

Colorado Cattlemen's Agricultural Land Trust

Financial Statements

June 30, 2021 and 2020

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

Independent Auditor's Report

Board of Directors Colorado Cattlemen's Agricultural Land Trust

Report on the Financial Statements

We have audited the accompanying financial statements of Colorado Cattlemen's Agricultural Land Trust (the Land Trust), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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.

Board of Directors
Colorado Cattlemen's Agricultural Land Trust

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colorado Cattlemen's Agricultural Land Trust as of June 30, 2021 and 2020, 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.

Keundinger, Cochrane & Congle, P.C.

October 12, 2021

Colorado Cattlemen's Agricultural Land Trust
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 1,273,700	1,101,447
Contributions and grants receivable	42,250	80,410
Prepaid expenses and other assets	50,946	34,966
Loans receivable (note 9)	–	15,908
Investments (note 3)	10,427,682	8,209,917
Property and equipment, net (note 4)	630,181	646,360
Total assets	\$ 12,424,759	10,089,008
Liabilities and Net Assets		
Accounts payable	\$ 32,473	57,961
Accrued liabilities	139,465	101,794
Deferred revenue (note 5)	133,160	57,805
Paycheck Protection Program loan (note 6)	–	129,000
Total liabilities	305,098	346,560
Net assets (note 9)		
Without donor restrictions	1,569,882	1,126,237
With donor restrictions	10,549,779	8,616,211
Total net assets	12,119,661	9,742,448
Commitments (notes 7, 8 and 10)		
Total liabilities and net assets	\$ 12,424,759	10,089,008

See the accompanying notes to the financial statements.

Colorado Cattlemen's Agricultural Land Trust
Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
Support and revenue			
Contributions and grants	\$ 519,180	671,808	1,190,988
Forgiveness of Paycheck Protection Program loan (note 6)	129,000	–	129,000
Grants for the purchase of conservation easements			
Federal	2,251,741	–	2,251,741
Non-federal	2,255,000	–	2,255,000
Contributions of conservation easements	19,990,459	–	19,990,459
Special events revenue	181,532	–	181,532
Less cost of direct benefits to donors	(15,034)	–	(15,034)
Service fee income	231,149	–	231,149
Miscellaneous income	2,247	–	2,247
Net assets released from restrictions (note 9)	691,828	(691,828)	–
Total support and revenue	26,237,102	(20,020)	26,217,082
Expenses			
Program services			
Conservation easements	24,497,200	–	24,497,200
Other conservation expenses	932,039	–	932,039
Total program services	25,429,239	–	25,429,239
Supporting services			
Management and general	424,875	–	424,875
Fundraising	188,045	–	188,045
Total supporting services	612,920	–	612,920
Total expenses	26,042,159	–	26,042,159
Change in net assets from operations	194,943	(20,020)	174,923
Non-operating activities			
Investment return	248,702	1,953,588	2,202,290
Total non-operating activities	248,702	1,953,588	2,202,290
Change in net assets	443,645	1,933,568	2,377,213
Net assets, beginning of year	1,126,237	8,616,211	9,742,448
Net assets, end of year	\$ 1,569,882	10,549,779	12,119,661

See the accompanying notes to the financial statements.

Colorado Cattlemen's Agricultural Land Trust
Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
Support and revenue			
Contributions and grants	\$ 415,674	537,107	952,781
Grants for the purchase of conservation easements			
Federal	833,000	–	833,000
Non-federal	4,834,000	–	4,834,000
Contributions of conservation easements	10,675,500	–	10,675,500
Special events revenue	164,934	–	164,934
Less cost of direct benefits to donors	(34,710)	–	(34,710)
Service fee income	649,641	–	649,641
Net assets released from restrictions (note 9)	625,255	(625,255)	–
Total support and revenue	18,163,294	(88,148)	18,075,146
Expenses			
Program services			
Conservation easements	16,342,500	–	16,342,500
Other conservation expenses	799,394	–	799,394
Total program services	17,141,894	–	17,141,894
Supporting services			
Management and general	383,246	–	383,246
Fundraising	195,201	–	195,201
Total supporting services	578,447	–	578,447
Total expenses	17,720,341	–	17,720,341
Change in net assets from operations	442,953	(88,148)	354,805
Non-operating activities			
Investment return	3,299	96,801	100,100
Donation of Yampa Valley Land Trust, Inc. (note 12)	323,547	3,324,364	3,647,911
Total non-operating activities	326,846	3,421,165	3,748,011
Change in net assets	769,799	3,333,017	4,102,816
Net assets, beginning of year	356,438	5,283,194	5,639,632
Net assets, end of year	\$ 1,126,237	8,616,211	9,742,448

See the accompanying notes to the financial statements.

Colorado Cattlemen's Agricultural Land Trust
Statement of Functional Expenses
Year Ended June 30, 2021

	Program services	Supporting services		Total supporting services	Total expenses
		Management and general	Fund raising		
Conservation easements	\$ 24,497,200	–	–	–	24,497,200
Salaries, employee benefits, and payroll taxes	390,580	333,558	86,885	420,443	811,023
Project and stewardship expense	316,510	–	–	–	316,510
Information technology	87,103	23,311	10,323	33,634	120,737
Professional fees	22,430	25,103	6,882	31,985	54,415
Insurance	35,816	8,533	2,223	10,756	46,572
Printing and publications	19,926	–	20,734	20,734	40,660
Special events expense	–	–	28,953	28,953	28,953
Marketing expense	–	–	26,129	26,129	26,129
Occupancy	10,000	8,540	2,224	10,764	20,764
Office expenses	3,425	3,393	10,162	13,555	16,980
Depreciation	10,901	4,187	1,091	5,278	16,179
Miscellaneous	7,479	1,998	5,123	7,121	14,600
Fellows program	4,095	9,522	333	9,855	13,950
Dues and subscriptions	6,293	5,374	1,400	6,774	13,067
Conferences, meetings, and training	10,614	236	62	298	10,912
Travel and meals	5,340	1,120	555	1,675	7,015
Public policy	1,000	–	–	–	1,000
Certification/accreditation	527	–	–	–	527
Total functional expenses	25,429,239	424,875	203,079	627,954	26,057,193
Less expenses included with revenue in the statement of activities: Special events direct benefit to donors	–	–	(15,034)	(15,034)	(15,034)
Total expenses	\$ 25,429,239	424,875	188,045	612,920	26,042,159

See the accompanying notes to the financial statements.

Colorado Cattlemen's Agricultural Land Trust
Statement of Functional Expenses
Year Ended June 30, 2020

	<u>Supporting services</u>			Total supporting services	Total expenses
	Program services	Management and general	Fund raising		
Conservation easements	\$ 16,342,500	–	–	–	16,342,500
Salaries, employee benefits, and payroll taxes	344,202	281,731	87,360	369,091	713,293
Project and stewardship expense	185,922	–	–	–	185,922
Information technology	97,165	12,781	29,657	42,438	139,603
Professional fees	31,456	33,976	4,919	38,895	70,351
Printing and publications	23,639	–	24,713	24,713	48,352
Insurance	32,350	8,118	2,018	10,136	42,486
Special events expense	–	–	38,133	38,133	38,133
Marketing expense	–	–	27,000	27,000	27,000
Public policy	20,070	–	–	–	20,070
Occupancy	9,439	7,818	2,700	10,518	19,957
Fellows program	4,911	12,260	2,213	14,473	19,384
Office expenses	965	10,640	5,810	16,450	17,415
Depreciation	9,773	4,368	1,508	5,876	15,649
Conferences, meetings, and training	11,956	2,072	–	2,072	14,028
Travel and meals	7,750	3,146	1,163	4,309	12,059
Miscellaneous	6,057	2,734	1,474	4,208	10,265
Certification/accreditation	9,392	–	–	–	9,392
Dues and subscriptions	4,347	3,602	1,243	4,845	9,192
Total functional expenses	17,141,894	383,246	229,911	613,157	17,755,051
Less expenses included with revenue in the statement of activities:					
Special events direct benefit to donors	–	–	(34,710)	(34,710)	(34,710)
Total expenses	\$ 17,141,894	383,246	195,201	578,447	17,720,341

See the accompanying notes to the financial statements.

Colorado Cattlemen's Agricultural Land Trust
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 2,377,213	4,102,816
Adjustments to reconcile change in net assets to net cash used in operating activities		
Donation of Yampa Valley Land Trust, Inc.	–	(3,647,911)
Depreciation	16,179	15,649
Forgiveness of Paycheck Protection Program loan	(129,000)	–
Contributions restricted for long-term purposes	(324,392)	(238,667)
Investment income on contributions restricted for long-term purpose	(104,999)	(141,184)
Net realized and unrealized (gains) losses on investments	(2,067,591)	68,669
Loss on disposal of property and equipment	–	529
Change in operating assets and liabilities		
Contributions and grants receivable	38,160	(15,846)
Prepaid expenses and other assets	(15,980)	(44)
Accounts payable and accrued liabilities	12,183	79,809
Deferred revenue	75,355	(61,114)
Net cash provided by (used in) operating activities	<u>(122,872)</u>	<u>162,706</u>
Cash flows from investing activities		
Net loan repayments	15,908	35,732
Net purchases of investments	(150,174)	(292,407)
Cash received with the donation of Yampa Valley Land Trust, Inc.	–	4,345
Net cash used in investing activities	<u>(134,266)</u>	<u>(252,330)</u>
Cash flows from financing activities		
Contributions restricted for long-term purposes	324,392	238,667
Investment income on contributions restricted for long-term purposes	104,999	141,184
Proceeds from Paycheck Protection Program loan	–	129,000
Net cash provided by financing activities	<u>429,391</u>	<u>508,851</u>
Net change in cash and cash equivalents	172,253	419,227
Cash and cash equivalents, beginning of year	<u>1,101,447</u>	<u>682,220</u>
Cash and cash equivalents, end of year	<u>\$ 1,273,700</u>	<u>1,101,447</u>
Supplemental cash flow information		
Noncash investing activities		
Noncash assets received and liabilities assumed with the donation of Yampa Valley Land Trust, Inc. (see note 12)	\$ –	<u>3,643,566</u>

See the accompanying notes to the financial statements.

Colorado Cattlemen's Agricultural Land Trust

Notes to Financial Statements

June 30, 2021 and 2020

(1) Summary of Significant Accounting Policies

(a) Organization

Colorado Cattlemen's Agricultural Land Trust (the Land Trust) was established in 1995 to conserve Colorado's western heritage and working landscapes for the benefit of future generations. Support for the Land Trust's activities generally comes from individual donor contributions, private and government grants, and service fees.

On September 13, 2019, the Land Trust formed Yampa Valley Land Trust, LLC (the LLC), a single-member limited liability company with the Land Trust as its sole member. The Land Trust has determined that the LLC is a disregarded entity for federal income tax purposes and is treated in the same manner as a branch or division of the single member.

(b) Basis of Accounting

The accompanying financial statements of the Land Trust have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

(c) Financial Statement Presentation

The Land Trust is required to present information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Land Trust. These net assets may be used at the discretion of the Land Trust's management and 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, where by the donor has stipulated the funds be maintained in perpetuity.

(d) Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Land Trust's ongoing easement activities, contributions, grants, special events and service fee income. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Colorado Cattlemen's Agricultural Land Trust

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Cash and Cash Equivalents

The Land Trust considers all highly liquid investments with an initial maturity of three months or less, and which are not held by investment managers as part of an investment portfolio, to be cash equivalents.

(f) Concentrations

Financial instruments which potentially subject the Land Trust to concentrations of credit risk consist of cash and cash equivalents, investments, and contributions and grants receivable. The Land Trust places its cash and cash equivalents with creditworthy, high quality financial institutions. At times during the year, a portion of the Land Trust's cash deposits may not be insured by the Federal Deposit Insurance Corporation (FDIC) or related entity.

The Land Trust has significant investments in stocks, bonds, mutual funds and money market accounts and is therefore subject to concentrations of credit risk. Investments are made by investment managers that have been engaged by the Trust, and are monitored by the management of the Land Trust and an independent investment advisor pursuant to an investment policy established by the Board of Directors. Though the market values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Land Trust.

Credit risk with respect to contributions and grants receivable is limited due to the credit worthiness of the entities that comprise the contributor base.

The Land Trust generally receives a significant amount of support from the U.S. Department of Agriculture, and is reliant on tax incentives provided at the state level for landowners. The Land Trust is also dependent on the services of qualified appraisers in order to complete conservation easement transactions. A decrease in grants from the Department of Agriculture, a change in the current state tax incentives, or changes to the regulations of appraisers could all have an adverse impact on the Land Trust's operations.

(g) Investments

Investments are recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position. Fair value is more fully discussed below. Management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable.

Investment return consists of the Land Trust's share of any interest, dividends, capital gains and losses generated from investments, as well as the change in fair value of the investments. Gains and losses attributable to investments are realized and reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the statement of activities.

Colorado Cattlemen's Agricultural Land Trust

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Fair Value Measurements

Fair value is defined as 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. Generally accepted accounting principles in the U.S. establishes a fair value hierarchy that prioritizes investments based on the assumptions market participants would use when pricing an asset. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs).

Assets are grouped at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Inputs other than quoted market prices that are observable for the asset/liability, either directly or indirectly.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

(i) Property and Equipment

Property and equipment are stated at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to seven years. The Land Trust capitalizes all property and equipment with a useful life of more than one year and a cost greater than or equal to \$2,500.

Colorado Cattlemen's Agricultural Land Trust

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Conservation Easements

The Land Trust receives gifts of conservation easements and grants toward the purchase of conservation easements. The easements contain numerous restrictions over the use and development of land, which is not owned by the Land Trust. The value of donated conservation easements is based on the appraised value as determined by an independent appraiser. Easements are recorded as revenue when they are received and an expense is recorded for an equal amount whether the easement is held by the Land Trust or transferred to an eligible entity. Grants received for the purchase of conservation easements are recorded as revenue and as a conservation easement expense when the easement is purchased.

The Land Trust monitors activities on the land and enforces restrictions contained in both donated and purchased conservation easements. The value of the easements is not reflected in the statements of financial position because the easements have no economic value to the Land Trust.

(k) Revenue Recognition

Contributions and Grants

Contributions and grants are recognized when cash, securities or other assets, and unconditional promises to give are received. Conditional promises to give, that is, those with a measurable performance barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met. Should the Land Trust substantially meet the conditions in the same period that the contribution was received, and barring any further donor-imposed restrictions, the Land Trust has elected to recognize the revenue in net assets without donor restrictions. Payments received in advance of conditions being met are recorded as refundable advances in the statements of financial position.

The Land Trust does not record contributions and grants committed to the purchase of conservation easements and completion of conservation projects until the easements are purchased or projects completed. Contributions and grants committed to future conservation easements and projects, which have not been recorded at June 30, 2021 and 2020, total \$6,443,424 and \$9,871,002, respectively. Cash received under these contributions and grants is reported as deferred revenue until the conservation easement project is complete.

Colorado Cattlemen's Agricultural Land Trust

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(k) Revenue Recognition, Continued

Contributions and Grants (Continued)

Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a 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 statements of activities as net assets released from restrictions.

Contributions and grants receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Management uses the direct write-off method to recognize bad debt expense on uncollectible amounts.

Special events revenue

Special events revenue consists of ticket sales and sponsorships for various special events. Ticket sales and sponsorships may be received in advance of the event taking place and are recorded as deferred revenue. These amounts are recorded as revenue the day the event takes place.

Service fee income

Service fee income mainly consists of fees from services provided by the Land Trust in connection with a conservation easement project. These fees are recognized when the easement is purchased or project is completed. Occasionally, the Land Trust receives settlement income from easement violations. Revenue is recognized from settlements when the cash is received as there is uncertainty as to the receipt of the funds and the specific amount that will be received.

(l) Donated Goods and Services

Donated conservation easements are recorded at fair value. Donated goods and services are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation, or capitalized if they meet the capitalization criteria. Donated auction items are recorded at the cash sales price at the time of sale and included in special event revenue. Many individuals volunteer their time and perform a variety of tasks that assist the Land Trust in its programs and general operations. These services are not recognized in the financial statements because they do not meet the criteria for recognition under generally accepted accounting principles.

Colorado Cattlemen's Agricultural Land Trust

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(m) Functional Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. The Land Trust incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Land Trust also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fundraising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

(n) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) Income Tax Status

The Land Trust is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. However, income from activities not directly related to the Land Trust's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income during the year ended June 30, 2021 and 2020, respectively.

Management is required to evaluate tax positions taken by the Land Trust and recognize a tax liability (or asset) if the Land Trust has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. The Land Trust has analyzed the tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements and determined there are none. The Land Trust is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The three previous tax years remain subject to examination.

(p) Subsequent Events

The Land Trust has evaluated subsequent events through October 12, 2021, the date the financial statements were available to be issued.

Colorado Cattlemen's Agricultural Land Trust
Notes to Financial Statements, Continued

(2) Availability and Liquidity of Financial Assets

The following represents the Land Trust's financial assets as of June 30:

	<u>2021</u>	<u>2020</u>
Financial assets at year end		
Cash and cash equivalents	\$ 1,273,700	1,101,447
Contributions and grants receivable	42,250	80,410
Loans receivable	-	15,908
Investments	<u>10,427,682</u>	<u>8,209,917</u>
Total financial assets	11,743,632	9,407,682
Less amounts not available to be used within one year		
Net assets with donor restrictions	10,549,779	8,616,211
Less endowment funds to be appropriated within one year	(321,000)	(286,000)
Less net assets with purpose restrictions expected to be met in one year	(200,819)	(168,080)
Board designated funds, requiring board approval for expenditure	<u>1,380,114</u>	<u>1,083,729</u>
	<u>11,408,074</u>	<u>9,245,860</u>
Financial assets available to meet general and specific expenditures over the next twelve months	\$ <u>335,558</u>	<u>161,822</u>

As part of the Land Trust's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The organization has a goal to maintain financial assets on hand to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The Land Trust has board designated net assets without donor restrictions that, while the Land Trust does not intend to spend these for purposes other than those identified, could be made available for current operations, if necessary. Management has estimated that net assets with purpose restrictions expected to be met within one year total \$200,819 and \$168,080 for the years ending June 30, 2021 and 2020, respectively. This estimate is based on projects expected to be completed, conservation easement transactions expected to close, and budgeted expenditures for the next year. At June 30, 2021 and 2020, the Land Trust also expects annual appropriations from the endowment funds of \$321,000 and \$286,000, respectively, to be available within the next twelve months for operations.

The Land Trust's cash flows have seasonal variations during the year attributable to the timing of conservation easement transaction closings. To manage liquidity, the Land Trust maintains a \$50,000 overdraft line of credit with a bank that is drawn upon as needed during the year to manage cash flows. At June 30, 2021 and 2020, no amounts are outstanding under this line of credit.

Colorado Cattlemen's Agricultural Land Trust
Notes to Financial Statements, Continued

(3) Investments

Investments are stated at their fair values and were comprised of the following at June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 379,825	619,697
U.S. equities	1,572,046	1,130,616
Fixed income	101,961	207,941
Exchange traded funds (ETFs)	355,671	271,373
Mutual funds invested in U.S. equities	3,683,246	2,875,449
Mutual funds invested in international equities	2,258,814	1,538,424
Mutual funds invested in fixed income	<u>2,076,119</u>	<u>1,566,417</u>
Total investments	\$ <u>10,427,682</u>	<u>8,209,917</u>

All investments have been valued using level one inputs other than fixed income securities totaling \$101,961 and \$207,941 at June 30, 2021 and 2020, retrospectively, which have been valued using level two inputs. Marketable securities are exposed to various risks that may cause the reported value of the Land Trust's investment assets to fluctuate from period to period and result in a material change to the net assets of the Land Trust. Investments in equity securities fluctuate in value in response to many factors such as the activities and financial condition of individual companies, business and industry market conditions and the general economic environment. The value of bond investments and other fixed income securities fluctuate in response to changing interest rates, credit worthiness of issuers and overall economic policies that impact market conditions.

(4) Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land – Rehder Ranch	\$ 500,000	500,000
Buildings and improvements – Rehder Ranch	120,000	120,000
Vehicles	50,897	50,897
Office equipment	<u>8,999</u>	<u>8,999</u>
	679,896	679,896
Accumulated depreciation	<u>(49,715)</u>	<u>(33,536)</u>
Property and equipment, net	\$ <u>630,181</u>	<u>646,360</u>

(5) Deferred Revenue

Deferred revenue consists of cash received in advance for the following purposes at June 30:

	<u>2021</u>	<u>2020</u>
Sponsorships and registrations for future special events	\$ 124,350	45,530
Conditional contributions and grants	7,750	11,215
Future services	<u>1,060</u>	<u>1,060</u>
Total deferred revenue	\$ <u>133,160</u>	<u>57,805</u>

Colorado Cattlemen's Agricultural Land Trust
Notes to Financial Statements, Continued

(6) Paycheck Protection Program Loan

In April 2020, the Land Trust received a \$129,000 loan under the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP) authorized under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). Under the program, this loan may be partially or fully forgiven if certain eligibility requirements are met, including incurring certain qualifying expenditures. The loan is treated as a conditional contribution until such time that the loan is explicitly forgiven by the SBA and, therefore, was recognized as a refundable advance as of June 30, 2020. The PPP loan was forgiven in full in March 2021 and, therefore, the loan and all accrued interest, totaling \$129,276, was recognized as revenue during the year ended June 30, 2021.

(7) Line of Credit

The Land Trust has a \$50,000 overdraft protection line of credit with a financial institution that bears interest at a variable rate of prime plus 2%. Interest is due monthly and the line of credit is secured by depository accounts at the financial institution. There were no amounts outstanding on the line of credit at June 30, 2021 and 2020.

(8) Conservation Easements

As of June 30, 2021, the Land Trust holds 472 easements covering approximately 684,478 acres in 45 counties throughout Colorado, and in parts of Wyoming and New Mexico. Conservation easements are interests in land which possess conservation value, but not economic value to the Land Trust. The Land Trust provides stewardship, ongoing monitoring, and legal protection of the conservation easements.

(9) Net Assets

Net Assets Without Donor Restrictions

The Land Trust's net assets without donor restrictions is comprised of undesignated and Board designated amounts for the following purposes at June 30:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 189,768	42,508
Board designated:		
Easement defense	650,511	512,414
Stewardship	549,640	435,377
Conservation and restoration	188,606	213,914
Future operating expense	99,728	141,600
Future capital assets	24,776	19,776
Other activities	66,853	60,648
Inter-fund loan	<u>(200,000)</u>	<u>(300,000)</u>
Total board designated net assets	<u>1,380,114</u>	<u>1,803,729</u>
Total net assets without donor restrictions	<u>\$ 1,569,882</u>	<u>1,126,237</u>

Colorado Cattlemen's Agricultural Land Trust
Notes to Financial Statements, Continued

(9) Net Assets, Continued

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following as of June 30:

	<u>2021</u>	<u>2020</u>
Specific purpose		
Easement defense	\$ 438,451	451,638
Conservation advancement loan fund (CALF)	202,735	452,232
Future projects	231,834	151,869
Passage of time		
Contributions receivable	<u>—</u>	<u>31,334</u>
Total subject to purpose and time restrictions	873,020	1,087,073
Endowments		
Stewardship Endowment Fund	5,878,725	4,515,972
Operating Endowment Fund	1,562,831	1,101,903
Conservation Endowment Fund	138,120	109,208
Rehder Ranch Endowment Fund	1,963,452	1,668,424
Ron and Kitty Boeddeker Peaks to Plains Conservation and Restoration Fund	<u>133,631</u>	<u>133,631</u>
Total endowments	<u>9,676,759</u>	<u>7,529,138</u>
Total net assets with donor restrictions	\$ <u>10,549,779</u>	<u>8,616,211</u>

Net assets were released from restriction for the following purposes for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Purpose and time restrictions accomplished		
Easement defense	\$ 169,750	148,108
Database migration	5,551	31,308
25 th Anniversary Book	17,080	7,000
Forever Colorado (marketing)	11,249	115,725
Yampa Valley Land Trust, Inc. acquisition	34,051	41,941
Landowner restoration projects	50,973	—
Other program activities	<u>139,699</u>	<u>22,514</u>
Total purpose and time restrictions	428,353	366,596
Endowment funds appropriated for expenditure	<u>263,475</u>	<u>258,659</u>
Total net assets released from restriction	\$ <u>691,828</u>	<u>625,255</u>

The Land Trust has established a legal defense fund to help fight threats to conservation easements and interests. Donations to the legal defense fund are recorded as increases in net assets with donor restrictions, and are released from restriction when qualifying expenses are incurred.

Colorado Cattlemen's Agricultural Land Trust

Notes to Financial Statements, Continued

(9) Net Assets, Continued

Net Assets With Donor Restrictions, Continued

The Land Trust has established a conservation advancement loan fund with donor restricted contributions that provides short-term loans to landowners for conservation easement transaction costs. The Land Trust charges a 5% fee on draws made from the loan fund. The fee income is reinvested in the fund for future loans and included in net assets with donor restrictions. Outstanding loans totaled \$0 and \$15,908 at June 30, 2021 and 2020, respectively, and are included in the accompanying statements of financial position.

Endowments

The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Land Trust has interpreted UPMIFA 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 nets assets with donor restrictions: (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the donor gift instrument. In accordance with UPMIFA, 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

The stewardship of conservation easements includes the expenses of holding, administering, and enforcing the terms of conservation easements. When the Land Trust accepts a conservation easement, they take on the obligation to monitor and enforce the easement in perpetuity. Donor restricted contributions to and investment income earned on the Stewardship Endowment Fund are recorded as increases in net assets with donor restrictions until appropriated by the Board of Directors for expenditure, at which time they are released from restriction. The Stewardship Endowment Fund provides funding for the ongoing and perpetual stewardship responsibilities accepted by the Land Trust for the conservation easements it holds.

The Operating Endowment Fund was established to provide funding for the ongoing operations of the Land Trust. Contributions to and earnings on the Operating Endowment Funds are recorded as increases in nets assets with donor restrictions until appropriated by the Board of Directors for expenditure. It is intended that the balance in the Fund remain above \$1,000,000 unless specific authorization comes from a vote of two-thirds majority of the Land Trust's Board of Directors.

Colorado Cattlemen's Agricultural Land Trust
Notes to Financial Statements, Continued

(9) Net Assets, Continued

Endowments, Continued

The Conservation Endowment Fund was acquired as part of the acquisition of the Yampa Valley Land Trust, Inc. (see note 12) and is for the purpose of supporting the completion of conservation projects. Earnings from the fund may be distributed on an annual basis. Donor restricted contributions to and investment income earned on the Conservation Endowment Fund are recorded as increases in nets assets with donor restrictions until appropriated by the Board of Directors for expenditure, at which time they are released from restriction.

The Rehder Ranch Endowment Fund consists of an investment fund and a historic sheep ranch, consisting of land and buildings, acquired as part of the acquisition of the Yampa Valley Land Trust, Inc. (see note 12). The endowment was initially established as part of a bequest and the property is to be held in perpetuity, to be managed as a nature preserve for the study of local plants and wildlife. As part of the bequest, a cash donation was made to provide for the maintenance and upkeep of the ranch. The Rehder Ranch Endowment Fund consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Cash	\$ 8,788	7,401
Land	500,000	500,000
Buildings, net of accumulated depreciation	109,500	115,500
Investments	1,345,662	1,046,737
Accounts payable and accrued liabilities	<u>(498)</u>	<u>(1,214)</u>
Total Rehder Ranch Endowment Fund	\$ <u>1,963,452</u>	<u>1,668,424</u>

The Ron and Kitty Boeddeker Peaks to Plains Conservation and Restoration Fund (the Boeddeker Fund) was established in 2014 with a donor restricted contribution of \$250,000. The purpose of the Fund is to assist ranch families in placing conservation easements on their property. Contributions to and earnings on the Boeddeker Fund are recorded as increases in net assets with donor restrictions until appropriated by the Board of Directors for expenditure. The Land Trust is required to replenish the Fund through mitigation payments and additional charitable contributions, with the understanding that the Fund balance will be at least \$100,000 at the end of each year.

Colorado Cattlemen's Agricultural Land Trust

Notes to Financial Statements, Continued

(9) Net Assets, Continued

Endowments, Continued

Following are the changes in the endowment net assets:

Endowment net assets, July 1, 2019	\$ 4,557,603
Contributions from Yampa Valley Land Trust, Inc.	2,904,060
Investment return	87,467
Contributions to endowment	238,667
Appropriated for expenditure	<u>(258,659)</u>
Endowment net assets, June 30, 2020	\$ 7,529,138
Investment return	1,796,169
Contributions to endowment	614,927
Appropriated for expenditure	<u>(263,475)</u>
Endowment net assets, June 30, 2021	\$ <u>9,676,759</u>

Return Objectives, Strategies, and Risk Parameters

The Land Trust has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution while growing the funds. The Land Trust expects its endowment assets to produce an average rate of return sufficient to meet the distribution policies of the endowment funds. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Distribution Policies and How the Investment Objectives Relate to the Policies

The Land Trust adopted a policy that provides for distributions from the Stewardship Endowment Fund upon approval by the Board of Directors and is limited to less than 6% of asset values as determined on a rolling three-year average. In order to maximize investment return, no more than 50% of the approved distribution may be transferred during a single month. In establishing this policy, the Land Trust considered the long-term expected return on its investment assets, the nature and duration of the endowment fund, and the possible effect of inflation. The Land Trust expects the current distribution policy to grow its endowment funds at a rate consistent with the objectives of maintaining the purchasing power of the endowment assets as well as providing additional real growth through new gifts and investment returns, while minimizing risk. During the years ended June 30, 2021 and 2020, distributions totaling \$146,577 and \$122,177, respectively, were made from the fund.

Colorado Cattlemen's Agricultural Land Trust

Notes to Financial Statements, Continued

(9) Net Assets, Continued

Endowments, Continued

The Land Trust adopted a policy that provides for distributions from the Operating Endowment Fund upon approval by the Board of Directors and within the range of 4-6% of asset values as determined on a rolling three-year average. During the year ended June 30, 2021 and 2020, respectively, the Board of Directors approved distributions of \$74,000 and \$67,000, respectively, to fund operations.

Distributions are made from the Conservation Endowment Fund upon approval of the Board of Directors. No distributions were made from the Conservation Endowment Fund during the years ended June 30, 2021 and 2020.

The donor agreement for the Ron and Kitty Boeddeker Peaks to Plains Conservation and Restoration Fund allows the spending of principal and earnings for the specified uses of the Fund. No withdrawals were made from the fund during the year ended June 30, 2021. During the year ended June 30, 2020, withdrawals totaling \$12,000 were made to fund northwestern Colorado conservation efforts.

Withdrawals are made from the investments held as part of the Rehder Ranch Endowment Fund when needed to provide for the maintenance and upkeep of the ranch. During the years ended June 30, 2021 and 2020, respectively, these withdrawals totaled \$42,898 and \$57,482.

(10) Employee Benefit Plan

The Land Trust maintains a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all employees of the Land Trust. Employees may make contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code. The employer makes matching contributions of 1% of participating employees' salaries. Employer contributions to the Plan were \$7,576 and 4,796 for the years ended June 30, 2021 and 2020, respectively.

(11) Related Party Transactions

Due to the nature of the entity, the Land Trust may purchase and hold conservation easements on land owned by related parties, or receive donations of conservation easements from related parties. The Land Trust has a conflict of interest policy in place which requires full disclosure to the Board of Directors prior to executing transactions with related parties. Related parties are required to refrain from any discussion and decision making regarding these transactions.

Colorado Cattlemen's Agricultural Land Trust

Notes to Financial Statements, Continued

(12) Donation of Yampa Valley Land Trust, Inc.

On October 1, 2019, Yampa Valley Land Trust, LLC. (the LLC) acquired Yampa Valley Land Trust, Inc., a Colorado nonprofit corporation, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The purpose of the acquisition was to: (1) create greater conservation efficiencies in northwest Colorado; (2) expand the Land Trust's conservation services to serve the broad needs of the local community and agricultural producers of Routt County and northwest Colorado; and, (3) provide stable and long-term governance and leadership for conservation in Routt County and northwest Colorado.

Under the agreement, Yampa Valley Land Trust, Inc. ceased to exist. The LLC, of which the Land Trust is the sole member, became the surviving entity and received all of the assets and assumed all of the obligations of Yampa Valley Land Trust, Inc. No cash was paid to acquire the entity. In accordance with Generally Accepted Accounting Principles, the transaction was accounted for as an acquisition and the following assets were recognized at fair value:

Cash and investments	\$ 3,019,833
Land	500,000
Buildings and improvements	120,000
Other assets and liabilities	<u>8,078</u>
Total assets acquired and liabilities assumed	\$ <u>3,647,911</u>

There were no significant liabilities or obligations assumed by the Land Trust as a result of the transaction. The Land Trust will continue to acknowledge any donor restrictions on the assets acquired during the transaction, some of which consist of endowed assets which are more fully described in note 9. The excess of assets acquired over liabilities assumed of \$3,647,911 has been recognized as a contribution in the statement of activities. The assets acquired are classified as net assets without donor restrictions and net assets with donor restrictions totaling \$323,547 and \$3,324,364, respectively.