

Lancaster Farmland Trust
Financial Statements
December 31, 2015 and 2014



REINSEL KUNTZ LESHNER
certified public accountants & consultants

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Lancaster Farmland Trust

Table of Contents

December 31, 2015 and 2014

	Page
INDEPENDENT AUDITOR'S REPORT	1 and 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 to 16



Independent Auditor's Report

To the Board of Trustees
Lancaster Farmland Trust
Lancaster, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Lancaster Farmland Trust, which comprise the statement of financial position as of December 31, 2015 and 2014, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the 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 Lancaster Farmland Trust as of December 31, 2015 and 2014, 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.

Reinsel Kintz Lesher LLP

July 18, 2016
Lancaster, Pennsylvania

Lancaster Farmland Trust

Statement of Financial Position

	December 31,	
	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,163,231	\$ 1,291,581
Grants receivable	32,865	18,000
Contributions receivable	15,581	-
Prepaid expenses	2,212	2,028
Total Current Assets	1,213,889	1,311,609
Investments	3,443,229	3,598,858
Property and Equipment		
Land	60,000	60,000
Vehicle	18,639	18,639
Office equipment	64,545	57,018
Furniture and fixtures	41,645	39,745
Building	695,000	695,000
	879,829	870,402
Accumulated depreciation	(307,212)	(270,727)
Net Property and Equipment	572,617	599,675
Total Assets	\$ 5,229,735	\$ 5,510,142
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 31,230	\$ 23,346
Accrued payroll and vacations	17,108	21,525
Other current liabilities	7,305	4,963
Total Liabilities	55,643	49,834
Net Assets		
Unrestricted	5,156,369	5,391,738
Temporarily restricted	17,723	68,570
Total Net Assets	5,174,092	5,460,308
Total Liabilities and Net Assets	\$ 5,229,735	\$ 5,510,142

Lancaster Farmland Trust

Statement of Activities

	Year Ended December 31, 2015		
	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Public support			
Easements (in kind)	\$ 2,764,434	\$ -	\$ 2,764,434
Other grants	447,391	-	447,391
Contributions	686,837	15,581	702,418
Lancaster County matching grant	200,000	-	200,000
Special events, net of direct expenses of \$55,792	197,885	-	197,885
Land Trust reimbursement program	75,000	-	75,000
Gifts in kind	24,491	-	24,491
Total Public Support	4,396,038	15,581	4,411,619
Other revenue			
Realized/unrealized loss on investments	(17,169)	-	(17,169)
Investment income	68,217	-	68,217
Fee-for-service income	91,860	-	91,860
Net assets released from restrictions	66,428	(66,428)	-
Total Public Support and Revenue	4,605,374	(50,847)	4,554,527
Expenses			
Program services	4,590,838	-	4,590,838
Supporting services			
General and administrative	86,183	-	86,183
Fundraising	163,722	-	163,722
Total Supporting Services	249,905	-	249,905
Total Expenses	4,840,743	-	4,840,743
Change in Net Assets	(235,369)	(50,847)	(286,216)
Net Assets at Beginning of Year	5,391,738	68,570	5,460,308
Net Assets at End of Year	\$ 5,156,369	\$ 17,723	\$ 5,174,092

See accompanying notes.

	Year Ended December 31, 2014		
	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Public support			
Easements (in kind)	\$ 1,625,048	\$ -	\$ 1,625,048
Other grants	720,977	65,000	785,977
Contributions	473,299	-	473,299
Lancaster County matching grant	250,000	-	250,000
Special events, net of direct expenses of \$81,396	104,175	-	104,175
Land Trust reimbursement program	100,918	-	100,918
Gifts in kind	36,222	-	36,222
Total Public Support	3,310,639	65,000	3,375,639
Other revenue			
Realized/unrealized gain on investments	205,344	-	205,344
Investment income	84,536	-	84,536
Fee-for-service income	43,829	-	43,829
Net assets released from restrictions	166,429	(166,429)	-
Total Public Support and Revenue	3,810,777	(101,429)	3,709,348
Expenses			
Program services	2,774,536	-	2,774,536
Supporting services			
General and administrative	109,369	-	109,369
Fundraising	151,956	-	151,956
Total Supporting Services	261,325	-	261,325
Total Expenses	3,035,861	-	3,035,861
Change in Net Assets	774,916	(101,429)	673,487
Net Assets at Beginning of Year	4,616,822	169,999	4,786,821
Net Assets at End of Year	\$ 5,391,738	\$ 68,570	\$ 5,460,308

Lancaster Farmland Trust

Statement of Functional Expenses

Year Ended December 31, 2015					
	Supporting Services			Total Supporting Services	Total Expenses
	Program Services	General and Administrative	Fundraising		
Salaries	\$ 501,507	\$ 49,877	\$ 98,323	\$ 148,200	\$ 649,707
Payroll taxes	36,888	3,144	7,062	10,206	47,094
Hospitalization insurance	27,926	462	4,566	5,028	32,954
Employee benefits	22,809	3,741	4,418	8,159	30,968
	<u>589,130</u>	<u>57,224</u>	<u>114,369</u>	<u>171,593</u>	<u>760,723</u>
Easements (in kind)	2,764,434	-	-	-	2,764,434
Easement acquisition	944,515	-	-	-	944,515
Outside services	53,975	3,695	6,940	10,635	64,610
Insurance	33,403	2,742	2,088	4,830	38,233
Depreciation	28,163	2,801	5,521	8,322	36,485
Bank and investment fees	15,198	59	2,867	2,926	18,124
Professional fees	35,545	3,702	3,703	7,405	42,950
Printing/reports	13,339	229	12,745	12,974	26,313
Equipment rental and maintenance	33,095	5,499	5,527	11,026	44,121
Appraisal fees	26,300	-	-	-	26,300
Postage	5,308	381	2,142	2,523	7,831
Miscellaneous	11,202	994	1,138	2,132	13,334
Dues and subscriptions	6,170	803	1,803	2,606	8,776
Training	4,005	1,336	60	1,396	5,401
Utilities	5,935	1,154	1,154	2,308	8,243
Telephone	8,829	2,220	1,903	4,123	12,952
Travel	6,297	289	823	1,112	7,409
Supplies	3,009	670	403	1,073	4,082
Advertising	542	-	480	480	1,022
Equipment purchased	1,328	2,385	56	2,441	3,769
Gasoline	1,116	-	-	-	1,116
	<u>4,001,708</u>	<u>28,959</u>	<u>49,353</u>	<u>78,312</u>	<u>4,080,020</u>
	<u>\$ 4,590,838</u>	<u>\$ 86,183</u>	<u>\$ 163,722</u>	<u>\$ 249,905</u>	<u>\$ 4,840,743</u>

See accompanying notes.

Year Ended December 31, 2014					
	Supporting Services				Total Expenses
	Program Services	General and Administrative	Fundraising	Total Supporting Services	
Salaries	\$ 477,854	\$ 50,066	\$ 97,808	\$ 147,874	\$ 625,728
Payroll taxes	36,039	3,625	7,270	10,895	46,934
Hospitalization insurance	28,274	3,091	5,089	8,180	36,454
Employee benefits	18,155	2,169	3,591	5,760	23,915
	560,322	58,951	113,758	172,709	733,031
Easements (in kind)	1,625,048	-	-	-	1,625,048
Easement acquisition	340,582	-	-	-	340,582
Outside services	35,831	2,298	4,570	6,868	42,699
Insurance	33,220	2,613	2,384	4,997	38,217
Depreciation	26,453	2,772	5,414	8,186	34,639
Bank and investment fees	31,035	14	2,530	2,544	33,579
Professional fees	21,113	4,136	5,707	9,843	30,956
Bad debt expense	-	28,046	-	28,046	28,046
Printing/reports	17,251	103	5,372	5,475	22,726
Equipment rental and maintenance	16,384	2,336	3,327	5,663	22,047
Appraisal fees	15,660	-	-	-	15,660
Postage	6,687	521	2,716	3,237	9,924
Miscellaneous	8,060	1,167	638	1,805	9,865
Dues and subscriptions	6,481	652	1,647	2,299	8,780
Training	6,044	2,029	273	2,302	8,346
Utilities	5,327	1,022	1,036	2,058	7,385
Telephone	4,764	1,611	895	2,506	7,270
Travel	6,036	476	526	1,002	7,038
Supplies	2,766	565	867	1,432	4,198
Advertising	3,704	33	246	279	3,983
Equipment purchased	890	24	25	49	939
Gasoline	878	-	25	25	903
	2,214,214	50,418	38,198	88,616	2,302,830
	<u>\$ 2,774,536</u>	<u>\$ 109,369</u>	<u>\$ 151,956</u>	<u>\$ 261,325</u>	<u>\$ 3,035,861</u>

Lancaster Farmland Trust**Statement of Cash Flows**

	Years Ended December 31,	
	2015	2014
Cash Flows from Operating Activities		
Change in net assets	\$ (286,216)	\$ 673,487
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	36,485	34,639
Realized/unrealized (gain) loss on investments	17,169	(205,344)
(Increase) decrease in assets		
Grants receivable	(14,865)	(7,380)
Contributions receivable	(15,581)	67,034
Prepaid expenses	(184)	(2,028)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	7,884	(6,758)
Accrued payroll and vacation	(4,417)	(16,810)
Other current liabilities	2,342	4,198
Net Cash Provided by (Used in) by Operating Activities	(257,383)	541,038
Cash Flows from Investing Activities		
Purchase of investments	(1,057,835)	(1,467,205)
Proceeds from sale of investments	1,196,295	1,330,635
Purchase of property and equipment	(9,427)	(22,162)
Net Cash Provided by (Used in) Investing Activities	129,033	(158,732)
Net Increase (Decrease) in Cash and Cash Equivalents	(128,350)	382,306
Cash and Cash Equivalents at Beginning of Year	1,291,581	909,275
Cash and Cash Equivalents at End of Year	\$ 1,163,231	\$ 1,291,581

Lancaster Farmland Trust

Notes to Financial Statements

December 31, 2015 and 2014

Note 1 - Nature of Operations

Lancaster Farmland Trust (the Trust) is a private nonprofit organization established in 1988. The Trust works to preserve and protect productive agricultural land; to promote and support public policy, laws, and actions toward farmland preservation; to protect and improve agriculture; and to encourage and sustain an environment of improved cooperation for the protection of Lancaster County's countryside and its natural resource base.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The financial statements are prepared on the accrual basis.

Basis of Presentation

The Trust follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit-Entities*. Under ASC 958, the Trust is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Trust and/or the passage of time. Temporarily restricted net assets as of December 31, 2015 and 2014 are restricted for the purposes of time, land preservation, and property and equipment usage.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Trust. Generally, the donor of these assets permits the Trust to use all or part of the income earned on related investments for general or specific purposes. There were no permanently restricted net assets as of December 31, 2015 or 2014.

Estimates

The preparation of financial statements in accordance 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. Accordingly, actual results could differ from those estimates.

Grants Receivable

Grants receivable are stated at outstanding balances. The Trust considers grants receivable to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established, or the receivables will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

Note 2 - Summary of Significant Accounting Policies (continued)**Income Taxes**

The Trust has obtained a determination letter from the Internal Revenue Service stating that the Trust is considered a public charity, exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Trust continues to be operated in such a manner that it is exempt from federal and state income taxes.

The Trust follows the standards for accounting for uncertainty in income taxes according to the principles of ASC 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Trust, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Trust had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Trust is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before 2012.

Investments

Investments in debt and equity securities with readily determinable fair values are reported at fair value. Unrealized gains and losses are reported as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation. Realized gains and losses, if any, on the sale or disposal of investments are computed on a specific identification basis and are also included as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation.

Property and Equipment

Property and equipment are capitalized and carried at cost if purchased and at fair market value if contributed. The Trust's policy is to capitalize expenditures of \$500 or more. Depreciation is determined using the straight-line method at rates based on the following estimated useful lives:

Building	30 years
Office equipment	5 years
Furniture and fixtures	5 to 7 years
Vehicle	7 years

The charge for depreciation was \$36,485 and \$34,639 for the years ended December 31, 2015 and 2014, respectively.

Expenditures for major improvements that extend the useful lives of the building and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Note 2 - Summary of Significant Accounting Policies (continued)

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value amount. Fair value estimates are based on assumptions concerning the amount and timing of the estimated future cash flows and the discount rates reflecting varying degrees of perceived risk. The management of the Trust concluded that no impairment adjustments were required during the years ended December 31, 2015 and 2014.

Functional Expense Allocation Method

The costs of providing the programs and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services consist of general and administrative and fundraising expenses.

Public Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit use of the donated assets. The Trust classifies donor-restricted contributions as unrestricted support when the restrictions are satisfied in the same reporting period in which the contributions were received. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grant revenue is reported as unrestricted support, unless the funds are received with grantor stipulations that limit the use of the grant funds. When stipulations of use exist, the grant revenue is recorded as temporarily restricted support. When a restriction expires, temporarily restricted grant revenue is reported in the statement of activities as net assets released from restrictions.

The Trust's grant revenue, which is deemed to be in respect of exchange transactions, is classified as unrestricted revenue or deferred revenue, as appropriate, when received or receivable. Such grant revenue is not deemed to be a contribution since the proceeds thereof are used to pursue objectives of the grantor.

The Trust also receives fee-for-service revenue for work which is contracted by another organization or governmental entity to perform, including monitoring and farm assessments.

Donated Materials and Services

Donations of materials and marketable securities are recorded as contributions at their fair value on the date donated.

Donations of services are recorded only if they are professional services that would otherwise have been purchased or services by nonprofessionals that enhance a nonfinancial asset.

Lancaster Farmland Trust

Notes to Financial Statements

December 31, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies (continued)

Donated Materials and Services (continued)

Donations of property and equipment are recorded as support at their estimated fair value on the date donated. Contributions of cash that must be used to acquire land, buildings, and equipment are reported as temporarily restricted support. The Trust reports the release of donor restrictions when the donated or acquired assets are placed in service. At that time, the Trust reclassifies temporarily restricted net assets to unrestricted net assets.

The Trust recorded noncash contributions during the years ended December 31, 2015 and 2014 as gifts in kind and consist of the following for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Special events	\$ 18,089	\$ 29,914
Professional fees	6,402	4,798
Equipment rental and maintenance	-	1,210
Supplies	-	300
	<u>\$ 24,491</u>	<u>\$ 36,222</u>

The Trust has also recorded easements contributed in kind of \$2,764,434 and \$1,625,048 during the years ended December 31, 2015 and 2014, respectively. The amount of the contributed easement represents the fair market value of the easement contributed, less acquisition cost.

Advertising Costs

The Trust expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2015 and 2014 was \$1,022 and \$3,983, respectively.

Note 3 - Cash Equivalents and Concentrations of Credit Risk

The Trust considers deposits that can be redeemed on demand and highly liquid short-term investments with an original maturity of three months or less, when purchased, to be cash equivalents.

Certain financial instruments potentially subject the Trust to concentrations of credit risk. These financial instruments consist primarily of cash and investments. The Trust places its temporary cash investments with various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to certain limits. Balances exceed insured limits from time to time; however, the Trust does not anticipate any losses.

Lancaster Farmland Trust

Notes to Financial Statements

December 31, 2015 and 2014

Note 4 - Conservation Interests Held

Lancaster Farmland Trust acquires conservation interests in land by donation and purchase of conservation easements. The cumulative costs of the conservation interests acquired totaled \$13,867,556 and \$12,992,522 as of December 31, 2015 and 2014, respectively. Because conservation easements do not meet the criteria for asset recognition, there is no recognition on the statement of financial position for purchased or donated easements. As of December 31, 2015 and 2014, conservation easements held directly by the Lancaster Farmland Trust totaled 28,325 and 27,278 acres, respectively.

Note 5 - Investments

The investments were held and administered by various brokerage firms in the form of publicly traded or customized mutual fund portfolio accounts consisting of marketable securities. During 2015, the Trust transferred all investments to Vanguard. Investment fees amounted to \$15,345 and \$31,035 for the years ended December 31, 2015 and 2014, respectively, and are included in bank and investment fees in the statement of functional expenses.

Details of investments held are as follows as of December 31:

	2015		
	Cost	Fair Value	Unrealized Depreciation
Equity Securities			
Mutual funds - domestic	1,777,378	1,723,956	(53,422)
Mutual funds - international	811,566	719,918	(91,648)
Fixed Income Securities			
Mutual funds	1,026,594	999,355	(27,239)
	<u>\$ 3,615,538</u>	<u>\$ 3,443,229</u>	<u>\$ (172,309)</u>

Lancaster Farmland Trust**Notes to Financial Statements**

December 31, 2015 and 2014

Note 5 - Investments (continued)

	2014		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and Cash Equivalents	\$ 177,409	\$ 177,409	\$ -
Equity Securities			
Common stock			
Basic materials	61,012	71,425	10,413
Consumer discretionary	274,847	351,457	76,610
Consumer staples	37,111	57,825	20,714
Energy	99,929	91,702	(8,227)
Financials	282,870	366,968	84,098
Health care	240,096	335,572	95,476
Industrials	218,562	272,885	54,323
Information technology	294,184	416,641	122,457
Services	85,678	100,745	15,067
Mutual funds - domestic	142,493	270,107	127,614
Mutual funds - international	136,285	135,462	(823)
Fixed Income Securities			
Mutual funds	553,925	582,161	28,236
Mortgage backed securities (MBS) pooled	71,899	73,432	1,533
Treasury securities	298,060	295,067	(2,993)
	<u>\$ 2,974,360</u>	<u>\$ 3,598,858</u>	<u>\$ 624,498</u>

Note 6 - Operating Leases

The Trust entered into a 48-month operating lease for office equipment beginning in 2013. Total lease payments amounted to \$2,580 for the years ended December 31, 2015 and 2014. Future minimum lease payments under the non-cancellable operating lease consists of the following for the remaining two years ending December 31:

2016	\$ 2,580
2017	<u>1,290</u>
	<u>\$ 3,870</u>

Total lease expense charged to operations was \$2,580 for each of the years ended December 31, 2015 and 2014.

Note 7 - Commitments

The Trust has entered into a year long contract to monitor farms preserved by the Lancaster County Agricultural Board. The Trust will receive payments of \$100 per farm monitored.

Note 8 - Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, established 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 under FASB ASC 820 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the 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; and
- 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 valuation methodologies were used to measure fair value of assets in the table below on a recurring basis:

Cash and cash equivalents - The carrying amounts approximate fair value because of the short-term nature of those investments.

Equity and fixed income securities - Fair value based on quoted market prices for identical securities.

Lancaster Farmland Trust**Notes to Financial Statements**

December 31, 2015 and 2014

Note 8 - Fair Value Measurements (continued)

The methods described above may produce a fair value calculation that may not be indicative of actual net realized value at time of sale or maturity or reflective of future fair values. Furthermore, while the 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 following tables set forth, by level within the fair value hierarchy, the Trust's investment assets at fair value as of December 31:

2015				
	Level 1	Level 2	Level 3	Total
Equity Securities				
Mutual funds - domestic	\$ 1,723,956	\$ -	\$ -	\$ 1,723,956
Mutual funds - international	719,918	-	-	719,918
Total Equity Securities	2,443,874	-	-	2,443,874
Fixed Income Securities				
Mutual funds	999,355	-	-	999,355
Total Investments at Fair Value	\$ 3,443,229	\$ -	\$ -	\$ 3,443,229
2014				
Cash and Cash Equivalents	\$ 177,409	\$ -	\$ -	\$ 177,409
Equity Securities				
Common stock				
Basic materials	71,425	-	-	71,425
Consumer discretionary	351,457	-	-	351,457
Consumer staples	57,825	-	-	57,825
Energy	91,702	-	-	91,702
Financials	366,968	-	-	366,968
Health care	335,572	-	-	335,572
Industrials	272,885	-	-	272,885
Information technology	416,641	-	-	416,641
Services	100,745	-	-	100,745
Mutual funds - domestic	270,107	-	-	270,107
Mutual funds - international	135,462	-	-	135,462
Total Equity Securities	2,470,789	-	-	2,470,789

Lancaster Farmland Trust

Notes to Financial Statements

December 31, 2015 and 2014

Note 8 - Fair Value Measurements (continued)

	2014			Total
	Level 1	Level 2	Level 3	
Fixed Income Securities				
Mutual funds	582,161	-	-	582,161
Mortgage backed securities (MBS)				
pooled	73,432	-	-	73,432
Treasury securities	295,067	-	-	295,067
Total Fixed Income Securities	950,660	-	-	950,660
Total Investments at Fair Value	\$ 3,598,858	\$ -	\$ -	\$ 3,598,858

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets. For the years ended December 31, 2015 and 2014, there were no transfers in or out of Level 1.

The carrying amounts of cash and cash equivalents not included as investments, grant and other receivables, accounts payable, accrued expenses, and other current liabilities included in the statement of financial position approximate fair value given the short-term nature of these financial instruments.

Note 9 - Board Designated Funds

The Board of Trustees designated a Land Preservation Fund account to be established and used towards acquisitions of land easements and expenses related to the general operations of the Trust. The balance as of December 31, 2015 and 2014 was \$829,041 and \$1,138,323, respectively.

The Board of Trustees designated the stewardship fund at Morgan Stanley Smith Barney to be used towards future expenses relating to the maintenance of previously purchased land easements. The amount in the stewardship fund as of December 31, 2014 was \$3,071,843. During 2015, these funds were transferred to Vanguard, with the board designated purpose of stewarding and defending the conservation easements.

In 2013, the Trust received an IRA account held with TD Ameritrade as a contribution through a bequest. The bequest held no restrictions for the contributed account. The balance as of December 31, 2014 was \$527,015. During 2015, these funds were transferred to Vanguard, with the board designated purpose of stewarding and defending the conservation easements.

All board designated funds are included as unrestricted net assets.

Lancaster Farmland Trust

Notes to Financial Statements

December 31, 2015 and 2014

Note 10 - Retirement Plan

A SIMPLE Individual Retirement Account (IRA) pension plan is available to all employees who make, or are expected to make, at least \$5,000 annually. The Trust will match employee contributions up to 3% of the employee's base salary. For the years ended December 31, 2015 and 2014, retirement expense amounted to \$19,758 and \$17,554, respectively.

Note 11 - Contributions Held by Others

The Trust had a memorandum of understanding with the Pew Charitable Trusts where all funds raised and received by the Trust for the purpose of land preservation were matched with 20% donation from Pew Charitable Trusts. Phase one of this memorandum of understanding included all funds raised up to \$1,606,795 through May 31, 2015. As of December 31, 2014, the Trust had reached the campaign goal of \$1,606,795 for the memorandum of understanding. The Trust received the corresponding match of \$321,359 during 2015. No memorandum of understanding was in place as of December 31, 2015.

Note 12 - Subsequent Events

The Trust has evaluated subsequent events through July 18, 2016. This date is the date the financial statements were available to be issued. No material subsequent events, other than those documented below, were noted.

In 2015, the Lancaster County Board of Commissioners approved a \$250,000 matching challenge grant to the Trust, through the 2015 Farmland Preservation Fund, to permanently preserve prime farmland in areas planned for agriculture in accordance with guidelines prepared for the program.