

Summit Land Conservancy

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Year Ended December 31, 2016 with Summarized Comparative Information for 2015



SUMMIT LAND CONSERVANCY

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Independent Auditor's Report

To the Board of Directors Summit Land Conservancy

We have audited the accompanying statement of financial position of **Summit Land Conservancy** (the "Conservancy") as of December 31, 2016 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of **Summit Land Conservancy** as of December 31, 2016 and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.



Summarized Comparative Information

We have previously audited **Summit Land Conservancy's** 2015 financial statements, and our report dated June 16, 2016, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Larson & Company PC

Salt Lake City, Utah
August 15, 2017

SUMMIT LAND CONSERVANCY

Statement of Financial Position

As of December 31, 2016 with Summarized Comparative Information for 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	<u>Summarized Totals 2015</u>
<u>ASSETS</u>					
CURRENT ASSETS					
Cash and cash equivalents	\$ 128,008	\$ 81,305	\$ -	\$ 209,313	\$ 98,567
Promises to give, due 2016	51,030	-	-	51,030	3,140
Prepaid expenses	3,000	-	-	3,000	3,750
Total current assets	182,038	81,305	-	263,343	105,457
PROPERTY AND EQUIPMENT, NET	22,447	-	-	22,447	1,303
PROMISES TO GIVE, NET					
DUE AFTER 2016	-	66,626	-	66,626	67,974
RESTRICTED CASH	-	7,391	65,532	72,923	85,662
CERTIFICATES OF DEPOSIT	-	1,739	15,000	16,739	16,068
INVESTMENTS	248,629	38,505	135,113	422,247	374,776
BENEFICIAL INTEREST IN ASSETS	-	12,723	46,000	58,723	56,170
TOTAL ASSETS	\$ 453,114	\$ 208,289	\$ 261,645	\$ 923,048	\$ 707,410
<u>LIABILITIES AND NET ASSETS</u>					
CURRENT LIABILITIES					
Accounts payable, trade	\$ 18,199	\$ -	\$ -	\$ 18,199	\$ 11,493
Accrued liabilities	14,038	-	-	14,038	12,940
TOTAL CURRENT LIABILITIES	32,237	-	-	32,237	24,433
NET ASSETS					
Unrestricted					
Undesignated	311,462	-	-	311,462	235,522
Board designated as endowment	109,415	-	-	109,415	109,415
Temporarily restricted	-	208,289	-	208,289	90,610
Permanently restricted	-	-	261,645	261,645	247,430
TOTAL NET ASSETS	420,877	208,289	261,645	890,811	682,977
TOTAL LIABILITIES AND NET ASSETS	\$ 453,114	\$ 208,289	\$ 261,645	\$ 923,048	\$ 707,410

The accompanying notes are an integral part of these financial statements

SUMMIT LAND CONSERVANCY

Statement of Activities

For the Year Ended December 31, 2016 with Summarized Comparative Information for 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Summarized Totals 2015
CHANGE IN NET ASSETS					
SUPPORT AND REVENUES:					
Contributions	\$ 195,077	\$ 61,780	\$ 12,000	\$ 268,857	\$ 284,832
Grants	63,250	45,250	2,215	110,715	1,066,793
Contract revenue	70,300	-	-	70,300	30,392
Special events (net direct benefits of \$98,320 in 2016; \$66,303 in 2015)	201,672	-	-	201,672	100,821
Education event	-	-	-	-	13,687
Return on investments	11,905	10,880	-	22,785	(5,392)
Return on beneficial interest	-	2,554	-	2,554	(193)
Other income	4,205	-	-	4,205	797
TOTAL SUPPORT AND REVENUES	546,409	120,464	14,215	681,088	1,491,737
SATISFACTION OF RESTRICTIONS	2,785	(2,785)	-	-	-
TOTAL SUPPORT, REVENUES, AND SATISFACTION OF RESTRICTIONS	549,194	117,679	14,215	681,088	1,491,736
EXPENSES					
Programs					
Conservation	136,381	-	-	136,381	1,157,755
Stewardship	49,868	-	-	49,868	41,098
Education	101,829	-	-	101,829	95,917
General and administrative	99,584	-	-	99,584	112,048
Fundraising	85,592	-	-	85,592	65,218
TOTAL EXPENSES	473,254	-	-	473,254	1,472,036
INCREASE IN NET ASSETS	75,940	117,679	14,215	207,834	19,699
NET ASSETS, BEGINNING OF YEAR	344,937	90,610	247,430	682,977	663,278
NET ASSETS, END OF YEAR	\$ 420,877	\$ 208,289	\$ 261,645	\$ 890,811	\$ 682,977

The accompanying notes are an integral part of these financial statements

SUMMIT LAND CONSERVANCY

Statements of Cash Flows

For the Year Ended December 31, 2016 with Summarized Comparative Information for 2015

	2016	Summarized Totals 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 207,834	\$ 19,699
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	360	948
Donated securities	(6,971)	(29,995)
Unrealized (gain) loss on investments	(12,595)	13,391
Unrelized (gain) loss on beneficial interest	(1,772)	193
Decrease (increase) in operating assets:		
Promises to give	(46,542)	(28,865)
Prepays	750	(3,750)
Increase (decrease) in operating liabilities:		
Accounts payable, trade	6,706	9,675
Accrued liabilities	1,101	8,305
	148,871	(10,399)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(21,504)	(1,760)
Proceeds from sale of investments	6,971	39,950
Purchase of investments	(34,757)	(142,003)
	(50,864)	(103,813)
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted cash used for stewardship	12,739	(24,025)
	12,739	(24,025)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	110,746	(138,237)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	98,567	236,804
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 209,313	\$ 98,567
 <u>SUPPLEMENTAL INFORMATION</u>		
Cash paid:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

SUMMIT LAND CONSERVANCY
Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Summit Land Conservancy (the Conservancy) is a nonprofit corporation organized in 2002 in the state of Utah. The Conservancy is accredited by the Land Trust Accreditation Commission and is organized and operated exclusively for the purpose of working with our communities to protect and preserve land and water for the benefit of people and nature. The Conservancy holds conservation easements, provides information on ways that natural lands can be preserved, and works to connect people with nature through its educational programs. The primary sources of support and revenue are individual, corporate and foundation contributions, government grants, membership contributions and contracts with municipal government.

Basis of Presentation

The Conservancy prepares its financial statements on the accrual basis of accounting and follows U.S. generally accepted accounting principles (U.S. GAAP) for nonprofit organizations and reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted based upon the following criteria:

Unrestricted net assets represent expendable funds available for operations which are not otherwise limited by donor restrictions. The unrestricted net asset class also includes board designated endowment funds and the cumulative earnings on those funds which are held for stewardship and legal defense activities of the Conservancy.

Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Conservancy may spend the funds. Realized and unrealized gains and losses as well as dividends and interest earned on permanently restricted assets are also classified as temporarily restricted until authorized to be expended for their restricted purpose.

Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment return to fund ongoing stewardship of conservation easement properties. The unrealized gains and losses as well as dividends and interest earned are included in temporarily restricted net assets until expended for the specified purpose.

SUMMIT LAND CONSERVANCY
Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summarized Comparative Information

The financial statements include prior year summarized information in total and not by net asset class and is considered to be consistent in all material respects with the audited financial statements from which it is derived. The information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. The information should be read in conjunction with the audited financial statements as of December 31, 2015.

Use of Estimates

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

Cash and Cash Equivalents

The Conservancy considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Contract Receivable and Promises to Give

Contract receivable and promises to give are recorded at their estimated fair value less an appropriate allowance for uncollectible amounts. Allowances are based on historical experience and management's analysis of specific balances. An account is written off when it is determined that all collection efforts have been exhausted. Promises to give due later than one year are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which promises are received. Discounts on promises to give that are measured at present value are amortized between the date the promise to give is initially recognized and the date the cash or other contributed assets are received.

Investments

The Conservancy invests in long-term certificates of deposit which are recorded at cost. Interest earned on certificates of deposit is reported in the statement of activities. The Conservancy also invests in other marketable securities which are recorded at their fair market value. Unrealized gains and losses and investment returns are included in the statement of activities.

The Conservancy receives donations of marketable securities. These gifts are recorded in the financial records at their fair value on the date of the donation as it is the policy of the Conservancy is to sell donations of stock immediately after they are received.

SUMMIT LAND CONSERVANCY

Notes to Financial Statements

For the Years Ended December 31, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Investment Policies and Objectives

The endowment of the Conservancy includes two components. A portion has been transferred to the Park City Foundation (PCF) and is held by PCF for the benefit of the Conservancy (Note 2). PCF maintains a formal investment policy that sets out performance criteria and investment guidelines. Spending policies, including distributions, are set by the Board of Trustees of PCF and reviewed annually.

The remaining balance of the endowment is held by the Conservancy in cash and cash equivalents and investments. The objectives of the Conservancy's endowment investment program are to ensure the safety and preservation of the invested funds and to provide liquidity of investments sufficient to meet the needs for stewardship of conservation easements. The Conservancy also seeks to diversify risk and meet their fiduciary responsibilities regarding the management of the investments. Composed of permanently restricted gifts, the principal will remain intact and the earnings are temporarily restricted and used for stewardship of conservation easements.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 and all expenditures for repairs and maintenance that materially prolong the useful lives of property and equipment are capitalized. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Property and equipment are stated at cost less accumulated depreciation, or if acquired by donation, at estimated fair value at the date of the donation. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected in the statement of activities for the period. Depreciation is computed over the following estimated useful lives using the straight-line method:

<u>Assets</u>	<u>Useful Lives</u>
Office furniture and equipment	3 years

Land Conservation Easements

Land conservation easements are acquired by the Conservancy by purchase or by a gift of the easement itself from a donor. Since the Conservancy's inception, land conservation easements acquired by purchase or by gift are not recognized as assets and are not carried on the statement of financial position. The Conservancy has determined that donated conservation easements have no market value in the hands of the organization and are therefore not considered support.

Monetary contributions made to the Conservancy to purchase easements are recorded as contributions and as a program service expense when funds are expended to purchase the easements.

SUMMIT LAND CONSERVANCY
Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and In-Kind Donations

Contributions are recognized when the donor makes a promise to give to the Conservancy that is, in substance, unconditional. Donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donations of property and equipment are recorded as support at their estimated fair market value at the date of gift. These donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as temporarily restricted support and reclassified to unrestricted net assets when placed in service.

Contributions of services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation, are recorded at their fair values when received. There were no contributed services recorded in the financial statements for the years ended December 31, 2016 and 2015, respectively.

Membership Revenue

The Conservancy offers memberships with nominal benefits. Membership revenue is recognized when received and reported in the statement of activities as contribution income.

Functional Allocation of Expenses

Program costs and supporting services have been summarized on a functional basis in the statement of activities. All direct costs are charged to the functional area they pertain to. Indirect costs are charged to programs and supporting services based on estimates made by management, taking into account the nature of the expense and how it relates to the functional area. General and administrative costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Conservancy.

Advertising Costs

Advertising costs are charged to operations when incurred. The Conservancy did not incur advertising expense for the years ended December 31, 2016 and 2015.

Income Taxes

The Conservancy qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no provision has been made for federal and state income taxes. The Conservancy remains subject to income taxes on net income that is derived from a trade or business, regularly carried on, and not for its exempt purpose.

SUMMIT LAND CONSERVANCY
Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

ASC Topic 740, *Income Taxes*, provides guidance on how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation by management of tax positions taken or expected to be taken in preparation of the Conservancy's tax returns to determine if the positions are more-likely-than-not of being sustained if examined by the taxing authorities. Management has determined there are no uncertain income tax positions. Tax years that remain subject to examination are 2013 and forward.

Financial Instruments and Concentrations of Credit Risk

The Conservancy manages deposit concentration risk by placing cash, money markets accounts and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date the Conservancy has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because they are due from individuals and organizations supportive of the Conservancy's mission. Investments are monitored by the Finance Committee and Board of Directors. While fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare and objectives of the conservancy. The Conservancy has three donors who have made promises to give which represent **58%** of the outstanding balance as of December 31, 2016. Two donors made up 83% of the outstanding balance of promises to give as of December 31, 2015.

Subsequent Events

The Conservancy has evaluated subsequent events through the date of this report, the date the financial statements were available to be issued.

2. INVESTMENTS AND FAIR VALUE DISCLOSURES

Certain investment assets are reported at fair value in the financial statements. Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entities own assumptions about those that market participant would use in pricing the asset based on the best information available.

SUMMIT LAND CONSERVANCY
Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015

2. INVESTMENTS AND FAIR VALUE DISCLOSURES (Continued)

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs are as follows:

Level 1 – Inputs are observable quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 – Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs.

Level 3 – Inputs are unobservable inputs for the asset that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability. Management develops inputs by using the best information available.

The following table sets forth by level, within the fair value hierarchy, the organization's financial instruments at fair value as of December 31, 2016 and 2015.

Assets measured at fair value on a recurring basis as of December 31, 2016 are as follows:

<u>Description</u>	<u>Total</u>		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 16,739	*	\$ -	\$ 16,739	\$ -
Stocks	213,159		213,159	-	-
Mutual funds	209,088	**	209,088	-	-
Beneficial interest in assets	58,723	***	-	-	58,723
	<u>\$ 497,709</u>		<u>\$ 422,247</u>	<u>\$ 16,739</u>	<u>\$ 58,723</u>

SUMMIT LAND CONSERVANCY
Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015

2. INVESTMENTS AND FAIR VALUE DISCLOSURES (Continued)

Assets measured at fair value on a recurring basis as of December 31, 2015 are as follows:

<u>Description</u>	<u>Total</u>		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 16,068	*	\$ -	\$ 16,068	\$ -
Stocks	192,238		192,238	-	-
Mutual funds	182,538	**	182,538	-	-
Beneficial Interest in assets	56,170	***	-	-	56,170
	<u>\$ 447,014</u>		<u>\$ 374,776</u>	<u>\$ 16,068</u>	<u>\$ 56,170</u>

* Certificates of deposit are financial assets valued using level 2 inputs and are based on various quoted prices in markets that are not active or for which all significant inputs are observable.

** Valuations are based on inputs that are observable and significant to the overall fair value measurement.

*** Valuations are based on NAV provided by the fund's manager. The NAV is based on the fair value of the underlying assets owned by the fund. These underlying assets are traded in active public markets with observable market data.

3. NET INVESTMENT RETURN

Total investment return for the year ended December 31, 2016 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Return on investments:			
Interest and dividends	\$ 5,324	\$ 4,866	\$ 10,190
Net realized and unrealized gain (loss)	6,581	6,014	12,595
Total return on investments	<u>\$ 11,905</u>	<u>\$ 10,880</u>	<u>\$ 22,785</u>
Return on beneficial interest:			
Interest and dividends	\$ -	\$ 782	\$ 782
Net realized and unrealized gain (loss)	-	1,772	1,772
	<u>\$ -</u>	<u>\$ 2,554</u>	<u>\$ 2,554</u>

SUMMIT LAND CONSERVANCY
Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015

3. NET INVESTMENT RETURN (Continued)

Total investment return for the year ended December 31, 2015 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Return on investments:			
Interest and dividends	\$ 2,960	\$ 5,039	\$ 7,999
Net realized and unrealized gain (loss)	(4,976)	(8,415)	(13,391)
Total return on investments	<u>\$ (2,016)</u>	<u>\$ (3,376)</u>	<u>\$ (5,392)</u>
Return on beneficial interest:			
Net realized and unrealized gain (loss)	<u>\$ -</u>	<u>\$ (193)</u>	<u>\$ (193)</u>

4. CERTIFICATE OF DEPOSIT

The Conservancy invests surplus cash in long-term certificates of deposit which are recorded at cost which approximates fair market value. Interest earned on certificates of deposit is accrued and reported in the statement of activities.

5. PROMISES TO GIVE

Promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 4%. Promises to give are as follows at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Amounts due:		
1 year or less	\$ 51,030	\$ 3,140
1 - 5 years	70,000	72,245
Thereafter	-	-
	<u>121,030</u>	<u>75,385</u>
Less: unamortized discount	(3,374)	(4,271)
Total promises to give	<u>\$ 117,656</u>	<u>\$ 71,114</u>

SUMMIT LAND CONSERVANCY
Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015

6. PROPERTY AND EQUIPMENT

Property and equipment, net, as of December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Office furniture and equipment	\$ 6,593	\$ 7,013
Land	20,000	-
Accumulated depreciation	<u>(4,146)</u>	<u>(5,710)</u>
Net property and equipment	<u>\$ 22,447</u>	<u>\$ 1,303</u>

Depreciation for years ended December 31, 2016 and 2015 was **\$360** and **\$948** respectively.

7. BENEFICIAL INTEREST IN ASSETS

The Conservancy holds investments with the Park City Foundation (PCF). These investments are recorded as a beneficial interest in assets on the statement of financial position. To address market risk of investments, PCF maintains a formal investment policy that sets out performance criteria and investment guidelines. Spending policies, including distributions, are set by the Board of Trustees of PCF and reviewed annually. No distributions were received by the Conservancy from PCF for the years ended December 31, 2016 and 2015.

The change in the beneficial interest recorded in the statement of activities consisted of investment income and realized and unrealized gains and losses and totaled **\$2,554** and **\$(193)** for the years ended December 31, 2016 and 2015, respectively. No other changes affected the value of this investment during these years.

8. LAND CONSERVATION EASEMENTS

The Conservancy holds land conservation easements on approximately 3,005 acres of property from 13 landowners. Pursuant to the national Land Trust Alliance's standards, the Conservancy monitors each of its conservation easements on an annual basis, at a minimum, to ensure that lands are being used in accordance with the terms of the easements, and so that any violations of the easements are identified and corrected as soon as possible.

During the year ended December 31, 2015, the Conservancy was granted two conservation easements: One by Nuzzles & Co (a nonprofit organization) and the other by LSR LAND LLC. The LSR LAND transaction was a bargain sale purchase of the conservation easement. The landowner's in-kind donation (bargain sale) is not recorded in the financial statements of the Conservancy, as discussed in Note 1.

SUMMIT LAND CONSERVANCY
Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015

8. LAND CONSERVATION EASEMENTS (Continued)

The Conservancy does however acknowledge the landowner's gift on Form 8283 and the value is substantiated by a conforming appraisal. No new easements were granted or purchased in 2016.

9. CONDITIONAL GRANTS

A number of government agencies have agreed to provide funding in the amount of \$2,631,125 for the purchase of an easement on the Ercanbrack Livestock property. The grants are conditional upon the organization raising additional matching funds, the finalization of the easement purchase, and final closing of the transaction. Due to the conditions that must be met for the funding to be provided, the grants were considered conditional and were not recorded as revenue by the Conservancy as of December 31, 2016. The transaction is expected to close in 2017.

10. STAND-BY LETTER OF CREDIT

The Conservancy has established a stand-by letter of credit with a bank in the amount of \$10,000. This letter of credit was issued December 8, 2010 and expired November 1, 2015. In accordance with the terms of the letter of credit, the agreement was automatically extended for an additional five year period and is now set to expire on November 1, 2020. There were no amounts drawn against the instrument during 2016 and 2015.

11. OPERATING LEASE

The Conservancy leases office space under terms of a non-cancellable lease agreement which expires in March of 2019. Future minimum payments required under the lease agreement are as follows:

Years Ending December 31,

2017	\$	21,181
2018		21,817
2019		5,494
		5,494
	\$	48,492

Rent expense for the years ended December 31, 2016 and 2015 was **\$20,565** and \$7,686.

SUMMIT LAND CONSERVANCY

Notes to Financial Statements

For the Years Ended December 31, 2016 and 2015

12. UNRESTRICTED NET ASSETS – BOARD DESIGNATED ENDOWMENT

As of December 31, 2016 and 2015, the Board of Directors has designated **\$109,415** and \$109,415, respectively, of unrestricted net assets to be held as endowment funds for future stewardship programs and for the legal defense of the Conservancy's conservation easements. The earnings and any realized and unrealized gain or loss on these funds are held in unrestricted net assets until they are expended for stewardship and legal defense activities.

13. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Purchase of land conservation easements	\$ 115,135	\$ 10,890
Legal defense of easements	39,676	39,676
Cumulative investment return temporarily restricted	53,478	40,044
	<u>\$ 208,289</u>	<u>\$ 90,610</u>

14. PERMANENTLY RESTRICTED NET ASSETS

The class of permanently restricted net assets is comprised of endowment funds consisting of two components:

(1) In 2012 and 2011, the Conservancy transferred \$26,000 and \$20,000, respectively, to the Park City Foundation (PCF). The funds are invested and held by PCF for the benefit of the Conservancy (Note 6). As of December 31, 2016 and 2015, the original corpus of the gift of \$46,000 had increased to a fair value of **\$58,723** and \$56,170, respectively. The increase in the fair value and earnings on these endowment funds is considered restricted and held in the temporarily restricted net asset class and is available for stewardship and legal defense expenditures.

(2) The original corpus of permanently restricted net assets also include funds totaling **\$215,645** and \$201,430 as of December 31, 2016 and 2015, respectively. These funds are held by the Conservancy in restricted cash and cash equivalents, stocks, mutual funds, and certificates of deposit.

The original corpus of permanently restricted net assets held by the Conservancy and at the PCF totaled **\$262,645** and \$247,430 as of December 31, 2016 and 2015, respectively.

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15. DONOR AND BOARD DESIGNATED ENDOWMENT FUNDS

The Conservancy's endowment includes both donor-restricted funds which are held in the permanently restricted net asset class and funds designated by the Board of Directors to function as endowments which are held in the unrestricted net asset class. These funds are held in the form of restricted cash and cash equivalents, certificates of deposit and other investments and classified and reported based on the existence or absence of donor imposed restrictions.

In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA as implemented in Utah), the Conservancy's policy is to preserve the fair value of the original endowment gift as of the gift date of the funds unless there are explicit donor stipulations to the contrary. The Conservancy classifies as permanently restricted net assets (1) the original gift (2) the original value of subsequent gifts (3) accumulations to the endowment in accordance with the direction of the original donor gift (if there are any). Subsequent accumulations of total investment returns are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Conservancy for use in the legal defense or stewardship activities of the Conservancy and in a manner consistent with the standard of prudence established by UPMIFA.

In accordance with Conservancy policy the board designated endowment is recorded at the amount stipulated by the Board of Directors and classified as unrestricted net assets. It is the intention of the Board of Directors to maintain the designations in perpetuity. With subsequent accumulations of total investment return classified as unrestricted net assets until those amounts are appropriated for expenditure by the Conservancy for use in the legal defense or stewardship activities of the Conservancy and in a manner consistent with their policy.

The Conservancy considers the following factors when making a determination to expend or accumulate donor-restricted endowment funds:

- The duration and need to preserve the endowment funds
- The purpose of the organization and the donor-restricted endowment
- General economic conditions
- The impact of inflation and deflation
- The expected total return on the investments
- Other resources available to the organization
- The investment policies of the organization

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15. DONOR AND BOARD DESIGNATED ENDOWMENT FUNDS (Continued)

The following table presents the various components of the endowment funds including assets held as unrestricted, temporarily restricted and permanently restricted. Changes in endowment funds are as follows:

	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets				
December 31, 2014	\$ 91,915	\$ 13,756	\$ 225,430	\$ 331,101
Investment return	-	(3,569)	-	(3,569)
Contributions	<u>17,500</u>	<u>-</u>	<u>22,000</u>	<u>39,500</u>
Endowment net assets				
December 31, 2015	<u>109,415</u>	<u>10,187</u>	<u>247,430</u>	<u>367,032</u>
Investment return	-	10,880	-	10,880
Contributions	-	-	14,215	
Return on beneficial interest	<u>-</u>	<u>2,554</u>	<u>-</u>	<u>2,554</u>
Endowment net assets				
December 31, 2016	<u>\$ 109,415</u>	<u>\$ 23,621</u>	<u>\$ 261,645</u>	<u>\$ 394,681</u>

16. SIMPLE HRA PLAN

The Conservancy sponsors and administers a Simple Health Reimbursement Arrangement (HRA) for the benefit of its employees. Under the terms of the HRA the Conservancy contributes funds to an account for participating employees based on employee class. The employees may request reimbursement for eligible medical expenses for themselves and their dependents. The Conservancy made contributions under the HRA of **\$17,606** and \$10,865 for the years ended December 31, 2016 and 2015, respectively.