

LYME LAND CONSERVATION TRUST, INC.
(A Nonprofit Organization)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

For The Year Ending June 30, 2021



WollackLewitz^{LLC}
Certified Public Accountants & Advisors

Old Saybrook | Madison
Connecticut

LYME LAND CONSERVATION TRUST, INC.
(A Nonprofit Organization)

TABLE OF CONTENTS

For The Year Ending June 30, 2021

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes To The Financial Statements	7-14



WollackLewitz^{LLC}
Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Lyme Land Conservation Trust, Inc.
Lyme, Connecticut

Report On The Financial Statements

We have audited the accompanying financial statements of **LYME LAND CONSERVATION TRUST, INC.** (a nonprofit corporation) which comprise the statement of financial position as of June 30, 2021, and the related statements of activity, functional expense, and cash flow 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.

Auditor's 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The LYME LAND CONSERVATION TRUST, INC. as of June 30, 2021, and the results of its operations and for the year then ending in accordance with the accounting principles generally accepted in the United States of America.

WallackLewitz
Certified Public Accountants
Old Saybrook, Connecticut

January 13, 2022

LYME LAND CONSERVATION TRUST, INC.

(A Nonprofit Organization)

Statement Of Financial Position

June 30, 2021

ASSETS

Cash & Cash Equivalents	\$	583,104	
Prepaid Expenses		16,767	
Investments		1,712,996	
Equipment - Net Book Value		6,438	
Conservation Land		6,940,027	
<u>Total Assets</u>			<u>\$ 9,259,332</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable & Accrued Liabilities	\$	23,798	
Accrued Expenses		80,200	
ERWSCC Liability		19,221	
Deferred Revenue		56,495	
<u>Total Liabilities</u>			\$ 179,714

Net Assets

Without Donor Restrictions		8,467,893	
With Donor Restrictions		611,725	
<u>Total Net Assets</u>			<u>9,079,618</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 9,259,332

See Accompanying Notes

LYME LAND CONSERVATION TRUST, INC.
(A Nonprofit Organization)

Statement Of Activities

For The Year Ended June 30, 2021

Changes in Net Assets Without Donor Restrictions

Support And Revenue	
Membership Dues	\$ 81,875
Donations	142,065
Land Donations	448,900
Net Return On Investments	254,718
Other Revenues	<u>16,998</u>

Total Support And Revenue Without Donor Restrictions

\$ 944,556

Net Assets Released From Restrictions

Restrictions Satisfied By Payments 113,458

Total Support And Revenue Without Donor Restrictions and Reclassifications

1,058,014

Expenses

Program Services	154,500
General & Administrative	73,996
Fundraising	<u>34,856</u>

Total Expenses

263,352

Increase (Decrease) In Net Assets Without Donor Restrictions

794,662

Changes in Net Assets With Donor Restrictions

Contributions	76,109
Net Assets Released From Restrictions	<u>(113,458)</u>

Increase (Decrease) In Restricted Net Assets

(37,349)

Increase (Decrease) In Net Assets

757,313

Net Assets – Beginning Of Year

8,322,305

Net Assets – End Of Year

\$ 9,079,618

See Accompanying Notes

LYME LAND CONSERVATION TRUST, INC.

(A Nonprofit Organization)

Statement Of Functional Expenses

For The Year Ended June 30, 2021

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Compensation	\$ 98,672	\$ 25,451	\$ 26,287	\$ 150,410
Stewardship Expenses	32,261	26	-	32,287
Professional Services & Fees	1,921	21,088	-	23,009
Communications	7,568	6,702	7,859	22,129
Insurance	3,692	9,373	-	13,065
Technology	2,709	3,760	124	6,593
Events	2,679	1,253	555	4,487
Dues & License Fees	3,250	-	-	3,250
Office Supplies & Expenses	213	2,630	31	2,874
Financial Expenses	1	2,848	-	2,849
Depreciation	534	534	-	1,068
Travel	550	181	-	731
Other Operating Expenses	450	150	-	600
<u>Total Expenses</u>	<u>\$ 154,500</u>	<u>\$ 73,996</u>	<u>\$ 34,856</u>	<u>\$ 263,352</u>

See Accompanying Notes

LYME LAND CONSERVATION TRUST, INC.

(A Nonprofit Organization)

Statement Of Cash Flows

For The Year Ended June 30, 2021

Cash Flows From Operating Activities

Change In Net Assets		\$	757,313
Adjustments To Reconcile Change In Net Assets To Net Cash Provided (Used) By Operating Activities:			
Depreciation	\$	1,068	
Prepaid Expenses		(5,447)	
Contributions Of Land		(448,900)	
Accrued Liabilities		3,916	
Accrued Expenses		(5,800)	
ERWSCC Liability		6,237	
Deferred Revenue		2,850	
Unrealized Gain on Securities		(236,003)	
			<u>(682,079)</u>
<u>Net Cash Provided (Used) By Operating Activities</u>			<u>75,234</u>

Cash Flows From Investing Activities

Purchases of Equipment		(7,104)	
Land Acquisition Cost		(3,214)	
Purchase of Investments		(18,487)	

Net Cash Provided (Used) By Investing Activities (28,805)

Cash Flows From Financing Activities

Payment of Long Term Debit		(80,000)	
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Net Cash Provided (Used) By Financing Activities (80,000)

Net Increase (Decrease) In Cash And Equivalents (33,571)

Cash And Equivalents At Beginning Of Year 616,675

Cash And Equivalents At End Of Year \$ 583,104

See Accompanying Notes

LYME LAND CONSERVATION TRUST, INC.
(A Nonprofit Organization)

Notes To The Financial Statements

For The Year Ending June 30, 2021

1) **Summary Of Significant Accounting Policies**

Nature Of Operations – The **LYME LAND CONSERVATION TRUST, INC.** (the Organization) is a local, nonprofit organization dedicated in the conservation and never-ending stewardship of Lyme’s natural, scenic, and historic land and water resources for the public benefit. To date, the Land Trust has 42 fee-owned parcels totaling over 1,000-acres and manages 71 private landowner conservation easements totaling over 2,100 acres – protecting almost 3,200 acres. With the help of our community, and local and regional grant programs, we have saved land in and around Lyme, through donations, grants, and grass roots fund raising to the permanent conservation of natural lands and preservation of the natural resources of Lyme, Connecticut. Additionally, the Education Committee seeks to broaden community awareness of open space and instill conservation values, with special emphasis on engaging and inspiring the next generation to love Lyme’s remarkable resources completed through events, programs, and other forms of involvements. The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization’s primary sources of revenue are donations and the net return on their investments, both of which are subject to fluctuation.

Basis Of Accounting – The financial statements of Lyme Land Conservation Trust, Inc. have been prepared in accordance with U.S. generally accepted accounting principles, which require the organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions - Net assets for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-imposed restrictions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash And Cash Equivalents- The Organization’s cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature are excluded from this definition.

LYME LAND CONSERVATION TRUST, INC.
(A Nonprofit Organization)

Notes To The Financial Statements

For The Year Ending June 30, 2021

1) **Summary Of Significant Accounting Policies** (Continued)

Investments And Fair Value Measurements - The Organization measures its financial instruments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP provides a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant value drivers are observable

Equipment— Equipment is stated at cost less accumulated depreciation. Major expenditures for equipment and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. Assets retired, or otherwise disposed of, and related amounts of accumulated depreciation, are eliminated from the asset accounts. Any gains or losses from disposals are included in income.

Revenue Recognition - Contributions are recognized as revenue when collection is reasonably assured. Donated assets are recorded when they are used as an integral part of the Organization's operation, their value can be clearly measured on an objective basis, and the value is significant in amount. Revenue from fundraising events are recognized as income at the time the event takes place.

Donated Assets— Donated marketable securities, land and equipment are recorded as contributions at their estimated fair values at the date of donation. Donated conservation easements are recorded at \$200. The Organization sells donated marketable securities immediately upon receipt.

LYME LAND CONSERVATION TRUST, INC.
(A Nonprofit Organization)

Notes To The Financial Statements

For The Year Ending June 30, 2021

1) **Summary Of Significant Accounting Policies** (Continued)

Donated Services – No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs, fund raising solicitations and various committee assignments.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain expenses not identifiable with a particular functional area have been allocated based upon management's estimate of the utilization by the program.

Advertising - The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising and other marketing and development costs are expensed as incurred.

Depreciation - Depreciation is computed over the estimated useful lives of the respective assets, ranging from three to forty years, using the straight-line method of depreciation. At the time property, plant and equipment are retired or otherwise disposed of, the related accumulated depreciation is adjusted, and any gain or loss on disposal is included in the statement of activities.

Use Of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes - The Internal Revenue Service has determined that Incarnation Center, Inc. is exempt from Federal income tax on its exempt function income under Section 501(c)(3) of the Internal Revenue Code and is a charitable organization that is not a private foundation as described in Section 509(a) of the code.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of

LYME LAND CONSERVATION TRUST, INC.
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Notes To The Financial Statements

For The Year Ending June 30, 2021

1) Summary Of Significant Accounting Policies (Continued)

the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2021.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, are generally subject to examination by the IRS for 3 years after the date that they were filed.

2) Investments

Cost and fair value at June 30, 2021 is as follows:

Aggregate Cost	\$ 1,461,888
Gross Unrealized Gain	251,214
Gross Unrealized Loss	(106)
Fair Value	<u>\$ 1,712,996</u>

Investment Return for 2021 includes net unrealized gain of \$227,327. Investments at June 30, 2021 consist of the following in the fair value hierarchy:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Uninvested Cash	\$ 30,943	\$ 30,943	\$ -	\$ -
Exchange Traded Funds	1,182,817	1,182,817	-	-
Equity Funds	131,377	131,377	-	-
Certificates of Deposit	163,077	-	163,077	-
U.S. Government Obligations	204,782	-	204,782	-
	<u>\$ 1,712,996</u>	<u>\$ 1,345,137</u>	<u>\$ 367,859</u>	<u>\$ -</u>

LYME LAND CONSERVATION TRUST, INC.
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Notes To The Financial Statements

For The Year Ending June 30, 2021

3) Equipment

Equipment consists of the following at June 30, 2021:

Computers	\$ 13,938
Software	5,000
Other Equipment	<u>3,760</u>
	22,698
Less: Accumulated Depreciation	<u>16,260</u>
	<u>\$6,438</u>

Depreciation expense for the year was \$1,068.

4) Conservation Land

Conservation land is land, conservation easements and development rights that have been acquired by the Organization via purchase, bargain purchase or outright donation and set aside for permanent conservation. This land is stated at cost or estimated fair value at the time of donation, depending on how acquired. Donated conservation easements and development rights are recorded at a nominal \$100 each when received.

5) Accrued Expenses

The Organization is a party to a conservation easement enforcement action and has incurred legal expenses as part of this action. The Superior Court in Connecticut had previously ordered that the Organization be awarded counsel fees and costs that it had incurred in this action. In December 2019, The Supreme Court in Connecticut reversed this order in part and remanded the case back to the Superior Court to recalculate the award of attorney's fees and damages. To date, no decision has been rendered. The Organization has accrued its estimate of the expenses incurred to date of \$80,000. It is at least reasonably possible that this estimate will change in the near term.

6) ERWSCC Liability

The Organization acts as a fiscal agent for the Eightmile River Wild and Scenic Coordinating Committee. As such the Organization holds funds grant funds for the Committee and disburses them at the Committee's direction.

LYME LAND CONSERVATION TRUST, INC.
(A Nonprofit Organization)

Notes To The Financial Statements

For The Year Ending June 30, 2021

7) Deferred Revenue

Deferred revenue consists of funds collected from registrants and sponsors of a fund-raising event, "Tour de Lyme." This event was postponed from its original date due to the COVID-19 pandemic and took place on September 5, 2021.

8) Net Assets With Donor Restrictions And Board Designations

Permanently restricted net assets are assets restricted by the donor to be held indefinitely and invested to produce income for the maintenance of specific properties. Temporarily restricted net assets may only be expended for the purposes established by the donor. The Board of Directors has also set aside funds for specific purposes. At June 30, 2021 restricted net assets are as follows:

	<u>Donor Restricted</u>		<u>Board Designated</u>
	<u>Temporary</u>	<u>Permanent</u>	
MJ Walters Endowment	\$ -	\$ 140,026	\$ 752,127
Enforcement Fund	-	-	144,102
T Brown Preservation Fund	427,931	-	16,780
Barringer Fund	2,500	-	252,073
Walbridge Fund	41,268	-	252
	<u>\$ 471,699</u>	<u>\$ 140,026</u>	<u>\$ 1,165,334</u>

The funds have the following purposes:

Endowment Fund: Its purpose is to provide a source of recurring support to the Organization's annual budget.

Enforcement Fund: Its purpose is to have funds for possible litigation expenses as established by the Land Trust Alliance for accreditation.

T Brown Preservation Fund: Its purpose is to have acquisition funds available to make down payments on property purchases.

Barringer and Walbridge Funds: Their purposes are to have funds to meet the stewardship needs of the Organization's fee owned land and properties under easement.

LYME LAND CONSERVATION TRUST, INC.
(A Nonprofit Organization)

Notes To The Financial Statements

For The Year Ending June 30, 2021

9) Land Donations

During the fiscal year ended June 30, 2021, the Organization received a donation of 179.63 acres of undeveloped land in Lyme and East Lyme, Connecticut, with an appraised value of \$448,900. The Organization capitalized legal fees of \$3,214 in connection with this donation.

10) Liquidity

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash Balances Available	\$ 583,104
Investments Available	<u>1,712,996</u>
	2,296,100
Less: Restricted Funds	<u>606,180</u>
Financial Assets Available For General Expenditures	<u><u>\$ 1,689,920</u></u>

Lyme Land Conservation Trust, Inc's operating expenses are anticipated to be met by receipt of program fees and donations. The Organization's investment policy is designed to maintain sufficient financial assets to meet its operating needs.

11) Concentrations Of Credit Risk

The Organization maintains its cash balances in three financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 in each institution. The Organization's cash balances fluctuate throughout the year and periodically are in excess of insured limits. At June 30, 2021, the uninsured amount was approximately \$80,000.

LYME LAND CONSERVATION TRUST, INC.
(A Nonprofit Organization)

Notes To The Financial Statements

For The Year Ending June 30, 2021

12) Risks And Uncertainties

The Organization is subject to normal risks associated with its operations including property damage and personal injury. The Organization monitors risks to keep them at acceptable levels through methods such as the purchase of commercial insurance.

The COVID-19 global pandemic has impacted many areas of economic, financial and social life both domestically and around the world. The supply chains and consumer demand across a broad range of industries and countries have been adversely impacted. The prices for real estate, including land, has increased. This situation may affect the Organization's ability to acquire additional conservation land. In addition, the stock market has experienced significant volatility which may affect the fair value of the Organization's investments. The future effects of these issues are unknown. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

13) Subsequent Events

Management has evaluated subsequent events through January 13, 2022, the date which the financial statements were available to be issued.