



Lancaster
Farmland
Trust

YEARS ENDED
DECEMBER 31, 2022 AND 2021



BROWN SCHULTZ
SHERIDAN & FRITZ

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

LANCASTER FARMLAND TRUST

YEARS ENDED DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

Board of Trustees
Lancaster Farmland Trust
Strasburg, Pennsylvania

Report on the Audit of the Financial Statements

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, 2022 and 2021 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 (the Trust) as of December 31, 2022 and 2021, 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 23, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2023, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

Brown Schultz Steindler & Fritz

Lancaster, Pennsylvania
June 12, 2023

LANCASTER FARMLAND TRUST

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents:		
Undesignated	\$ 849,794	\$ 446,973
Designated for land preservation	2,853,543	3,278,084
Total cash and cash equivalents	<u>3,703,337</u>	<u>3,725,057</u>
Other assets:		
Accounts receivable	146,083	74,385
Grants receivable	838,076	103,442
Contributions receivable	67,551	239,491
Pledges receivable, net of discounts	80,955	213,918
Prepaid expenses	7,819	10,190
Investments	1,028,576	
Investments designated for Stewardship Fund	5,002,920	6,862,459
Total other assets	<u>7,171,980</u>	<u>7,503,885</u>
Property and equipment:		
Building and improvements	806,207	739,407
Land	60,000	60,000
Office equipment	81,102	134,407
Furniture and fixtures	45,544	44,868
Vehicle	18,639	18,639
Accumulated depreciation	(506,411)	(527,850)
Property and equipment, net of accumulated depreciation	<u>505,081</u>	<u>469,471</u>
Total assets	<u>\$ 11,380,398</u>	<u>\$ 11,698,413</u>

See notes to financial statements.

LANCASTER FARMLAND TRUST

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
Liabilities:		
Accounts payable	\$ 454,459	\$ 50,202
Accrued:		
Payroll and vacation	36,914	37,421
Payroll taxes		16,454
Other expenses	8,200	1,011
Deferred revenue	<u>441,903</u>	<u>237,669</u>
Total liabilities	<u>941,476</u>	<u>342,757</u>
Net assets:		
Without donor restrictions:		
Undesignated	971,372	315,343
Board designated	<u>6,067,255</u>	<u>7,330,095</u>
Total without donor restrictions	7,038,627	7,645,438
With donor restrictions	<u>3,400,295</u>	<u>3,710,218</u>
Total net assets	<u>10,438,922</u>	<u>11,355,656</u>
Total liabilities and net assets	<u><u>\$ 11,380,398</u></u>	<u><u>\$ 11,698,413</u></u>

See notes to financial statements.

LANCASTER FARMLAND TRUST

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Without donor restrictions	With donor restrictions	Total
Contributions and other support:			
Easements in-kind	\$ 5,580,531		\$ 5,580,531
Contributions	1,943,888	\$ 191,275	2,135,163
Grants	2,270,820		2,270,820
Special events, including in-kind contributions of \$6,795	133,459		133,459
Donated services	1,224		1,224
Land Trust reimbursement program	115,000		115,000
Total contributions and other support	10,044,922	191,275	10,236,197
Other revenue:			
Unrealized loss on investments	(1,223,162)		(1,223,162)
Dividends, net of investment fees of \$30,000	110,165		110,165
Realized loss on investments	(15,484)		(15,484)
Loss on sale of property and equipment	(153)		(153)
Fee for service revenue	152,974		152,974
Net assets released from restrictions	501,198	(501,198)	-
Total other revenue	(474,462)	(501,198)	(975,660)
Total revenue	9,570,460	(309,923)	9,260,537
Expenses:			
Program	9,787,166		9,787,166
Management and general	91,509		91,509
Fundraising	298,596		298,596
Total expenses	10,177,271		10,177,271
Change in net assets	(606,811)	(309,923)	(916,734)
Net assets:			
Beginning of year	7,645,438	3,710,218	11,355,656
End of year	\$ 7,038,627	\$ 3,400,295	\$ 10,438,922

See notes to financial statements.

LANCASTER FARMLAND TRUST

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
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, including in-kind contributions of \$8,384	135,520		135,520
Donated services	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:			
Net 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 functional 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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	<u>Program</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Easements in-kind	\$ 5,580,531			\$ 5,580,531
Easement:				
Acquisition	1,630,891			1,630,891
Appraisal fees	44,300			44,300
Stewardship	753			753
Bank fees	1,838	\$ 15	\$ 1,613	3,466
Depreciation	32,023	3,246	9,023	44,292
Dues and subscriptions	20,093	1,460	9,573	31,126
Employee benefits	62,287	6,314	15,584	84,185
Event food and beverage	15,543	41	5,026	20,610
Insurance	44,699	1,591	3,753	50,043
Meetings and other	3,729	720	838	5,287
Miscellaneous	20,247	256	847	21,350
Newsletters and print materials	27,465	526	19,586	47,577
Outside services	1,509,532	1,840	20,681	1,532,053
Payroll taxes	43,694	4,140	12,286	60,120
Postage	3,912	309	3,373	7,594
Professional fees	84,665	6,132	16,478	107,275
Repairs and maintenance	12,697	1,343	3,587	17,627
Salaries and wages	595,834	60,399	167,883	824,116
Supplies	14,540	306	1,325	16,171
Telephone and internet	9,584	1,013	2,732	13,329
Training	7,218	502	2,313	10,033
Travel	16,687	885	841	18,413
Utilities	4,404	471	1,254	6,129
Total	\$ 9,787,166	\$ 91,509	\$ 298,596	\$ 10,177,271

See notes to financial statements.

LANCASTER FARMLAND TRUST

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	<u>Program</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Easements in-kind	\$ 4,552,363			\$ 4,552,363
Easement:				
Acquisition	1,715,179			1,715,179
Appraisal fees	27,000			27,000
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

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (916,734)	\$ 2,009,820
Adjustments:		
Depreciation	44,292	37,638
Unrealized (gain) loss on investments	1,223,162	(595,668)
Realized (gain) loss on investments	15,484	(318)
Paycheck Protection Program loan forgiveness		(149,198)
Loss on sale of property and equipment	153	
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(71,698)	(21,305)
Grants receivable	(734,634)	213,460
Contributions receivable	171,940	327,668
Pledges receivable, net of discounts	132,963	123,668
Prepaid expenses	2,371	(2,350)
Increase (decrease) in:		
Account payable	404,257	(241,576)
Accrued:		
Payroll and vacation	(507)	5,208
Payroll taxes	(16,454)	(13,174)
Other accrued expenses	7,189	(2,918)
Deferred revenue	204,234	237,669
Net cash provided by operating activities	466,018	1,928,624
Cash flows from investing activities:		
Purchase of investments	(1,437,683)	(886,270)
Proceeds from:		
Sale of property and equipment	1,000	
Sales of investments	1,030,000	18,398
Purchase of property and equipment	(81,055)	(21,010)
Net cash used in investing activities	(487,738)	(888,882)
Cash flows provided by financing activities, proceeds from Paycheck Protection Program loan		149,198
Net increase (decrease) in cash and cash equivalents	(21,720)	1,188,940
Cash and cash equivalents:		
Beginning of year	3,725,057	2,536,117
End of year	\$ 3,703,337	\$ 3,725,057

Supplemental disclosure of noncash financing activities:

In 2021, the Trust received forgiveness of its Paycheck Protection Program (PPP) loan balance of \$149,198.

See notes to financial statements.

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022 AND 2021

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	
	2022	2021	2022	2021	2022	2021	2022	2021
Beginning of year	\$ 74,385	\$ 53,080	\$ 103,442	\$ 316,902	\$ 239,491	\$ 567,159	\$ 213,918	\$ 337,586
End of year	146,083	74,385	838,076	103,442	67,551	239,491	80,955	213,918

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, 2022 AND 2021

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, 2022 AND 2021

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.

Contributed nonfinancial assets:

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 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. 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, 2022 and 2021, 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. 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:

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.

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

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

Leases:

The Trust has elected the short-term lease exception to not recognize leases with a lease term of 12 months or less on the statements of financial position.

Advertising costs:

The Trust expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2022 and 2021 totaled \$5,853 and \$7,722, 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.

Recently issued accounting standards:

Financial instruments, credit losses:

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13 to replace the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. LFT will be required to use a forward-looking expected credit loss model for accounts receivables, loans and other financial instruments. Credit losses relating to available-for-sale debt securities will also be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. The standard will be effective for the Trust beginning January 1, 2023. The Trust is currently evaluating the impacts of adopting this guidance on its financial position, activities and cash flows.

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

2. Adoption of new accounting pronouncement:

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires 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.

Effective January 1, 2022, the Trust adopted ASU 2020-07 using the full retrospective method. See Note 9 for additional information.

3. 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, 2022, the amount of deposits in cash and cash equivalents exceeded the FDIC limit by approximately \$3,592,000.

Receivables:

At December 31, 2022 and 2021, 99% and 100%, respectively, of outstanding grants receivables were due from three grantors.

At December 31, 2022 and 2021, approximately 69% and 63%, respectively, of outstanding contributions receivables were due from one contributor and two contributors.

At both December 31, 2022 and 2021, approximately 41% of outstanding pledges receivables were due from two pledgors.

At December 31, 2022 and 2021, 68% and 100%, respectively, of outstanding accounts receivable were due from two customers.

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

3. Concentrations (continued):

Revenue:

Approximately 27% of the Trust's contribution revenue in 2021, is derived from one contributor. There are no contribution concentrations in 2022.

Approximately 90% and 93% of the Trust's grant revenue in 2022 and 2021, respectively, is derived from grant agreements and contracts from five grantors and four grantors, respectively.

4. Liquidity and availability of financial assets:

As of December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 3,703,337	\$ 3,725,057
Accounts receivable	146,083	74,385
Grants receivable	838,076	103,442
Contributions receivable	67,551	239,491
Pledge receivable, current portion	50,862	143,842
Investments	<u>6,031,496</u>	<u>6,862,459</u>
Total financial assets available within one year	10,837,405	11,148,676
Less those unavailable for general expenditures within one year:		
Contractual or donor-imposed restrictions, restricted by donor with time or purpose restrictions	(3,400,295)	(3,710,218)
Board designations:		
Amounts designated for:		
Land preservation	(1,064,335)	(467,636)
Stewardship Fund	(5,002,920)	(6,862,459)
Investments pledged as collateral for the line of credit	(666,666)	
Add back restricted long-term pledges receivable	<u>35,158</u>	<u>74,143</u>
Total financial assets and liquidity resources available within one year	<u>\$ 738,347</u>	<u>\$ 182,506</u>

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

4. Liquidity and availability of financial assets (continued):

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.

5. 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, 2022 and 2021, the Trust had total pledges receivable of \$80,955 and \$213,918, respectively. The capital campaign pledges represent multi-year pledges, which have been discounted to the estimated present value using a 4.22% and 1.66% rate at December 31, 2022 and 2021, respectively.

The pledge balances are as follows at December 31:

	<u>2022</u>	<u>2021</u>
Pledges receivable	\$ 86,020	\$ 217,985
Discount for future payments	<u>(5,065)</u>	<u>(4,067)</u>
Pledges receivable, net of discounts	<u>\$ 80,955</u>	<u>\$ 213,918</u>

Amounts due for the capital campaign are as follows:

2023	\$ 50,862
2024	29,365
2025	<u>5,793</u>
	86,020
Discount	<u>(5,065)</u>
Pledges receivable, net of discounts	<u>\$ 80,955</u>

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

6. 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:

	2022		2021	
	Cost	Fair value	Cost	Fair value
Level 1 - Quoted prices:				
Mutual funds:				
Equity securities:				
Domestic	\$ 1,499,759	\$ 2,483,153	\$ 1,419,956	\$ 3,033,927
International	1,738,676	1,768,703	1,451,668	1,814,647
Fixed income securities	2,039,709	1,779,640	2,014,321	2,013,885
	\$ 5,278,144	\$ 6,031,496	\$ 4,885,945	\$ 6,862,459

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, 2022 AND 2021

7. Line of credit:

In July 2022, the Trust obtained a \$500,000 line of credit with its bank. The line carries an interest rate of 7%. Collateral consists of \$666,666 of the Trust's investments.

8. 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 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.

9. Contributed nonfinancial assets:

Contributed nonfinancial assets of goods and services included in the financial statements were as follows for the year ended December 31:

	2022	2021
	Total, all without donor restriction	Total, all without donor restriction
Easements	\$ 5,580,531	\$ 4,552,363
Event supplies	6,795	8,384
Donated services, legal fees	1,224	228
	<u>\$ 5,588,550</u>	<u>\$ 4,560,975</u>

The Trust did not monetize any contributed nonfinancial assets.

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

10. 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, 2022 and 2021, retirement plan expense totaled \$23,350 and \$23,365, respectively.

11. 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, 2022 and 2021 was \$1,064,335 and \$467,636, 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, 2022 and 2021 was \$5,002,920 and \$6,862,459, respectively.

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

12. Net assets with donor restrictions:

As of December 31, 2022 and 2021, net assets with donor restrictions are subject to the following purpose restrictions:

	<u>2022</u>	<u>2021</u>
Subject to purpose restrictions:		
Land preservation:		
Caernarvon Township	\$ 120,244	\$ 63,969
Ressler Mill	135,000	
Easement acquisition	<u>3,145,051</u>	<u>3,646,249</u>
Total net assets with donor restrictions	<u>\$ 3,400,295</u>	<u>\$ 3,710,218</u>

LANCASTER FARMLAND TRUST

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

12. Net assets with donor restrictions (continued):

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, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Subject to purpose restrictions:		
Land preservation, Caernarvon Township		\$ 1,849
Municipalities Water Quality Options project		125,000
Capital Campaign, easement acquisition	<u>\$ 501,198</u>	<u> </u>
Total net assets released from restrictions	<u><u>\$ 501,198</u></u>	<u><u>\$ 126,849</u></u>

13. 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 \$20,615,012 and \$18,998,609 as of December 31, 2022 and 2021, 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 34,928 and 33,670 acres as of December 31, 2022 and 2021, respectively.

14. Contingent liabilities:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time, although the Trust expects such amounts, if any, to be immaterial.

15. Subsequent events:

The Trust has evaluated subsequent events through June 12, 2023, the date which the financial statements were available to be issued.

LANCASTER FARMLAND TRUST

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022
(See independent auditor's report)

Federal grantor/pass-through grantor program title	Federal ALN number	Pass-through grantors number	Federal expenditures
<u>U.S. Environmental Protection Agency:</u>			
Passed Through the Pennsylvania Department of Agriculture and the State Conservation Commission:			
Salisbury Township Agricultural BMP Implementation Project	66.466	ME#219101	\$ 297,730
Passed Through the Chesapeake Bay Trust:			
CBT Pequea Outreach (Conservation Foundation of LC Award)	66.466	20039	21,943
Capacity Building Initiative	66.466	18925	2,778
Passed Through the National Fish and Wildlife Foundation:			
Implementation of Agricultural Best Management Practices in Salisbury Township	66.466	0603.20.069918	43,050
Restoring Floodplain by Addressing Legacy Sediment in Pequea Creek	66.466	0603.21.0073280	500,000
Stream Restoration on Cedar Creek	66.466	0603.19.066846	135,426
Collaborative Water Quality Improvement in the Upper Conestoga River Watershed	66.466	0606.21.1073714	<u>1,062</u>
Total U.S. Environmental Protection Agency			<u>1,001,989</u>
<u>U.S. Department of Treasury:</u>			
Passed Through the County of Lancaster:			
American Rescue Plan Act	21.027	n/a	518,143
Passed Through the Lancaster County Conservation District:			
Clean Water Fund American Rescue Plan Act	21.027	n/a	<u>4,541</u>
Total U.S. Department of Treasury			<u>522,684</u>
<u>Natural Resource Conservation Service:</u>			
Passed Through the National Fish and Wildlife Foundation:			
Implementation of Agricultural Best Management Practices in Salisbury Township	10.902	0603.20.069918	<u>10,786</u>
Total Natural Resource Conservation Service			<u>10,786</u>
Total federal awards			<u>\$ 1,535,459</u>

LANCASTER FARMLAND TRUST

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022
(See independent auditor's report)

Significant accounting policies and general information:

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Trust and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, the amounts presented in this schedule may differ from the amounts presented in the preparation of the basic financial statements.

Because the schedule presents only a selected portion of the operations of the Trust, it is not intended to, and does not, present the financial position or changes in net assets of the Trust.

None of the federal awards received have been passed through to subrecipients.

Indirect costs:

The Trust elected not to use the ten percent de minimis indirect cost rate.

Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Lancaster Farmland Trust
Strasburg, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lancaster Farmland Trust (the Trust), which comprise the statement of financial position as of December 31, 2022 and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated June 12, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements; noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown Schultz Steindler & Fritz

Lancaster, Pennsylvania
June 12, 2023

Report on Compliance for Each Major Federal Program and on
Internal Control Over Compliance in Accordance with the Uniform Guidance

Independent Auditor's Report

Board of Trustees
Lancaster Farmland Trust
Strasburg, Pennsylvania

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Lancaster Farmland Trust's (the Trust) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Trust's major federal program for the year ended December 31, 2022. The Trust's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Trust complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*) and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Trust's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Trust's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Trust's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Trust's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Trust's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Trust's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on the major federal program is not modified with respect to this matter. *Government Auditing Standards* requires the auditor to perform limited procedures on the Trust's response to the noncompliance finding identified in our audit described in the accompanying schedule of

findings and questioned costs. The Trust's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Trust's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Trust's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brown Schultz Steidman & Fritz

Lancaster, Pennsylvania
June 12, 2023

LANCASTER FARMLAND TRUST

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

I. SUMMARY OF AUDITOR'S RESULTS:

Financial statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? yes no

Identification of major program:

<u>Federal ALN number</u>	<u>Name of federal program or cluster</u>
66.466	Chesapeake Bay Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

LANCASTER FARMLAND TRUST

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

II. FINANCIAL STATEMENT FINDINGS:

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

Finding reference: 2022-001

Federal Agency: U.S. Environmental Protection Agency

Pass-through entity: National Fish and Wildlife Foundation

Federal Program: 66.466 Chesapeake Bay Trust Program

Requirement: Matching

Type of Finding: Material weakness in internal control over compliance; Noncompliance

Condition and criteria: Federal funds were used as matching contributions that are required to be nonfederal.

Cause: The Trust did not realize the funds being applied as matching funds were federal when they indicated them as matching funds. This resulted in noncompliance.

Effect: Ineligible matching funds were used.

Recommendation: The Trust should verify the source of funds it will use as matching funds for federal grants.

The Trust's response: The Trust will secure other nonfederal funds before the grant period ends and will verify the source of matching funds going forward.

LANCASTER FARMLAND TRUST

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2022

There were no prior audit findings reported.

CORRECTIVE ACTION PLAN

June 12, 2023

U. S. Environmental Protection Agency

The Lancaster Farmland Trust respectfully submits the following corrective action plan for the year ended December 31, 2022.

Name and address of independent accounting firm:

Brown Schultz Sheridan & Fritz
454 New Holland Avenue, Suite 101
Lancaster, PA 17602

Audit Period: January 01, 2022 to December 31, 2022

The findings from the schedule of questioned costs for the year ended December 31, 2022 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FEDERAL AWARD

Finding reference: 2022-001

Federal Agency: U.S. Environmental Protection Agency

Pass-through entity: National Fish and Wildlife Foundation

Federal Program: 66.466 Chesapeake Bay Trust Program

Requirement: Matching

Type of Finding: Material weakness in internal control over compliance; Noncompliance

Condition and criteria: Federal funds were used as matching contributions that are required to be nonfederal.

Cause: The Trust did not realize the funds being applied as matching funds were federal when they indicated them as matching funds. This resulted in noncompliance.

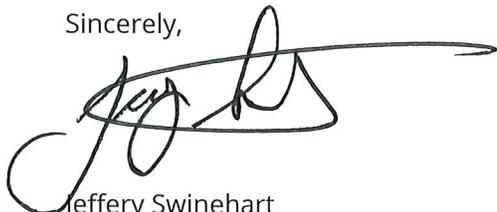
Effect: Ineligible matching funds were used.

Recommendation: The Trust should verify the source of funds it will use as matching funds for federal grants.

The Trust's response: The Trust will secure other nonfederal funds before the grant period ends and will verify the source of matching funds going forward.

If the U. S. Environmental Protection Agency has any questions regarding this response, please call Jeffery Swinehart, President and CEO at 717-687-8484.

Sincerely,



Jeffery Swinehart
President and CEO