



**Lancaster
Farmland
Trust**

**YEARS ENDED
DECEMBER 31, 2021 AND 2020**



**BROWN SCHULTZ
SHERIDAN & FRITZ**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

LANCASTER FARMLAND TRUST

YEARS ENDED DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

Board of Trustees
Lancaster Farmland Trust
Strasburg, Pennsylvania

Opinion

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, 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.

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, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lancaster Farmland Trust and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lancaster Farmland Trust's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance; and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lancaster Farmland Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lancaster Farmland Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Brown Schultz Steindler & Fritz

Lancaster, Pennsylvania
July 21, 2022

LANCASTER FARMLAND TRUST

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS

	2021	2020
Cash and cash equivalents:		
Undesignated	\$ 446,973	\$ 628,882
Designated for land preservation	3,278,084	1,907,235
Total cash and cash equivalents	3,725,057	2,536,117
Other assets:		
Accounts receivable	74,385	53,080
Grants receivable	103,442	316,902
Contributions receivable	239,491	567,159
Pledges receivable, net of discounts	213,918	337,586
Prepaid expenses	10,190	7,840
Investments designated for Stewardship Fund	6,862,459	5,398,601
Total other assets	7,503,885	6,681,168
Property and equipment:		
Building and improvements	739,407	737,961
Land	60,000	60,000
Office equipment	134,407	115,642
Furniture and fixtures	44,868	44,360
Vehicle	18,639	18,639
Accumulated depreciation	(527,850)	(490,503)
Property and equipment, net of accumulated depreciation	469,471	486,099
Total assets	\$ 11,698,413	\$ 9,703,384

See notes to financial statements.

LANCASTER FARMLAND TRUST

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

LIABILITIES AND NET ASSETS

	2021	2020
Liabilities:		
Accounts payable	\$ 50,202	\$ 291,778
Accrued:		
Payroll and vacation	37,421	32,213
Payroll taxes	16,454	29,628
Other expenses	1,011	3,929
Deferred revenue	237,669	
Total liabilities	342,757	357,548
Net assets:		
Without donor restrictions:		
Undesignated	315,343	1,055,758
Board designated	7,330,095	5,704,590
Total without donor restrictions	7,645,438	6,760,348
With donor restrictions	3,710,218	2,585,488
Total net assets	11,355,656	9,345,836
Total liabilities and net assets	\$ 11,698,413	\$ 9,703,384

See notes to financial statements.

LANCASTER FARMLAND TRUST

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2021

	Without donor restrictions	With donor restrictions	Total
Contributions and other support:			
Easements in-kind	\$ 4,552,363		\$ 4,552,363
Contributions	2,467,663	\$ 1,251,579	3,719,242
Grants	925,436		925,436
Special events	135,520		135,520
Gifts in-kind	228		228
Land Trust reimbursement program	85,000		85,000
Total contributions and other support	8,166,210	1,251,579	9,417,789
Other revenue:			
Unrealized gain on investments	595,668		595,668
Dividends, net of investment fees of \$18,398	121,537		121,537
Realized gain on investments	318		318
Fee for service revenue	153,603		153,603
Net assets released from restrictions	126,849	(126,849)	-
Total other revenue	997,975	(126,849)	871,126
Total revenue	9,164,185	1,124,730	10,288,915
Expenses:			
Program	7,734,210		7,734,210
Management and general	86,746		86,746
Fundraising	458,139		458,139
Total expenses	8,279,095		8,279,095
Change in net assets	885,090	1,124,730	2,009,820
Net assets:			
Beginning of year	6,760,348	2,585,488	9,345,836
End of year	\$ 7,645,438	\$ 3,710,218	\$ 11,355,656

See notes to financial statements.

LANCASTER FARMLAND TRUST

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2020

	Without donor restrictions	With donor restrictions	Total
Contributions and other support:			
Easements in-kind	\$ 2,318,674		\$ 2,318,674
Contributions	1,215,919	\$ 1,400,080	2,615,999
Grants	1,085,796	125,000	1,210,796
Special events	143,729		143,729
Gifts in-kind	1,224		1,224
Land Trust reimbursement program	60,000		60,000
Total contributions and other support	4,825,342	1,525,080	6,350,422
Other revenue:			
Net unrealized gain on investments	511,392		511,392
Dividends, net of investment fees of \$16,065	90,638		90,638
Realized gain on investments	146,468		146,468
Fee for service revenue	103,623		103,623
Net assets released from restrictions	125,000	(125,000)	-
Total other revenue	977,121	(125,000)	852,121
Total revenue	5,802,463	1,400,080	7,202,543
Expenses:			
Program	4,676,545		4,676,545
Management and general	129,892		129,892
Fundraising	381,332		381,332
Total functional expenses	5,187,769		5,187,769
Change in net assets	614,694	1,400,080	2,014,774
Net assets:			
Beginning of year	6,145,654	1,185,408	7,331,062
End of year	\$ 6,760,348	\$ 2,585,488	\$ 9,345,836

See notes to financial statements.

LANCASTER FARMLAND TRUST

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program	Management and general	Fundraising	Total
Easements in-kind	\$ 4,552,363			\$ 4,552,363
Easement acquisition	1,715,179			1,715,179
Easement appraisal fees	27,000			27,000
Easement stewardship	5,503			5,503
Bank fees	791	\$ 7	\$ 3,756	4,554
Depreciation	21,289	2,510	13,839	37,638
Dues and subscriptions	17,802	2,066	8,713	28,581
Employee benefits	47,418	9,035	19,721	76,174
Event food and beverage	12,032		386	12,418
Insurance	39,845	2,165	2,918	44,928
Meetings and other	1,253	127	915	2,295
Miscellaneous	16,771	366	5,849	22,986
Newsletters and print materials	34,189	1,200	35,573	70,962
Outside services	632,843	2,770	30,140	665,753
Payroll taxes	33,898	3,830	21,527	59,255
Postage	5,990	212	5,145	11,347
Professional fees	66,172	3,285	4,413	73,870
Repairs and maintenance	10,734	2,058	2,779	15,571
Salaries and wages	456,149	53,779	296,522	806,450
Supplies	13,043	481	749	14,273
Telephone and internet	8,959	1,732	2,931	13,622
Training	1,855	25	642	2,522
Travel	9,221	342	603	10,166
Utilities	3,911	756	1,018	5,685
Total	\$ 7,734,210	\$ 86,746	\$ 458,139	\$ 8,279,095

See notes to financial statements.

LANCASTER FARMLAND TRUST

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program	Management and general	Fundraising	Total
Easements in-kind	\$ 2,318,674			\$ 2,318,674
Easement acquisition	821,516			821,516
Easement appraisal fees	25,200			25,200
Bank fees	697	\$ 16	\$ 2,512	3,225
Depreciation	24,198	5,655	6,866	36,719
Dues and subscriptions	13,910	1,829	7,487	23,226
Employee benefits	38,377	7,001	13,863	59,241
Event food and beverage	113			113
Insurance	36,525	2,044	2,480	41,049
Meetings and other	4,715	849	1,517	7,081
Miscellaneous	12,948	61	48	13,057
Newsletters and print materials	20,291	738	22,422	43,451
Outside services	806,647	3,349	4,460	814,456
Payroll taxes	26,199	6,260	19,543	52,002
Postage	3,742	122	3,742	7,606
Professional fees	102,793	3,580	10,939	117,312
Repairs and maintenance	24,961	5,833	7,083	37,877
Salaries and wages	366,214	87,510	273,185	726,909
Supplies	8,344	186	379	8,909
Telephone and internet	9,185	2,688	2,602	14,475
Training	2,305	957	761	4,023
Travel	5,221	334	373	5,928
Utilities	3,770	880	1,070	5,720
Total	\$ 4,676,545	\$ 129,892	\$ 381,332	\$ 5,187,769

See notes to financial statements.

LANCASTER FARMLAND TRUST

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,009,820	\$ 2,014,774
Adjustments:		
Depreciation	37,638	36,719
Unrealized gain on investments	(595,668)	(511,392)
Realized gain on investments	(318)	(146,468)
Paycheck Protection Program loan forgiveness	(149,198)	(145,960)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(21,305)	(53,080)
Grants receivable	213,460	(207,188)
Contributions receivable	327,668	(503,751)
Pledges receivable, net of discounts	123,668	117,588
Prepaid expenses	(2,350)	2,324
Increase (decrease) in:		
Account payable	(241,576)	183,307
Accrued:		
Payroll and vacation	5,208	9,704
Payroll taxes	(13,174)	29,628
Other accrued expenses	(2,918)	2,601
Deferred revenue	237,669	
Net cash provided by operating activities	<u>1,928,624</u>	<u>828,806</u>
Cash flows from investing activities:		
Purchase of investments	(886,270)	(467,559)
Proceeds from sales of investments	18,398	767,403
Purchase of property and equipment	(21,010)	(4,158)
Net cash provided by (used in) investing activities	<u>(888,882)</u>	<u>295,686</u>
Cash flows provided by financing activities, proceeds from Paycheck Protection Program loan	<u>149,198</u>	<u>145,960</u>
Net increase in cash and cash equivalents	<u>1,188,940</u>	<u>1,270,452</u>
Cash and cash equivalents:		
Beginning	2,536,117	1,265,665
End	<u>\$ 3,725,057</u>	<u>\$ 2,536,117</u>

Supplemental disclosure of noncash financing activities:

In the years 2021 and 2020, the Trust received forgiveness of its

Paycheck Protection Program (PPP) loan balance of \$149,198 and \$145,960, respectively.

See notes to financial statements.

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Nature of activities and 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.

Basis of accounting:

The financial statements are prepared on the accrual basis of accounting with revenue recognized when earned and expenses recognized when incurred.

Basis of presentation:

Financial statement presentation follows the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Trust is required to report information regarding its financial position and activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - those not restricted by donors or the donor-imposed restrictions have expired. Net assets without donor restrictions, but subject to self-imposed limits by action of the board, are also classified as net assets without donor restrictions. The board may earmark net assets for future programs, purchase of fixed assets or other uses. Some governing boards delegate designation decisions to internal management. Such designations are considered to be included in board-designated net assets.

Net assets with donor restrictions - those subject to donor-imposed stipulations that may or will be met either by actions of the Trust and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Also included in this category are net assets subject to donor-imposed stipulations that they be maintained permanently by the Trust. The donors may permit all or part of the income earned on any related investments be used for general or specific purposes. The Trust has no donor-restricted net assets that are to be maintained permanently.

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Nature of activities and summary of significant accounting policies (continued):

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. Significant estimates affecting these financial statements include management's allocation of functional expenses, the fair value of investments, the valuation of easements in-kind, the useful lives of property and equipment and management's determination that an allowance for doubtful accounts is not necessary.

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.

Accounts, grants and contributions receivable:

Accounts, 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 accounts, grants and contributions receivable are expected to be collected within one year.

Receivables consisted of the following at December 31:

	Accounts receivable		Grants receivable		Contributions receivable		Pledges receivable, net of discounts	
	2021	2020	2021	2020	2021	2020	2021	2020
Beginning of year	\$ 53,080	\$ -	\$ 316,902	\$ 109,714	\$ 567,159	\$ 63,408	\$ 337,586	\$ 455,174
End of year	74,385	53,080	103,442	316,902	239,491	567,159	213,918	337,586

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 net assets without donor restrictions unless a donor places a restriction on its use.

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Nature of activities and summary of significant accounting policies (continued):

Property and equipment:

Property and equipment are recorded at cost. Expenditures over \$250 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.

Revenue recognition:

The Trust's primary sources of revenues are contributions from individuals, foundations and businesses, grants, fees for service and special events.

Contributions are considered non-exchange transactions and are recognized when received. Contributions received are recorded as support without donor restrictions unless they are restricted by donor-imposed stipulations. Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. For restricted contributions where the restrictions are satisfied in the same period as receipt of contributions, the Trust reports these contributions as support without donor restrictions. The Trust has started a capital campaign to support its easement acquisition efforts. Unconditional pledges are recognized as donor-restricted revenue when the pledge is made. Conditional pledges are recognized as revenue in the year the condition is met.

The Trust receives grants from various parties. Many of the grants are reimbursement based. The Trust will perform the work outlined in the agreements and then submit for reimbursement for the costs incurred to fulfill the performance obligations outlined in the agreements. Some grants provide advance payments to the Trust to provide working capital for advance expenses for the work outlined in the grant agreements. Revenue collected in advance of the trust performing the work outlined in the agreements is deferred until the Trust fulfills the performance obligations outlined in the agreements. The Trust recognizes revenue at the point in time when the performance obligation is met. Other grants are received and specified to be used in a particular time period or for a particular project. This grant revenue is reported as support without donor restrictions, 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 support with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Nature of activities and summary of significant accounting policies (continued):

Revenue recognition:

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. A contract is signed with each party that outlines the services to be performed. The Trust bills each customer as the work is performed and performance obligations are met and recognizes revenue at that time.

The Trust holds various events throughout the year. Attendees pay a registration fee to attend the event. Sponsorships are also available and often include admission to the event for a certain number of people and acknowledgement in either printed, digital or verbal format at the event. When the event is held, the Trust has fulfilled its performance obligation with both the attendees and the sponsors and revenue is recognized at that time.

Donated materials and services:

Donated materials are reflected as contributions and special event revenues in the accompanying statement of activities, based on the use of the donated items, at their estimated fair market value on the date received. Donated materials amounted to \$8,384 and \$6,053 for the years ended December 31, 2021 and 2020, respectively.

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 (GAAP), 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 \$228 and \$1,224 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, no amounts for the value of these services have been recognized in the statement of activities because the criteria for recognition under GAAP have not been satisfied.

The Trust has recorded easements contributed in-kind of \$4,552,363 and \$2,318,674 for the years ended December 31, 2021 and 2020, respectively. The amount recorded as in-kind contributions is equal to the fair market value of the easements contributed less acquisition cost.

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Nature of activities and summary of significant accounting policies (continued):

Functional allocation of expenses:

Natural expenses attributable to more than one functional expense category are allocated using management's estimate of staff time spent on program, management and general and fundraising activities. Costs directly related to a program or supporting service are charged directly to that program or supporting service.

Advertising costs:

The Trust expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2021 and 2020 totaled \$7,722 and \$2,820, respectively.

Income taxes:

The Trust has been recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements.

Reclassifications:

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation.

Recently issued accounting standards:

Leases:

FASB Accounting Standards Update (ASU) 2016-02, *Leases*, is effective for the Trust's 2022 year end and requires that all leases with terms of more than 12 months be recognized as assets and liabilities on the balance sheet. Recognition of these lease assets and lease liabilities represents a change from previous GAAP, which did not require lease assets and lease liabilities to be recognized for operating leases. Qualitative disclosures, along with specific quantitative disclosures, will be required to provide enough information to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an entity's leasing activities.

The Trust will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that the Trust may elect to apply. At adoption, the Trust will recognize a right-of-use asset and a lease liability initially measured at the present value of its operating lease payments. The Trust is currently evaluating the impacts of adopting this guidance on its financial position, results of operations and cash flows.

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Nature of activities and summary of significant accounting policies (continued):

Recently issued accounting standards:

Contributed nonfinancial assets:

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Standard will require contributed nonfinancial assets to be a separate line item in the statement of activities and enhanced disclosures. The required disclosures include a disaggregation of the amount of contributed nonfinancial assets recognized in the statement of activities by category that depicts the type of contributed nonfinancial assets and for each category of contributed nonfinancial assets: 1) qualitative information regarding utilization or monetization of the contributed nonfinancial assets, 2) the programs or activities the contributed nonfinancial assets were utilized for, 3) the entity's policy for monetizing rather than utilizing contributed nonfinancial assets (if applicable), 4) a description of any donor-imposed restrictions on the nonfinancial assets, 5) a description of the valuation techniques and inputs used to arrive at the fair market value assigned to the contributed nonfinancial assets and 6) the principal market used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial asset. The Standard is to be applied retrospectively and will be effective for the Trust beginning January 1, 2022. The Trust is currently evaluating the impacts of adopting this guidance on its financial statements and related disclosures.

2. Concentrations:

Credit risk:

The Trust maintains accounts with one financial institution where the balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, the bank account balances may exceed \$250,000; however, the Trust has not experienced any losses related to uninsured balances. At December 31, 2021, the amount of deposits in cash and cash equivalents exceeded the FDIC limit by approximately \$3,531,000.

Receivables:

At December 31, 2021 and 2020, 100% and approximately 94%, respectively, of outstanding grants receivables were due from three grantors.

At December 31, 2021 and 2020, approximately 63% and 88%, respectively, of outstanding contributions receivables were due from two contributors and one contributor.

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

2. Concentrations (continued):

Receivables:

At both December 31, 2021 and 2020, approximately 41% of outstanding pledges receivables were due from two pledgors.

At December 31, 2021 and 2020, 100% and approximately 98%, respectively, of outstanding accounts receivable were due from two customers.

Revenue:

Approximately 27% and 39% of the Trust's contribution revenue in 2021 and 2020, respectively, is derived from one contributor.

Approximately 93% and 92% of the Trust's grant revenue in 2021 and 2020, respectively, is derived from grant agreements and contracts from four grantors.

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

3. Liquidity and availability of financial assets:

As of December 31, 2021 and 2020, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses and capital expenditures not financed with debt, were as follows:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 3,725,057	\$ 2,536,117
Accounts receivable	74,385	53,080
Grants receivable	103,442	316,902
Contributions receivable	239,491	567,159
Pledge receivable, current portion	143,842	215,601
Investments designated for Stewardship Fund	<u>6,862,459</u>	<u>5,398,601</u>
 Total financial assets available within one year	 11,148,676	 9,087,460
 Less those unavailable for general expenditures within one year:		
Contractual or donor-imposed restrictions, restricted by donor with time or purpose restrictions	(3,710,218)	(2,585,488)
Board designations:		
Amounts designated for:		
Land preservation	(467,636)	(305,989)
Stewardship Fund	(6,862,459)	(5,398,601)
Add back restricted long-term pledges receivable	<u>74,143</u>	<u>123,943</u>
 Total financial assets and liquidity resources available within one year	 <u>\$ 182,506</u>	 <u>\$ 921,325</u>

The Trust's primary sources of cash flows are contributions and grants that are received throughout the year and may or may not contain donor restrictions. As part of the 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.

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

4. Pledges receivable:

During the year ended December 31, 2019, the Trust began a multi-year capital campaign to raise additional funds for easement acquisition and stewardship expenses. It is anticipated that the campaign will have an impact on both expenses and revenues through 2025.

The Trust records unconditional promises to give as support at the time the promise is made. At December 31, 2021 and 2020, the Trust had total pledges receivable of \$213,918 and \$337,586, respectively. The capital campaign pledges represent multi-year pledges, which have been discounted to the estimated present value using a 1.26% and 0.36% rate at December 31, 2021 and 2020, respectively.

The pledge balances are as follows at December 31:

	<u>2021</u>	<u>2020</u>
Pledges receivable	\$ 217,985	\$ 339,544
Discount for future payments	<u>(4,067)</u>	<u>(1,958)</u>
Pledges receivable, net of discounts	<u><u>\$ 213,918</u></u>	<u><u>\$ 337,586</u></u>

Amounts due for the capital campaign are as follows:

2022	\$ 143,842
2023	42,775
2024	26,168
2025	<u>5,200</u>
	217,985
Discount	<u>(4,067)</u>
Pledges receivable, net of discounts	<u><u>\$ 213,918</u></u>

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

5. Investments and fair value measurements:

The Trust follows FASB ASC 820, *Fair Value Measurement*, which defines fair value, establishes a framework for measuring fair value in GAAP and requires expanded disclosures about fair value measurements. ASC 820 establishes a hierarchy that ranks the quality and reliability of inputs, or assumptions, used in the determination of fair value and requires financial assets carried at fair value to be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices in active markets for an identical investment

Level 2 – Other significant observable inputs, including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.

Level 3 – Significant unobservable inputs, including the Trust's own assumptions in determining the fair value of investments

The following table sets forth by level, within the fair value hierarchy, the cost and fair value of the Trust's assets as of December 31:

	2021		2020	
	Cost	Fair value	Cost	Fair value
Level 1 - Quoted prices:				
Mutual funds:				
Equity securities:				
Domestic	\$ 1,419,956	\$ 3,033,927	\$ 1,383,720	\$ 2,413,389
International	1,451,668	1,814,647	1,329,827	1,606,136
Fixed income securities	2,014,321	2,013,885	1,304,208	1,379,076
	<u>\$ 4,885,945</u>	<u>\$ 6,862,459</u>	<u>\$ 4,017,755</u>	<u>\$ 5,398,601</u>

The Securities Investor Protection Corporation (SIPC), a federal mandated U.S. nonprofit corporation that protects customer assets from financial loss in the event a broker-dealer becomes insolvent, covers the Trust's securities.

SIPC automatically covers securities (stocks, bonds, notes) up to \$500,000 per client capacity (e.g., individual, joint), of which \$250,000 may be cash. This means in the unlikely event of a liquidation, a court-appointed trustee of a SIPC member firm and SIPC representative will examine the records of the member firm to verify that all of the securities are accounted for. If sufficient funds are not available in customer accounts to satisfy claims within the above limits, the reserve funds of SIPC are used to supplement the distribution, up to the limits noted above.

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

6. Paycheck Protection Program:

The Paycheck Protection Program (PPP) was established under the CARES Act on March 27, 2020, and was designed to provide cash flow assistance to small businesses including certain not-for-profit organizations. This program provides relief as a result of the Coronavirus (COVID-19) pandemic with loan funds to pay up to 24 weeks of payroll costs, including fringe benefits, rent and utilities commencing on the date of loan origination. The PPP is a loan program that is guaranteed in its entirety through the Small Business Administration (SBA) and offers a maturity of two years and an interest rate of 1%. The principal amount of the loan may be partially or fully forgiven if the loan funds are utilized in a manner consistent with the allowable use of loan proceeds.

The Trust applied for and received loan proceeds totaling \$145,960 in April 2020. As of December 31, 2020, the full amount has been recognized as grant revenue as the SBA notified the Trust of the total forgiveness.

The Trust applied for and received a second draw of loan proceeds totaling \$149,198 in February 2021. As of December 31, 2021, the full amount has been recognized as grant revenue as the SBA notified the Trust of the total forgiveness.

7. 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, 2021 and 2020, retirement plan expense totaled \$23,365 and \$21,484, respectively.

8. Net assets without donor restrictions:

The Trust's Board of Trustees designated a portion of the Land Preservation Fund account to be used toward acquisitions of land easements. The total board-designated balance of the Land Preservation Fund as of December 31, 2021 and 2020 was \$467,636 and \$305,989, 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, 2021 and 2020 was \$6,862,459 and \$5,398,601, respectively.

All board-designated funds are included as net assets without donor restrictions.

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

9. Net assets with donor restrictions:

As of December 31, 2021 and 2020, net assets with donor restrictions are subject to the following purpose restrictions:

	<u>2021</u>	<u>2020</u>
Subject to purpose restrictions:		
Land preservation:		
Caernarvon Township	\$ 63,969	\$ 65,818
Easement acquisition	3,646,249	2,394,670
Project, Municipalities Water Quality Options		<u>125,000</u>
Total net assets with donor restrictions	<u>\$ 3,710,218</u>	<u>\$ 2,585,488</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, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Subject to purpose restrictions:		
Land preservation, Caernarvon Township	\$ 1,849	
Municipalities Water Quality Options project	<u>125,000</u>	<u>\$ 125,000</u>
Total net assets released from restrictions	<u>\$ 126,849</u>	<u>\$ 125,000</u>

10. 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 \$18,998,609 and \$17,431,285 as of December 31, 2021 and 2020, 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 GAAP. Conservation easements held directly by the Trust totaled 33,670 and 31,948 acres as of December 31, 2021 and 2020, respectively.

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

11. Impact of COVID-19 pandemic:

The Trust is currently subject to risks and uncertainties resulting from the novel COVID-19 pandemic. While the Trust expects this matter may negatively impact its results, the extent of the impact of COVID-19 on the Trust's operational and financial performance will depend on future developments, including the duration and spread of the outbreak, related travel advisories and restrictions and the impact of COVID-19 on overall demand for the Trust's services, all of which are highly uncertain and cannot be predicted.

12. Subsequent events:

On July 15, 2022, the Trust obtained a \$500,000 line of credit.

The Trust has evaluated subsequent events through July 21, 2022, the date which the financial statements were available to be issued.