

Lancaster Farmland Trust

Financial Report

December 31, 2017



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Lancaster Farmland Trust
Strasburg, Pennsylvania

We have audited the accompanying financial statements of Lancaster Farmland Trust (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2017 and 2016, 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 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, 2017 and 2016, 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.

A handwritten signature in black ink that reads "Simon Lever LLP". The signature is fluid and cursive, with the letters "LLP" written in a slightly more formal, blocky style at the end.

Simon Lever LLP
Lititz, PA

July 9, 2018

FINANCIAL STATEMENTS

Lancaster Farmland Trust

STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
	\$	\$
ASSETS		
Cash and cash equivalents	477,903	197,349
Cash and cash equivalents designated for land preservation	658,273	620,617
Grants receivable	272,082	223,970
Contributions receivable	57,052	39,660
Prepaid expenses	5,534	5,834
Investments designated for Stewardship Fund	4,663,837	3,969,326
PROPERTY AND EQUIPMENT		
Building and improvements	723,187	705,919
Land	60,000	60,000
Office equipment	85,172	82,849
Furniture and fixtures	35,311	28,800
Vehicle	18,639	18,639
Total	922,309	896,207
Less accumulated depreciation	(375,792)	(342,134)
Property and Equipment, Net of Accumulated Depreciation	546,517	554,073
<u>TOTAL ASSETS</u>	<u>6,681,198</u>	<u>5,610,829</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	144,232	6,949
Accrued payroll and vacation	14,129	27,850
Other accrued expenses	7,639	1,157
Total Liabilities	166,000	35,956
NET ASSETS		
Unrestricted net assets		
Undesignated	823,375	501,582
Board designated	5,322,110	4,589,943
Total Unrestricted Net Assets	6,145,485	5,091,525
Temporarily Restricted Net Assets	369,713	483,348
Total Net Assets	6,515,198	5,574,873
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>6,681,198</u>	<u>5,610,829</u>

See Notes to Financial Statements

Lancaster Farmland Trust

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Contributions and Other Support			
Easements in-kind	1,937,694	0	1,937,694
Contributions	773,117	0	773,117
Grants	1,114,421	313,022	1,427,443
Lancaster County matching grant	250,000	0	250,000
Special events, net of direct expenses of \$59,111	163,252	0	163,252
Gifts in-kind	4,936	0	4,936
Land Trust reimbursement program	70,000	0	70,000
Total Contributions and Other Support	<u>4,313,420</u>	<u>313,022</u>	<u>4,626,442</u>
Other Revenue			
Unrealized gain on investments	511,638	0	511,638
Dividends	100,531	0	100,531
Realized gain on investments	54,333	0	54,333
Fee for service revenue	97,769	0	97,769
Net assets released from restrictions	426,657	(426,657)	0
Total Other Revenue	<u>1,190,928</u>	<u>(426,657)</u>	<u>764,271</u>
Total Revenue	<u>5,504,348</u>	<u>(113,635)</u>	<u>5,390,713</u>
Functional Expenses			
Program Services	4,155,377	0	4,155,377
Supporting Services			
General and administrative	80,954	0	80,954
Fundraising	214,057	0	214,057
Total Functional Expenses	<u>4,450,388</u>	<u>0</u>	<u>4,450,388</u>
Change in Net Assets	1,053,960	(113,635)	940,325
Net Assets at Beginning of Year	<u>5,091,525</u>	<u>483,348</u>	<u>5,574,873</u>
<u>Net Assets at End of Year</u>	<u><u>6,145,485</u></u>	<u><u>369,713</u></u>	<u><u>6,515,198</u></u>

See Notes to Financial Statements

Lancaster Farmland Trust

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
	\$	\$	\$
Contributions and Other Support			
Easements in-kind	1,742,339	0	1,742,339
Contributions	893,001	0	893,001
Grants	166,905	404,210	571,115
Lancaster County matching grant	250,000	0	250,000
Special events, net of direct expenses of \$57,440	132,085	0	132,085
Gifts in-kind	8,849	0	8,849
Land Trust reimbursement program	85,000	0	85,000
Total Contributions and Other Support	<u>3,278,179</u>	<u>404,210</u>	<u>3,682,389</u>
Other Revenue			
Unrealized gain on investments	208,339	0	208,339
Dividends	90,992	0	90,992
Realized gain on investments	3,261	0	3,261
Fee for service revenue	78,601	0	78,601
Net assets released from restrictions	16,393	(16,393)	0
Total Other Revenue	<u>397,586</u>	<u>(16,393)</u>	<u>381,193</u>
Total Revenue	<u>3,675,765</u>	<u>387,817</u>	<u>4,063,582</u>
Functional Expenses			
Program Services	3,416,531	0	3,416,531
Supporting Services			
General and administrative	75,990	0	75,990
Fundraising	170,280	0	170,280
Total Functional Expenses	<u>3,662,801</u>	<u>0</u>	<u>3,662,801</u>
Change in Net Assets	12,964	387,817	400,781
Net Assets at Beginning of Year	<u>5,078,561</u>	<u>95,531</u>	<u>5,174,092</u>
<u>Net Assets at End of Year</u>	<u><u>5,091,525</u></u>	<u><u>483,348</u></u>	<u><u>5,574,873</u></u>

See Notes to Financial Statements

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program	General and Administrative	Fundraising	Total
	\$	\$	\$	\$
Easements in-kind	1,937,694	0	0	1,937,694
Easement acquisition	773,644	0	0	773,644
Appraisal fees	12,350	0	0	12,350
Bank and investment fees	17,232	33	2,026	19,291
Depreciation	24,234	3,029	6,395	33,658
Dues and subscriptions	10,086	1,483	2,203	13,772
Employee benefits	46,475	3,181	8,492	58,148
Insurance	32,644	1,804	1,804	36,252
Meetings and other	10,227	556	683	11,466
Miscellaneous	3,669	0	0	3,669
Newsletters and print materials	10,022	205	12,976	23,203
Outside services	744,270	4,073	8,823	757,166
Payroll taxes	31,553	3,691	8,404	43,648
Postage	4,667	448	5,208	10,323
Professional fees	50,758	3,592	41,031	95,381
Repairs and maintenance	4,026	783	783	5,592
Salaries and wages	411,513	51,790	110,708	574,011
Supplies	2,137	697	428	3,262
Telephone and internet	9,587	1,864	1,864	13,315
Training	9,026	2,553	804	12,383
Travel	4,849	255	508	5,612
Utilities	4,714	917	917	6,548
Total Functional Expenses	4,155,377	80,954	214,057	4,450,388

See Notes to Financial Statements

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	Program	General and Administrative	Fundraising	Total
	\$	\$	\$	\$
Easements in-kind	1,742,339	0	0	1,742,339
Easement acquisition	832,229	0	0	832,229
Appraisal fees	21,500	0	0	21,500
Bank and investment fees	13,891	15	4,921	18,827
Depreciation	26,890	2,445	5,587	34,922
Dues and subscriptions	10,170	1,574	2,611	14,355
Employee benefits	54,169	3,045	9,579	66,793
Insurance	32,614	1,768	1,768	36,150
Meetings and other	5,014	1,217	947	7,178
Miscellaneous	3,484	42	42	3,568
Newsletters and print materials	6,950	102	12,038	19,090
Outside services	43,409	3,498	6,711	53,618
Payroll taxes	37,061	3,196	7,453	47,710
Postage	4,467	255	3,128	7,850
Professional fees	33,796	3,199	3,697	40,692
Repairs and maintenance	4,497	968	382	5,847
Salaries and wages	514,588	49,068	107,425	671,081
Supplies	2,265	577	428	3,270
Telephone and internet	8,518	1,658	1,633	11,809
Training	6,579	2,060	190	8,829
Travel	8,109	406	979	9,494
Utilities	3,992	897	761	5,650
Total Functional Expenses	3,416,531	75,990	170,280	3,662,801

See Notes to Financial Statements

Lancaster Farmland Trust

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	940,325	400,781
Adjustment to reconcile change in net assets to net cash used in operating activities:		
Depreciation	33,658	34,922
Unrealized gain on investments	(511,638)	(208,339)
Realized gain on investments	(54,333)	(3,261)
Change in assets and liabilities:		
Grants receivable	(48,112)	(191,105)
Contributions receivable	(17,392)	(24,079)
Prepaid expenses	300	(3,622)
Accounts payable	137,283	(8,781)
Accrued payroll and vacation	(13,721)	10,742
Other accrued expenses	6,482	(21,648)
Net Cash Provided by (Used in) Operating Activities	<u>472,852</u>	<u>(14,390)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(742,032)	(511,892)
Proceeds from sale of investments	613,492	197,395
Purchase of property and equipment	(26,102)	(16,378)
Net Cash Used in Investing Activities	<u>(154,642)</u>	<u>(330,875)</u>
 Net Change in Cash and Cash Equivalents	 318,210	 (345,265)
Cash and Cash Equivalents:		
Beginning	<u>817,966</u>	<u>1,163,231</u>
<u>Ending</u>	<u><u>1,136,176</u></u>	<u><u>817,966</u></u>

See Notes to Financial Statements

Lancaster Farmland Trust

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

Nature of Activities – Lancaster Farmland Trust (the Trust) is a private nonprofit organization that works to preserve and protect productive agricultural land in Lancaster County, Pennsylvania; 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.

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

Cash and Cash Equivalents – The Trust considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

The Trust maintains accounts with one bank. FDIC insurance is limited to \$250,000 per account holder at each bank. In the normal course of operations, the Trust may have deposits in excess of FDIC insurance at times. Based on the historical realization of these deposits, the Trust believes it bears minimal credit risk.

Grants and Contributions Receivable – Grants and contributions receivable are stated at the amount the Trust expects to collect from balances outstanding at year-end. Based on the Trust's assessment of the credit history with grantors and donors having outstanding balances and current relationships with them, it has concluded that no valuation allowance is required. All grants and contributions receivable are expected to be collected within one year.

Investments – The Trust carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their market value in the statement of financial position. Investment income and gains and losses (both realized and unrealized) on investments are reported as increases or decreases in unrestricted net assets unless a donor temporarily or permanently restricts their use.

Property and Equipment – Property and equipment are recorded at cost. Expenditures that significantly add to productive capacity or useful life of an asset are capitalized. Maintenance and repairs are charged to expense as incurred. When depreciable property is retired or otherwise disposed of, the cost and related accumulated depreciation is eliminated from the accounts and the resultant gain or loss is reflected in change in net assets. Depreciation is computed by the straight-line method at rates based on estimated service lives.

Long-Lived Assets – Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies – Continued

Net Assets – The Trust reports 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.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Trust and changes therein 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.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Trust.

Public Support and Revenue – All contributions are considered available for unrestricted use unless specifically restricted by the donor. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if the contribution is designated for use in a future period. When a donor restriction expires, that is, when a stipulated time restriction ends or 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. 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. For gifts of long-lived assets with no explicit donor stipulations that specify how long the assets must be maintained, the Trust reports the expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

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 reported as temporarily restricted support. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Governmental grant revenue, which is deemed to be received 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 other organizations or governmental entities, including easement monitoring and farm assessments.

Donated Materials and Services – Donated materials are reflected as contributions and special event revenues in the accompanying statements of activities, based on the use of the donated items, at their estimated fair market value on the date received. Donated materials amounted to \$15,082 and \$15,548 for the years ended December 31, 2017 and 2016, respectively.

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies – Continued

Donated services are reflected in the financial statements at the fair value of the services received. Donated services are recognized as contributions in accordance with generally accepted accounting principles, if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated services for supporting activities amounted to \$8,646 and \$8,780 for the years ended December 31, 2017 and 2016, respectively. In addition, the Trust receives a significant amount of donated services from unpaid volunteers who assist in program and fundraising activities. For the years ended December 31, 2017 and 2016, no amounts for the value of these services have been recognized in the statements of activities because the criteria for recognition under generally accepted accounting principles have not been satisfied.

The Trust has recorded easements contributed in-kind of \$1,937,694 and \$1,742,339 for the years ended December 31, 2017 and 2016, respectively. The amount recorded as in-kind contributions is equal to the fair market value of the easements contributed less acquisition cost.

Functional Allocation of Expenses – The cost of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

Retirement Plan – The Trust offers a SIMPLE Individual Retirement Account (IRA) plan 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, 2017 and 2016, retirement plan expense totaled \$17,578 and \$19,810, respectively.

Advertising Costs – The Trust expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2017 and 2016 totaled \$2,872 and \$2,583, respectively.

Accrued Interest and Penalties Related to Unrecognized Tax Benefits – The Trust reports accrued interest and penalties related to unrecognized tax benefits as interest and penalties expense, respectively. There were no interest or penalties related to unrecognized tax benefits for the years ended December 31, 2017 and 2016.

Subsequent Events – The date to which events occurring after December 31, 2017, the date of the most recent statements of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is July 9, 2018, which is the date on which the financial statements were available to be issued.

Notes to Financial Statements

Note 2 – New Accounting Standards

Issued

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," which clarifies the principles for recognizing revenue from contracts with customers. This update will replace nearly all current U.S. GAAP guidance related to revenue recognition and will eliminate industry specific guidance. The core principle of this new standard is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods and services. The standard also requires certain financial statement disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized. ASU 2014-09 will be effective for annual periods beginning after December 15, 2018. Early application is permitted.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," which requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than twelve months. Recognition, measurement, and presentation of expenses will depend on classification as finance or operating lease. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted.

In August 2016, the FASB issued ASU No. 2016-14, "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities." The amendments in this update include, but are not limited to, requirements for qualitative and quantitative assessments of net asset classes, investment returns, natural and functional expenses, liquidity and the availability of resources, and presentation of operating cash flows. ASU 2016-14 will be effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. Early application is permitted.

The Trust is currently evaluating the impact these updates will have on its financial statements.

Note 3 – Investments

Investments at December 31, 2017 and 2016 are comprised of the following:

	Cost	Market Value	Unrealized Gain (Loss)
	\$	\$	\$
2017			
Mutual funds			
Equity securities - domestic	1,542,701	1,959,475	416,774
Equity securities - international	1,169,550	1,312,121	142,571
Fixed income securities	1,403,918	1,392,241	(11,677)
<u>Total Investments</u>	<u>4,116,169</u>	<u>4,663,837</u>	<u>547,668</u>

Notes to Financial Statements

Note 3 – Investments - Continued

	Cost	Fair Value	Unrealized Gain (Loss)
	\$	\$	\$
2016			
Mutual funds			
Equity securities - domestic	1,851,526	1,983,456	131,930
Equity securities - international	884,897	811,187	(73,710)
Fixed income securities	1,196,873	1,174,683	(22,190)
<u>Total Investments</u>	<u>3,933,296</u>	<u>3,969,326</u>	<u>36,030</u>

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 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 assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017.

Notes to Financial Statements

Note 4 – Fair Value Measurements – Continued

Mutual funds: Valued at quoted market prices which represent the net asset value of shares held by the Trust at year-end.

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 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 table sets forth, by level within the fair value hierarchy, the Trust's assets at fair value as of December 31, 2017 and 2016:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
2017				
Mutual funds				
Equity securities - domestic	1,959,475	0	0	1,959,475
Equity securities - international	1,312,121	0	0	1,312,121
Fixed income securities	1,392,241	0	0	1,392,241
<u>Total Assets at Fair Value</u>	<u>4,663,837</u>	<u>0</u>	<u>0</u>	<u>4,663,837</u>
2016				
Mutual funds				
Equity securities - domestic	1,983,456	0	0	1,983,456
Equity securities - international	811,187	0	0	811,187
Fixed income securities	1,174,683	0	0	1,174,683
<u>Total Assets at Fair Value</u>	<u>3,969,326</u>	<u>0</u>	<u>0</u>	<u>3,969,326</u>

Note 5 – Unrestricted Net Assets

The Trust's Board of Trustees designated a Land Preservation Fund account to be used toward acquisitions of land easements and expenses related to the general operations of the Trust. The fund balance as of December 31, 2017 and 2016 was \$658,273 and \$620,617, respectively.

The Board of Trustees designated the Amos Funk Stewardship Fund for the perpetual stewardship of the conservation easements held by the Trust. The fund balance as of December 31, 2017 and 2016 was \$4,663,837 and \$3,969,326, respectively.

All board designated funds are included as unrestricted net assets.

Lancaster Farmland Trust

Notes to Financial Statements

Note 6 – Temporarily Restricted Net Assets

At December 31, 2017 and 2016, temporarily restricted net assets are available for the following purposes:

	2017	2016
	\$	\$
Blank Farm preservation	0	152,500
Clay Township land preservation	0	133,970
Caernarvon Township land preservation	101,591	82,717
Municipalities Water Quality Options project	100,000	90,000
Bringing Back the Buzz project	0	16,050
Capacity building	0	6,780
Hybrid vehicle	0	1,331
Brecknock Township land preservation	133,122	0
Risser Mill land preservation	35,000	0
<u>Total Temporarily Restricted Net Assets</u>	<u>369,713</u>	<u>483,348</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose of the restrictions specified by donors during the years ended December 31, 2017 and 2016 as follows:

	2017	2016
	\$	\$
Blank Farm preservation	152,500	0
Clay Township land preservation	133,970	0
Caernarvon Township land preservation	26,026	0
Municipalities Water Quality Options project	90,000	0
Bringing Back the Buzz project	16,050	0
Capacity building	6,780	0
Hybrid vehicle	1,331	812
Lancaster County Community Foundation	0	15,581
<u>Total Net Assets Released from Restrictions</u>	<u>426,657</u>	<u>16,393</u>

Note 7 – Conservation Interests Held

The Trust acquires conservation interests in land by donation and purchase of conservation easements. The cumulative costs of the conservation interests acquired totaled \$15,319,666 and \$14,723,500 as of December 31, 2017 and 2016, respectively. There is no asset on the statement of financial position for purchased or donated easements because conservation easements do not meet the criteria for asset recognition under generally accepted accounting principles. Conservation easements held directly by the Trust totaled 29,689 acres and 29,015 acres as of December 31, 2017 and 2016, respectively.

Notes to Financial Statements

Note 8 – Operating Leases

The Trust leased office equipment under an operating lease that expired in July 2017. Lease payments under the expired agreement totaled \$2,387 and \$2,365 for the years ended December 31, 2017 and 2016, respectively.

In 2017, the Trust entered into an operating lease agreement for office equipment. The lease requires monthly rent payments of \$215 through November 2021. Lease payments under the agreement totaled \$290 for the year ended December 31, 2017. Future minimum operating lease payments required under the agreement are as follows: 2018-\$2,580; 2019-\$2,580; 2020-\$2,580; 2021-\$2,365.