

WEANTINOGE HERITAGE LAND TRUST, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

WEANTINOGE HERITAGE LAND TRUST, INC.

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Weantinoge Heritage Land Trust, Inc., which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, cash flows and functional expenses 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity'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 Weantinoge Heritage Land Trust, Inc., as of December 31, 2019, 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.

Other Matter

The consolidated financial statements of Weantinoge Heritage Land Trust, Inc., as of December 31, 2018 were audited by other auditors whose report dated October 21, 2019 expressed an unmodified opinion on those statements.

Change in Accounting Principle

As discussed in Note 1, during the year ended December 31, 2019, Weantinoge Heritage Land Trust, Inc., adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
October 12, 2020

WEANTINOGE HERITAGE LAND TRUST, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 721,052	\$ 507,723
Investments	955,468	665,193
Contributions and other receivables	49,725	162,080
Prepaid expenses	-	5,396
Total current assets	<u>1,726,245</u>	<u>1,340,392</u>
Other Assets		
Restricted investments and cash equivalents	<u>1,656,519</u>	<u>1,602,405</u>
Property, Equipment and Leasehold Improvements		
Land	125,000	125,000
Building	200,000	200,000
Equipment	48,166	48,166
Leasehold improvements	<u>14,283</u>	<u>14,283</u>
	387,449	387,449
Accumulated depreciation and amortization	(66,389)	(53,232)
Conservation land and easements	<u>40,606,915</u>	<u>39,391,903</u>
Net property, equipment and leasehold improvements	<u>40,927,975</u>	<u>39,726,120</u>
Total Assets	<u>\$ 44,310,739</u>	<u>\$ 42,668,917</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 66,698	\$ 62,656
Long-Term Liabilities		
Note payable	<u>250,000</u>	<u>250,000</u>
Total liabilities	<u>316,698</u>	<u>312,656</u>
Net Assets		
Without donor restrictions	42,492,118	40,882,805
With donor restrictions	<u>1,501,923</u>	<u>1,473,456</u>
Total net assets	<u>43,994,041</u>	<u>42,356,261</u>
Total Liabilities and Net Assets	<u>\$ 44,310,739</u>	<u>\$ 42,668,917</u>

The accompanying notes are an integral part of the financial statements

WEANTINOGE HERITAGE LAND TRUST, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support						
Contributions - conservation land and easements	\$ 2	\$ -	\$ 2	\$ 1,691,003	\$ -	\$ 1,691,003
Contributions - cash and securities	243,518	123,895	367,413	652,958	63,500	716,458
Program service income	454	-	454	1,564	-	1,564
Net realized and unrealized gains (losses)	167,473	34,187	201,660	(46,906)	-	(46,906)
Interest and dividends	54,886	15,805	70,691	37,555	9,936	47,491
Other income	151,762	-	151,762	29,300	-	29,300
Special events net of direct costs (\$85,412 in 2019 and \$98,471 in 2018)	589,606	-	589,606	251,316	-	251,316
Contribution of Brookfield Open Space Legacy, Inc. net assets	1,315,075	-	1,315,075	-	-	-
	<u>2,522,776</u>	<u>173,887</u>	<u>2,696,663</u>	<u>2,616,790</u>	<u>73,436</u>	<u>2,690,226</u>
Net assets released from restrictions	145,420	(145,420)	-	134,838	(134,838)	-
Total operating revenue and support	<u>2,668,196</u>	<u>28,467</u>	<u>2,696,663</u>	<u>2,751,628</u>	<u>(61,402)</u>	<u>2,690,226</u>
Expenses						
Programs:						
Stewardship	288,766	-	288,766	255,240	-	255,240
Education and outreach	293,852	-	293,852	253,082	-	253,082
Acquisitions	159,192	-	159,192	137,103	-	137,103
Partnership	125,246	-	125,246	94,429	-	94,429
Management and general	114,344	-	114,344	121,055	-	121,055
Fundraising	77,483	-	77,483	108,309	-	108,309
Total expenses	<u>1,058,883</u>	<u>-</u>	<u>1,058,883</u>	<u>969,218</u>	<u>-</u>	<u>969,218</u>
Increase (Decrease) in Net Assets	1,609,313	28,467	1,637,780	1,782,410	(61,402)	1,721,008
Net Assets - Beginning of Year	<u>40,882,805</u>	<u>1,473,456</u>	<u>42,356,261</u>	<u>39,100,395</u>	<u>1,534,858</u>	<u>40,635,253</u>
Net Assets - End of Year	<u>\$ 42,492,118</u>	<u>\$ 1,501,923</u>	<u>\$ 43,994,041</u>	<u>\$ 40,882,805</u>	<u>\$ 1,473,456</u>	<u>\$ 42,356,261</u>

The accompanying notes are an integral part of the financial statements

WEANTINOGE HERITAGE LAND TRUST, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,637,780	\$ 1,721,008
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	13,156	11,472
Unrealized net depreciation on investments	227,888	46,994
Realized (gain) loss on investments	57	(88)
Contributions of Brookfield Open Space Legacy Inc. net assets	(1,215,009)	-
Contributions of conservation land and easements	(2)	(1,691,003)
Contributions of securities	10,219	(60,398)
Changes in operating assets and liabilities:		
Miscellaneous receivables	112,355	(137,050)
Prepaid expenses	5,396	(5,396)
Accounts payable and accrued expenses	4,042	11,897
Net cash provided by (used in) operating activities	<u>795,882</u>	<u>(102,564)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	-	(18,363)
Purchase of investments	(1,667,531)	(13,433)
Proceeds from sales of investments	1,139,092	60,485
Net cash provided by (used in) investing activities	<u>(528,439)</u>	<u>28,689</u>
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	267,443	(73,875)
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	<u>2,110,128</u>	<u>2,184,003</u>
Cash, Cash Equivalents and Restricted Cash - End of Year	<u>\$ 2,377,571</u>	<u>\$ 2,110,128</u>
Supplemental Cash Flow Information		
Donated securities	\$ 10,219	\$ 60,398
Donated conservation land and easements	2	1,691,003
Acquisition of Brookfield Open Space Legacy, Inc.	1,315,075	-

The accompanying notes are an integral part of the financial statements

WEANTINOGE HERITAGE LAND TRUST, INC.

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019							2018						
	Program Services				Supporting Services			Program Services				Supporting Services		
	Stewardship	Education and Outreach	Acquisitions	Partnership	Management and General	Development and Fundraising	Total	Stewardship	Education and Outreach	Acquisitions	Partnership	Management and General	Fundraising	Total
Personnel costs	\$ 181,285	\$ 204,289	\$ 51,832	\$ 88,544	\$ 32,343	\$ 49,959	\$ 608,252	\$ 151,775	\$ 153,040	\$ 58,080	\$ 77,148	\$ 43,416	\$ 78,990	\$ 562,449
Consulting and outside services	10,275	21,318	43,342	17,000	-	10,668	102,603	7,713	17,826	38,900	1,750	764	11,775	78,728
Accounting and legal	6,925	591	42,157	257	39,779	146	89,855	14,789	341	14,124	172	42,438	185	72,049
Land maintenance	43,183	658	376	1,222	610	-	46,049	39,839	3,900	581	-	-	-	44,320
Rent	12,606	14,701	3,720	6,402	2,130	3,642	43,201	11,051	11,161	4,239	5,630	3,398	6,060	41,539
Insurance	11,624	2,284	553	951	21,366	541	37,319	10,856	1,281	486	645	21,370	696	35,334
Other special event	1,244	21,740	-	442	16	-	23,442	-	30,065	-	230	-	-	30,295
Office expenses	3,842	11,241	819	1,258	8,969	2,773	28,902	4,880	15,775	1,000	1,328	3,190	2,799	28,972
Donations	-	-	5,000	1,000	-	-	6,000	-	-	-	-	-	-	-
Property taxes	-	-	9,619	-	-	-	9,619	-	-	18,596	-	-	-	18,596
Printing	76	4,993	-	-	2,950	6,754	14,773	98	5,156	-	-	2,147	5,221	12,622
Depreciation	7,471	2,732	691	1,190	396	677	13,157	6,816	1,704	648	860	519	925	11,472
Travel and meals	2,196	2,979	783	3,016	732	428	10,134	1,292	2,604	442	3,071	1,069	421	8,899
Postage and shipping	281	5,044	19	49	186	1,895	7,474	182	5,326	7	7	-	568	6,090
Information technology services	214	666	-	-	1,446	-	2,326	-	4,506	-	-	498	-	5,004
Utilities	5,708	-	-	-	-	-	5,708	5,073	-	-	-	-	-	5,073
Dues and memberships	250	285	-	3,825	-	-	4,360	250	-	-	3,338	-	-	3,588
Credit card fees	856	-	281	-	2,683	-	3,820	-	-	-	-	1,726	669	2,395
Meetings	170	256	-	90	738	-	1,254	-	-	-	250	520	-	770
Vehicle expense	560	-	-	-	-	-	560	626	-	-	-	-	-	626
Advertising	-	75	-	-	-	-	75	-	397	-	-	-	-	397
Total Expenses	\$ 288,766	\$ 293,852	\$ 159,192	\$ 125,246	\$ 114,344	\$ 77,483	\$ 1,058,883	\$ 255,240	\$ 253,082	\$ 137,103	\$ 94,429	\$ 121,055	\$ 108,309	\$ 969,218

The accompanying notes are an integral part of the financial statements

WEANTINOGE HERITAGE LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Weantinoge Heritage Land Trust, Inc. (the Land Trust) is a nonprofit 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 designed to fulfill its mission.

Acquisitions

As Connecticut's largest land trust and the 18th largest in the nation, the Land Trust preserves 10,500 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 a year.

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 nonprofits 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 performs 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

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, 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.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which replaces numerous requirements in accordance with accounting principles generally accepted in the United States of America, including industry-specific requirements, and provides organizations with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of the new standard is that an organization should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. The new standard is effective for annual reporting periods beginning after December 15, 2019. Management has early adopted ASU 2014-09 for the year ended December 31, 2019. The amendments have been applied using the modified retrospective method.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendment clarifies guidance on how an entity determines whether a transfer of assets is a contribution or exchange transaction. The amendment also clarifies the determination of conditional contributions based on evaluating whether there is a right of return and a barrier to overcome. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified prospective method, in which case the effect of applying the standard would be recognized for any agreements not completed and any new agreements entered into at the date of initial application. The new standard is effective for annual reporting periods beginning after December 15, 2018. Management has adopted ASU 2018-08 for the year ended December 31, 2019. The amendments have been applied using the modified prospective method.

There was no cumulative effect of applying ASU 2014-09 or ASU 2018-08.

WEANTINOGE HERITAGE LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which provides guidance on the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. The amendments require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. This ASU is effective for annual periods beginning after December 15, 2018. The Land Trust has adopted the amendments for the year ended December 31, 2019. The amendments have been applied retrospectively to all periods presented.

Basis of Accounting and Presentation

The financial statements of the Land Trust have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of the Land Trust are reported in the following net asset categories:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Land Trust or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates. It is management's opinion that the estimates applied in the accompanying financial statements are reasonable.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and certain highly liquid investments with original maturities of 90 days or less, exclusive of amounts held by brokers, which are considered to be investments.

Receivables

Receivables represent amounts due from attendees and sponsors of special events. Management has determined that an allowance for doubtful accounts is not necessary at December 31, 2019 and 2018.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

WEANTINOGE HERITAGE LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include the Land Trust's gains and losses on investments bought and sold as well as held during the year, and are reported in the statements of activities as increases or decreases in net assets without donor restrictions or net assets with donor restrictions, as appropriate, based on explicit donor stipulations or by law.

Property, Building and Equipment

Property, building and equipment are stated at cost or, in the case of contributed assets, at their fair market value at the date of receipt as determined by the Land Trust. Property and equipment acquisitions and improvements are depreciated on a straight-line basis over their estimated useful lives. Repairs and maintenance are charged to expense as incurred.

Contributions

In accordance with ASU 2018-08, certain governmental grants and contracts received by a not-for-profit, including certain awards to fund capital expenditures, are generally considered to be contributions rather than exchange transactions since there was not commensurate value transferred between the resource provider and the Land Trust. Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of return of assets) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor.

The Land Trust reports contributions of cash and other assets as donor-restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements 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.

As of December 31, 2019 and 2018, the Land Trust had contributions receivable of \$25,000 and \$145,010, respectively, due in 2020. The amounts are included in contributions and other receivables on the statements of financial position.

Donated Services

While many individuals volunteer their time and perform a variety of tasks that assist the Land Trust, most amounts have not been recognized in the accompanying financial statements for such services because the criteria for recognition of such volunteer efforts have not been met.

WEANTINOGE HERITAGE LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

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 and recorded by the Land Trust on the date the deed restriction is filed in the municipal land records. 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.

Functional Expense Allocation

The costs of providing the various programs and other activities of the Land Trust have been summarized on a functional basis in the statements 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 2017-2019 tax years are open for examination by federal, state or local tax authorities.

Reclassifications

Certain amounts in the financial statements for the year ended December 31, 2018 have been reclassified, with no effect on net income, to be consistent with the classifications adopted for the year ended December 31, 2019.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through October 12, 2020, which represents the date the financial statements were available to be issued.

NOTE 2 - BUSINESS AFFILIATION

On October 31, 2019, Weantinoge Heritage Land Trust, Inc., acquired the assets of Brookfield Open Space Legacy, Inc. All assets and liabilities were revalued to fair value as of October 31, 2019, with the corresponding increase in net assets effective as of October 31, 2019. On that date, Brookfield Open Space Legacy, Inc., ceased to exist and Weantinoge Heritage Land Trust, Inc., became the surviving entity. The Land Trust acquired conservation land and easements with a fair value of \$1,215,011 and investments with a fair value of \$100,064 (see Note 6). There was no debt or outstanding liabilities assumed as part of the agreement.

WEANTINOGE HERITAGE LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - REVENUES FROM CONTRACTS WITH CUSTOMERS

Contract Balances

The Land Trust enters into contracts to provide paid services to partner land trusts and the State of Connecticut. The payment terms and conditions in the contracts require payment to be received when billed. When the timing of the Land Trust's delivery of services is different from the timing of the payments made by customers, the Land Trust recognizes a contract liability (payment precedes performance) until the performance obligations are satisfied. Contracts with payment in arrears are recognized as receivables.

The opening and closing balances of the Land Trust's contract liabilities and receivables are as follows:

<u>Contract Balances</u>	<u>Receivables</u>
Opening - January 1, 2018	\$ -
Closing - December 31, 2018	<u>-</u>
Increase	\$ <u><u>-</u></u>
Opening - January 1, 2019	\$ -
Closing - December 31, 2019	<u>19,447</u>
Increase	\$ <u><u>19,447</u></u>

Performance Obligations

At contract inception, the Land Trust assesses the services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer service (or bundle of goods or services) that is distinct. To identify the performance obligations, the Land Trust considers all of the services promised in the contract regardless of whether they are explicitly stated or implied by customary business practices. The Land Trust determined that the following distinct services represent separate performance obligations:

- Property inspections
- Baseline documentation reports
- Surveys
- Appraisals

The Land Trust satisfies its performance obligations at a point in time when performed. The stated rates do not vary over the contracts; therefore, the contracts do not contain variable consideration. The Land Trust does not require deposits on contracts or offer discounts for early payment. The Land Trust does not provide customers with the right to a refund.

WEANTINOGE HERITAGE LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Land Trust has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Mutual Funds and Exchange Traded Funds

Mutual funds and exchange traded funds are valued at the quoted net asset value of shares reported in the active market in which the funds are traded.

There have been no changes in the methodologies used at December 31, 2019 and 2018.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Land Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair values of all assets are determined using quoted prices for identical assets in active markets to which the Land Trust has access (Level 1). There were no transfers between levels of investments during the years ended December 31, 2019 and 2018.

WEANTINOGE HERITAGE LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

Investments at fair value as of December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 1,085,709	\$ 1,602,405
Exchange traded funds	1,427,303	-
Mutual funds	<u>98,975</u>	<u>665,193</u>
Total Investments at Fair Value	\$ <u>2,611,987</u>	\$ <u>2,267,598</u>

NOTE 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 the interest is calculated at .25% per year compounded annually through its maturity in December 2024. No payments are due until maturity. The Note Payable is secured by the property located in Kent, Connecticut.

NOTE 6 - LAND AND CONSERVATION EASEMENTS

The Land Trust accepted two conservation easements during 2019 and three in 2018. The Land trust has 184 and 182 easements incorporating over 5,500 acres as of December 31, 2019 and 2018, respectively.

As a result of the merger with Brookfield Open Space Legacy, Inc. (see Note 2), the Land Trust acquired eight fee simple properties totaling approximately 167 acres of land in Brookfield, Connecticut.

NOTE 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.

WEANTINOGE HERITAGE LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Land Trust's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$	721,052
Investments		955,468
Contributions and other receivables		49,725
Total financial assets available		<u>1,726,245</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions		<u>(81,368)</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	\$	<u><u>1,644,877</u></u>

Liquidity Management

The Land Trust regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Land Trust has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, The Land Trust considers all expenditures related to its ongoing activities to operate the land, as well as the conduct of services undertaken to support those activities, to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Land Trust operates with a cash flow budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the consolidated statements of cash flows, which identify the sources and uses of the Land Trust's cash and show positive cash generated by operations for fiscal year 2019.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purposes:		
Program activities:		
Stewardship reserve fund	\$ 894,116	\$ 916,143
General endowment	526,439	528,106
Other conservation and easement protections purposes	<u>81,368</u>	<u>29,207</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,501,923</u>	<u>\$ 1,473,456</u>

Included in the 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 the fund during the years ended December 31, 2019 and 2018.

WEANTINOGE HERITAGE LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - ENDOWMENT

The Land Trust's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Land Trust has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) 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 (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanent endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Land Trust in a manner consistent with the standard of prudence prescribed by CTPMIFA.

In accordance with CTPMIFA, the Land Trust considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Land Trust and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Land Trust
- The investment policies of the Land Trust

Endowment Net Assets

Endowment net asset composition by type of fund as of December 31, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Required to be maintained in perpetuity	\$ -	\$ 100,000	\$ 100,000
Accumulated investment gains	-	12,670	12,670
Partnership support to other land trusts	-	413,769	413,769
Total	<u>\$ -</u>	<u>\$ 526,439</u>	<u>\$ 526,439</u>

WEANTINOGE HERITAGE LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

Endowment net asset composition by type of fund as of December 31, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Required to be maintained in perpetuity	\$ -	\$ 100,000	\$ 100,000
Accumulated investment gains	-	3,106	3,106
Partnership support to other land trusts	-	425,000	425,000
Total	\$ -	\$ 528,106	\$ 528,106

Changes in endowment net assets for the years ended December 31, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - January 1, 2018	\$ -	\$ 551,281	\$ 551,281
Investment return, net	-	9,936	9,936
Appropriation of endowment assets for expenditure	-	(33,111)	(33,111)
Endowment net assets - December 31, 2018	-	528,106	528,106
Investment return, net	-	49,992	49,992
Appropriation of endowment assets for expenditure	-	(51,659)	(51,659)
Endowment Net Assets - December 31, 2019	\$ -	\$ 526,439	\$ 526,439

Funds with Deficiencies

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 CTPMIFA requires the Land Trust to retain as a fund of perpetual duration. There were no funds with deficiencies as of December 31, 2019 and 2018. The Land Trust 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.

Return Objectives and Risk Parameters

The Land Trust has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, endowment assets are invested in a manner that is intended to produce an average total return of 5% while assuming an appropriate level of investment risk. Actual returns in any given year may vary from this amount.

WEANTINOGE HERITAGE LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Land Trust relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Land Trust targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Land Trust has a policy of appropriating for distribution each year no more than 5% of its endowment fund's average fair value without specific board approval. In establishing this policy, the Land Trust considered the long-term expected return on its endowment and expected rate of inflation. The Land Trust has chosen not to appropriate any funds as of December 31, 2019.

The Land Trust has adopted a spending rate for the Partnership Support Fund that allows for an annual distribution of 5% of the original gift plus all interest and dividends plus 50% of realized and unrealized gains and losses for the support of regional partnerships.

NOTE 11 - STEWARDSHIP RESERVE FUND ENDOWMENT

The Stewardship Reserve Fund operates as a quasi-endowment and consists of board designated and 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 funds' assets for easement and fee land stewardship, enforcement and defense, and monitoring expenses.

WEANTINOGE HERITAGE LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

The Stewardship Reserve Fund activity for the years ended December 31, 2019 and 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - January 1, 2018	\$ 50,775	\$ 939,023	\$ 989,798
Investment return, net	17,780	-	17,780
Designation of assets to SRF	39,880	-	39,880
Contributions	-	17,000	17,000
Net assets released from restrictions	<u>-</u>	<u>(39,880)</u>	<u>(39,880)</u>
Endowment net assets - December 31, 2018	108,435	916,143	1,024,578
Designation of assets to SRF	37,027	-	37,027
Contributions	-	15,000	15,000
Investment return, net	21,876	-	21,876
Net assets released from restrictions	<u>-</u>	<u>(37,027)</u>	<u>(37,027)</u>
Endowment Net Assets - December 31, 2019	\$ <u>167,338</u>	\$ <u>894,116</u>	\$ <u>1,061,454</u>

NOTE 12 - 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, 2019 were as follows:

<u>Year Ending December 31</u>	
2020	\$ 44,929
2021	<u>3,756</u>
Total	\$ <u>48,685</u>

The total payments to the related party for rent for the years ended December 31, 2019 and 2018 were \$43,201 and \$41,539, respectively. As of December 31, 2019 and 2018, there were no amounts due to the related party.

WEANTINOGE HERITAGE LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 13 - 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 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 \$13,870 and \$13,528 for the years ended December 31, 2019 and 2018, respectively.

NOTE 14 - CONCENTRATIONS OF CREDIT RISK

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 statements of financial position as of December 31, 2019 and 2018.

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, 2019 and 2018.

NOTE 15 - SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. Regulatory restrictions and discretionary cutbacks have resulted in the cancellation of events and public programs. The Land Trust is unable to determine the impact the outbreak might have on future operations.

Subsequent to the statement of financial position date, domestic and global investment markets have experienced significant volatility. This volatility is the result of numerous economic and political factors, including the impact of the spread of the coronavirus. As a result, the current fair value of the Land Trust's investments may be materially different from the amounts recorded in the financial statements as of December 31, 2019.

On April 28, 2020, the Land Trust received a loan of \$120,642 pursuant to the Paycheck Protection Program (PPP) of the CARES Act. The loan bears interest at a rate of 1% and will be due on April 28, 2025. Under the PPP loan program, the Land Trust may apply for forgiveness of all or a portion of the loan based on the amount of qualifying expenses incurred during the covered period subsequent to receipt of the funds. The amount of loan forgiveness, if any, is not known at the date the financial statements were available to be issued.

On June 30, 2020, Weantinoge Heritage Land Trust, Inc., acquired the assets of Naromi Land Trust, Inc. On that date, Naromi Land Trust, Inc., ceased to exist and Weantinoge Heritage Land Trust, Inc., became the surviving entity. To more accurately reflect the breadth and regional focus of the work being performed, the Land Trust changed their legal name from Weantinoge Heritage Land Trust, Inc., to Northwest Connecticut Land Conservancy.