method over the estimated useful lives of the assets which is 5-7 years for vehicles, equipment, and furnishings, shorter of the life of the asset or the lease for leasehold improvements and 39 years for buildings. Major repairs which extend, or improve the useful lives of the assets are added to their respective cost basis. Normal repair and maintenance costs are expensed as incurred.

Contributions

Unconditional promises to give are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of the donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. When a restriction expires, that is, when a stipulated restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets with donor restrictions and are then reclassified to net assets without donor restrictions in the statement of activities as net assets released from restrictions.

Donated securities are recorded at fair value at the date of gift. Securities received by donation are generally sold immediately. In-kind contributions of equipment or other items are recorded at their fair value at the date of donation, and are unrestricted unless their use has been limited by a restriction imposed by the donor. Contributed services are reported as contributions at their fair value if such services create or enhance nonfinancial assets and were provided by individuals possessing required specialized skills. The Land Trust received a variety of donated services throughout the year from generous volunteers, including property, trail and field maintenance activities. However, the services did not meet the criteria for recognition, and no fair value has been assigned or recorded.

Land and Conservation Easements

Purchased land is recorded at cost.

Donated land and conservation easements are recorded as net assets without donor restrictions. Donated properties are valued at estimated fair value and recorded on the date the deed is filed in the municipal land records. All conservation easements acquired are valued at one dollar (\$1) and recorded by the Land Trust on the date the deed restriction is filed in the municipal land records.

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Notes to Financial Statements

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Contributions of funds for stewardship and defense of land and easements are reported as net assets with donor restrictions until utilized for the restricted purpose. It is the Land Trust's policy to place these contributions in the Stewardship Reserve Fund. The Stewardship Reserve Fund is classified as a quasi-endowment net asset with donor restrictions.

Allocation of Functional Expenditures

The costs of providing the various programs and other activities of the Land Trust have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include compensation and benefits which are allocated on the basis of estimates of time and effort as well as occupancy and maintenance which are allocated on a square footage basis.

Income Taxes

The Land Trust qualifies as a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

Management has evaluated the Land Trust's tax position and concluded that the Land Trust has taken no uncertain tax positions that require adjustment to or disclosures in the financial statements. The Land Trust's 2016 through 2018 tax years are open for examination by federal, state or local tax authorities.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Land Trust's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Reclassification

Certain reclassifications have been made to the prior year summarized comparative information to conform with the current year presentation. The reclassifications had no effect on the change in net assets or total net assets as previously reported.

Recently Adopted Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU 2016-14 amended the current reporting model for nonprofit organizations and enhanced their required disclosures. The major changes included: (a) requiring the presentation of only two classes of net assets now entitled, "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring all

Weantinoge Heritage Land Trust, Inc.
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nonprofits to present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. ASU 2016-14 was effective for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018 and early adoption was permitted. Management has adopted ASU 2016-14 as of and for the year ended December 31, 2018 with retrospective application for the 2017 summarized financial information.

Recently Issued Accounting Pronouncements:

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to clarify the principles for recognizing revenue and to develop a common revenue standard for GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The guidance in this ASU will supersede Topic 605, Revenue Recognition. ASU 2014-09 provides that entities should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For nonpublic entities, the amendments of ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Early application is permitted for all entities. The Land Trust is currently evaluating the effect the provisions of ASU 2014-09 will have on the financial statements upon adoption.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to include most operating leases on the balance sheet. ASU 2016-02 is effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2019 and early adoption is permitted. The Land Trust is currently evaluating the impact that the standard will have on its financial statements upon adoption.

Events Occurring After Reporting Date

The Land Trust has evaluated events and transactions occurring between December 31, 2018 and October 21, 2019, which is the date the financial statements were available to be issued for possible disclosure and recognition in the financial statements.

Weantinoge Heritage Land Trust, Inc.
Notes to Financial Statements
December 31, 2018

2. Liquidity

The following reflects the Land Trust's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 507,723	\$ 570,807
Investments at fair value	665,193	698,753
Miscellaneous receivables	162,080	25,030
Prepaid expenses	<u>5,396</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,340,392</u>	<u>\$ 1,294,590</u>

3. Fair Value of Financial Instruments

The assets that are measured at fair value on a recurring basis and categorized using the three levels of fair value hierarchy consisted of the following as of December 31, 2018 and 2017:

	<u>2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds:				
Restricted cash equivalents	\$ 1,602,405	\$ -	\$ -	\$ 1,602,405
Unrestricted cash equivalents	<u>382,373</u>	<u>-</u>	<u>-</u>	<u>382,373</u>
Total money market funds	<u>1,984,778</u>	<u>-</u>	<u>-</u>	<u>1,984,778</u>
Mutual funds:				
Publicly traded mutual funds	<u>665,193</u>	<u>-</u>	<u>-</u>	<u>665,193</u>
Total mutual funds	<u>665,193</u>	<u>-</u>	<u>-</u>	<u>665,193</u>
Total	<u>\$ 2,649,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,649,971</u>

Weantinoge Heritage Land Trust, Inc.
Notes to Financial Statements
December 31, 2018

	2017			Total
	Level 1	Level 2	Level 3	
Money market funds:				
Restricted cash equivalents	\$ 1,613,196	\$ -	\$ -	\$ 1,613,196
Unrestricted cash equivalents	420,584	-	-	420,584
Total money market funds	2,033,780	-	-	2,033,780
Mutual funds:				
Publicly traded mutual funds	698,753	-	-	698,753
Total mutual funds	698,753	-	-	698,753
Total	<u>\$ 2,732,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,732,533</u>

4. Property and Equipment

Property and equipment, net consisted of the following at December 31:

	2018	2017
Land	\$ 125,000	\$ 125,000
Building	200,000	200,000
Office equipment and furnishings	26,731	22,651
Vehicles	21,435	21,435
Leasehold improvements	14,283	-
Total	<u>387,449</u>	<u>369,086</u>
Less: accumulated depreciation and amortization	<u>(53,232)</u>	<u>(41,760)</u>
Total Property and Equipment, Net	<u>\$ 334,217</u>	<u>\$ 327,326</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$11,472 and \$7,100 respectively.

5. Note Payable

In December 2014, the Land Trust entered into a note payable agreement with The Peter and Carmen Lucia Buck Foundation, Inc. for \$250,000 (the "Note Payable"). Proceeds from the Note Payable were used to fund the purchase of a parcel of West Aspetuck land. The Note Payable bears no interest through December 2019 and then interest is calculated at .25% per year compounded annually through its maturity in December 2024. No payments are due until maturity. The Note

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Payable is secured by the property located in Kent, Connecticut. As of December 31, 2018 and 2017 the Land Trust was in compliance with the covenants of this agreement.

6. Land and Conservation Easements

Land Held for Conservation

The Land Trust accepted two fee simple gifts totaling approximately 133 acres of land in New Milford and Kent Connecticut during 2018, with a total estimated fair value of \$1,691,000.

The Land Trust accepted five fee simple gifts totaling approximately 270 acres of land in New Milford and Kent Connecticut during 2017, with a total estimated fair value of \$3,055,000.

Conservation Easement

The Land Trust accepted three conservation easements during 2018 and one in 2017. The Land Trust has 181 and 178 easements incorporating over 5,000 acres as of December 31, 2018 and 2017, respectively.

7. Stewardship Reserve Fund

The Stewardship Reserve Fund ("SRF") consists of contributions with donor restrictions for stewardship, monitoring, and enforcement of the Land Trust's conservation easements and fee-owned lands. The SRF is invested, managed and disbursed in accordance with policies established by the Land Trust's Board of Directors. In addition to restricted contributions, the SRF also contains some investment income reinvested over prior years.

Contributions of funds for stewardship and defense of land and easements are reported as additions to the SRF and as support with donor restrictions. The earnings generated by the SRF are reported as income without donor restrictions.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2018 and 2017 included the following:

	<u>2018</u>	<u>2017</u>
Stewardship reserve fund	\$ 916,143	\$ 939,023
General endowment	528,106	551,281
Other conservation and easement protections purposes	<u>29,207</u>	<u>44,554</u>
	<u>\$ 1,473,456</u>	<u>\$ 1,534,858</u>

Included in general endowment is an endowment fund of \$100,000 created by the Land Trust to provide long-term general operating support to the Land Trust. The Land Trust did not receive any donations to this fund during the years ended December 31, 2018 and 2017.

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9. Endowment Fund

The Land Trust is subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), as enacted in the State of Connecticut (CUPMIFA).

The Board of Directors has interpreted CUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Land Trust classifies as net assets with donor restrictions the original value of gifts donated to the endowment. The remaining portion of the donor-restricted endowment fund is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Land Trust in a manner consistent with the standard of prudence prescribed by CUPMIFA. In Accordance with CUPMIFA, the Land Trust considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

1. The duration and preservation of the fund
2. The purpose of the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Land Trust
7. The investment policies of the Land Trust

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CUPMIFA requires the Land Trust to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2018 and 2017.

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The endowment net asset grouped by net asset classification, type, and purpose of restrictions as of December 31, 2018 and 2017, are shown below;

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
General	\$ -	\$ 100,000	\$ 100,000
Partnership support to other land trusts	88,911	428,106	517,017
Total Endowment	<u>\$ 88,911</u>	<u>\$ 528,106</u>	<u>\$ 617,017</u>

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
General	\$ -	\$ 100,000	\$ 100,000
Partnership support to other land trusts	55,800	451,281	507,081
Total Endowment	<u>\$ 55,800</u>	<u>\$ 551,281</u>	<u>\$ 607,081</u>

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The endowment fund activity for the years ended December 31, 2018 and 2017 are as follows:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 55,800	\$ 551,281	\$ 607,081
Investment income	-	9,936	9,936
Released from restrictions	33,111	(33,111)	-
Endowment net assets, end of year	<u>\$ 88,911</u>	<u>\$ 528,106</u>	<u>\$ 617,017</u>
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 26,858	\$ 575,448	\$ 602,306
Investment income	-	4,775	4,775
Released from restrictions	28,942	(28,942)	-
Endowment net assets, end of year	<u>\$ 55,800</u>	<u>\$ 551,281</u>	<u>\$ 607,081</u>

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10. Stewardship Reserve Fund Endowment

The Stewardship Reserve Fund operates as a quasi-endowment and consists of donor funds that are restricted for purpose.

The Land Trust has adopted a spending rate for the Stewardship Reserve Fund that allows for an annual distribution of between three and five percent of the average value of the fund's assets for easement and fee land stewardship, enforcement and defense, and monitoring expenses.

The Stewardship Reserve Fund activity for the years ended December 31, 2018 and 2017 are as follows:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ 50,775	\$ 939,023	\$ 989,798
Investment return:			
Interest and Dividends	17,780	-	17,780
Total investment return	17,780	-	17,780
Contributions	-	17,000	17,000
Net assets released from restrictions	39,880	(39,880)	-
Net assets, end of year	<u>\$ 108,435</u>	<u>\$ 916,143</u>	<u>\$ 1,024,578</u>
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ 4,304	\$ 962,823	\$ 967,127
Investment return:			
Interest and Dividends	7,671	-	7,671
Total investment return	7,671	-	7,671
Contributions	-	15,000	15,000
Net assets released from restrictions	38,800	(38,800)	-
Net assets, end of year	<u>\$ 50,775</u>	<u>\$ 939,023</u>	<u>\$ 989,798</u>

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11. Related Party Transactions

The Land Trust leases office space in Kent, Connecticut from a limited liability company, of which the president of the Board of Directors serves as a managing partner. The lease terminates on January 31, 2021. The Land Trust currently pays rent of \$3,339 per month.

Future minimum annual lease payments at December 31, 2018 were:

2019	\$	43,201
2020		44,929
2021		<u>3,756</u>
Total	\$	<u>91,886</u>

Total payments to the related party for rent for the years ended December 31, 2018 and 2017 were \$41,539 and \$39,942, respectively. As of December 31, 2018 and 2017 there were no amounts due to the related party.

12. Employee Benefit Plan

The Land Trust adopted a SIMPLE IRA plan (Saving Incentive Match Plan for Employees) (the "Plan") effective January 1, 2012. Under the Plan's adoption agreement, the Land Trust agreed to match participant contributions up to three percent (3%) of the eligible employee's compensation. Participants may contribute up to the yearly maximum allowed by the Internal Revenue Code. The Land Trust contributed matching funds to the Plan for its employees of \$13,528 and \$10,140 for the years ended December 31, 2018 and 2017, respectively.

13. Concentrations, Risks, and Uncertainties

The Land Trust's invested assets consist of equities, equity funds, and money market funds. Investment securities are exposed to various risks, including interest rate, market and credit risks. Due to the level of uncertainty related to changes in interest rates, credit and market volatility, it is at least reasonably possible that changes could materially affect the fair value of investments reported in the statement of financial position as of December 31, 2018 and 2017.

The Land Trust can be party to lawsuits arising in the ordinary course of business. Management believes the Land Trust has adequate insurance to reduce its risk of loss. The Land Trust accrues for loss contingencies when the matter becomes known, is deemed a probable loss and can be reasonably estimated. No accrual for a loss contingency was considered necessary at December 31, 2018 and 2017.