

MONTEZUMA LAND CONSERVANCY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Montezuma Land Conservancy

We have audited the accompanying financial statements of Montezuma Land Conservancy (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses, 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.

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 statement referred to above present fairly, in all material respects, the financial position of Montezuma Land Conservancy as of December 31, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously reviewed Montezuma County Land Conservancy's 2019 financial statements, and we expressed an unmodified review opinion on those audited financial statements in our report dated June 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.


Ayako D. Saito, CPA, PLLC

Leadville, Colorado
June 14, 2021

**MONTEZUMA LAND CONSERVANCY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

(with comparative totals for December 31, 2019)

<u>ASSETS</u>		
	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 385,918	\$ 178,273
Grants and Accounts Receivable	150,746	5,500
Prepaid Expenses	4,280	7,520
TOTAL CURRENT ASSETS	<u>540,944</u>	<u>191,293</u>
NON-CURRENT		
Cash and Cash Equivalents, Due to Partners	16,419	5,048
Cash and Cash Equivalents, Restricted	43,250	44,361
Investments, Restricted	1,705,527	1,514,522
PROPERTY AND EQUIPMENT		
Furniture and Equipment	21,219	21,219
Vehicle	0	3,500
Farm Land	341,241	341,241
Construction in Progress	292,462	292,461
Less: Accumulated Depreciation	<u>(25,142)</u>	<u>(15,961)</u>
NET PROPERTY AND EQUIPMENT	<u>629,780</u>	<u>642,460</u>
TOTAL NON-CURRENT ASSETS	<u>2,394,976</u>	<u>2,206,391</u>
TOTAL ASSETS	<u><u>\$ 2,935,920</u></u>	<u><u>\$ 2,397,684</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 102	\$ 682
Payroll Liabilities	16,663	18,836
Due to Partners	16,992	659
Refundable Advance	39,400	0
TOTAL CURRENT LIABILITIES	<u>73,157</u>	<u>20,177</u>
NET ASSETS		
Net Assets without Donor Restrictions	1,105,801	810,440
Net Assets without Donor Restrictions - Board Designated	988,670	805,159
Net Assets with Donor Restrictions - Temporary in Nature	590,105	583,721
Net Assets with Donor Restrictions - Perpetual in Nature	178,187	178,187
	<u>2,862,763</u>	<u>2,377,507</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,935,920</u></u>	<u><u>\$ 2,397,684</u></u>

MONTEZUMA LAND CONSERVANCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(with comparative totals for December 31, 2019)

	2020			2019
REVENUE AND SUPPORT	Without Donor Restrictions	With Donor Restrictions	Total	Total
Contributions	\$ 110,512	\$ 0	\$ 110,512	\$ 93,342
Grant Income	0	470,666	470,666	327,871
Investment Income	205,276	6,384	211,660	217,679
Fundraising Events	6,518	0	6,518	23,225
In-Kind Contributions	9,526	0	9,526	32,805
Other Income	415	0	415	40
Fees for Services	158,470	0	158,470	14,833
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	470,666	(470,666)	0	0
TOTAL REVENUE AND SUPPORT	961,383	6,384	967,767	709,795
EXPENSES				
Program Services	422,700	0	422,700	275,519
General and Administrative	28,360	0	28,360	153,728
Fundraising	31,451	0	31,451	36,318
TOTAL EXPENSES	482,511	0	482,511	465,565
INCREASE (DECREASE) IN NET ASSETS	478,872	6,384	485,256	244,230
BEGINNING NET ASSETS	1,615,599	761,908	2,377,507	2,133,277
ENDING NET ASSETS	\$ 2,094,471	\$ 768,292	\$ 2,862,763	\$ 2,377,507

MONTEZUMA LAND CONSERVANCY
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2020
(with comparative totals for December 31, 2019)

	2020			2019	
	Program Services	General and Administrative	Fund Raising	Total	Total
Salaries	\$ 212,652	\$ 16,511	\$ 8,654	\$ 237,817	\$ 193,142
Payroll Taxes	20,162	1,130	585	21,877	14,137
Fringe Benefits	34,119	3,203	1,349	38,671	24,153
	<u>266,933</u>	<u>20,844</u>	<u>10,588</u>	<u>298,365</u>	<u>231,432</u>
Accreditation and Certification	4,326	430	179	4,935	500
Advertising	98	14	16	128	2,836
Bank and Credit Card Charges	26	28	1,065	1,119	1,250
Contract Labor	1,676	203	80	1,959	24,492
Depreciation Expenses	12,681	0	0	12,681	5,061
Dues and Subscriptions	6,151	884	178	7,213	5,426
Furniture and Equipment	3,936	453	189	4,578	1,643
Insurance	9,973	1,442	601	12,016	11,481
Land Preservation Expense	33,627	0	0	33,627	0
Miscellaneous Expenses	2,039	0	0	2,039	8,893
Occupancy	11,663	667	278	12,608	14,263
Postage	875	502	113	1,490	1,744
Printing and Copying	4,678	487	1,006	6,171	6,694
Professional Services	38,659	1,839	5,386	45,884	77,420
Stipend for Americorps	13,511	0	0	13,511	10,052
Supplies	2,728	183	11,690	14,601	30,395
Telephone	2,938	105	44	3,087	4,016
Training and Staff Development	3,790	88	36	3,914	3,139
Travel and Meetings	2,177	191	2	2,370	24,295
Vehicle Expenses	215	0	0	215	533
	<u>155,767</u>	<u>7,516</u>	<u>20,863</u>	<u>184,146</u>	<u>234,133</u>
Total Expenses	<u>\$ 422,700</u>	<u>\$ 28,360</u>	<u>\$ 31,451</u>	<u>\$ 482,511</u>	<u>\$ 465,565</u>

MONTEZUMA LAND CONSERVANCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(with comparative totals for December 31, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 485,256	\$ 244,230
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	12,681	5,061
(Gain) Loss on Sale of Investments	(34,933)	(37,982)
Unrealized Loss on Investments	(180,773)	(160,970)
(Gain) Loss on Disposal of Fixed Assets	(415)	
(Increase) Decrease in:		
Accounts Receivable	(145,246)	(5,500)
Prepaid Expense	3,240	(2,985)
Increase (Decrease) in:		
Accounts Payable	(580)	(45,559)
Payroll Liabilities	(2,173)	1,059
Deferred Revenue	16,333	(32,926)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	153,390	(35,572)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	415	(76,753)
Purchase of Investments	(133,115)	(337,379)
Sale of Investments	157,815	349,433
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	25,115	(64,699)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Short-Term Loan	39,400	0
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	39,400	0
NET CHANGE IN CASH AND CASH EQUIVALENTS	217,905	(100,271)
CASH AND CASH EQUIVALENTS - BEGINNING	227,682	327,953
CASH AND CASH EQUIVALENTS - ENDING	\$ 445,587	\$ 227,682
Cash as Shown on Balance Sheet		
Cash and Cash Equivalents	\$ 385,918	\$ 178,273
Cash and Cash Equivalents, Restricted	43,250	44,361
Cash and Cash Equivalents, Due to Partners	16,419	5,048
	\$ 445,587	\$ 227,682
Interest Paid During the Year	\$ 0	\$ 0
Income Tax Paid During the Year	\$ 0	\$ 0

MONTEZUMA LAND CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose and Organization

Montezuma Land Conservancy (Organization) was established in 1998 as a Colorado Non-profit 501(c)(3) corporation. The Organization is located in Cortez, Colorado and primarily serves Montezuma, Dolores, and San Miguel Counties in Colorado. It is funded with public contributions and private and government grants.

The stated purposes for the Organization are as follows:

1. The preservation of open space, including farmland that a) provides for the scenic enjoyment of the general public, or b) is pursuant to a clearly delineated government conservation policy, provided, in each case, that such preservation will yield a significant public benefit;
2. The protection of a relatively natural habitat of fish, wildlife, plants or similar ecosystem; or
3. The preservation of land for outdoor recreation by, or education of the general public;
4. The promotion of land conservation practices and providing conservation education to the communities of Southwest Colorado.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Cash and Cash Equivalents

The Organization's cash consists of cash on deposits 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, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

Receivable and Credit Policies

Accounts and contributions receivable are stated at the outstanding balances. An allowance for uncollectible accounts is not used. Management uses the direct write off method to recognize bad debt expense for uncollectible accounts. After reasonable collection efforts are made by management past due accounts are written off. For the year ending December 31, 2020 the Organization did not write off any uncollectible accounts. The Organization does not charge interest on accounts and contributions receivable.

MONTEZUMA LAND CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Contributions Receivable

The Organization records unconditional contributions receivable that are expected to be collected within one year at net realizable value. Unconditional contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities.

Property and Equipment

Property and equipment is recorded at cost and donated assets are recorded at estimated value at the time of the gift. Routine repairs and maintenance are expensed as incurred. Depreciation on property and equipment is computed based on the cost of the asset over its estimated useful life using the straight-line method. Equipment acquired with a cost in excess of \$500 is capitalized. Equipment life ranges from 5 to 7 years. Depreciation expense for the years ended December 31, 2020 was \$12,681.

Investments

Investments are reported at costs, purchased, or at fair value, if donated. Thereafter, investments are reported at their fair market values in the statement of financial position, and changes in fair value are reported as investment return in the statement of activities.

Due to Partners

Amounts reported as Due to Partners, included in the accompanying statement of financial position, arises principally from the collaborative activities between the Organization and Montezuma Inspire Coalition (MIC) to further the MIC project (see Note 13).

Refundable Advances

The Organization was granted \$39,400 loan under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) proved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization has initially recoded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance of other barrier and a right of return of the PP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Organization maintain employment levels during its 24-week covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended December 31, 2020 from this PPP loan.

MONTEZUMA LAND CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Net Assets

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), 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 that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions 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.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that restricted by the donor are reported as an increase in net assets with donor restriction, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or 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.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Revenue and Revenue Recognition

The Organization recognizes special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the events takes place.

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The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

The Organization recognizes revenue from farm leasing operation and conservation easement projects when the services are provided.

Donated Services

The Organization records donated services contributions when the services (a) create or enhance non financial assets or (b) would be purchased if they had not been provided by contributions, require specialized skills, and are provided by individuals possessing those skills.

Advertising Costs

Advertising costs are expensed as incurred in the amount of \$128 during the year ended December 31, 2020.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Salaries and Benefits	Time and Effort
Insurance	Full Time Equivalent
Dues and Subscriptions	Full Time Equivalent
Occupancy	Full Time Equivalent
Telephone	Full Time Equivalent
Vehicle	Full Time Equivalent

Income Tax Status

The Organization is organized as a non-for-profit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other

MONTEZUMA LAND CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Estimates

The preparation of financial statements conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results differ from those estimates.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash and cash equivalents. The Organization's cash balances are deposited in a financial institution and, at times, it may exceeded the FDIC limit. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

Conservation Easements

The Organization is considered a qualified organization under Internal Revenue Code section 170(h)(3) and may therefore accept donated conservation easements. Conservation easements, which represent a perpetual restriction on the use of land without transfer of ownership of the underlying property, are not reflected in the assets of the Organization. There is no market for the easements and therefore they have not been valued by the Organization in accordance with fair value rules. Donated easements are not recorded as support. Transactional costs to obtain an easement as well as purchase costs for an easement are recorded as expenses in the Statement of Activities in the year the transaction is completed.

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2020:

Financial Assets at Year End:	
Cash and Cash Equivalents	\$445,587
Accounts Receivable	0
Contributions Receivable	
	<u>150,746</u>
Total Financial Assets	596,333
Less Amounts Not Available to be Used within One Year	
Net Assets with Donor Restrictions	59,669
Less Net Assets with Purpose Restrictions to be Met in Less Than a Year	<u>(16,419)</u>
	<u>43,250</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$553,083</u>

MONTEZUMA LAND CONSERVANCY
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The Organization’s goal is generally to maintain financial assets to meet 6 months of essential operating expenses (non-grant funded) (approximately \$150,000).

NOTE 3 – FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that priorities investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observed inputs) and the lowest priority to an entity’s assumptions (unobserved inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

- Level 2 Other observable inputs, either directly or indirectly, including:
 - Quoted prices for similar assets/liabilities in active markets;
 - Quoted prices for identical or similar assets in non-active markets;
 - Inputs other than quoted prices that are observable for the asset/liability; and,
 - Inputs that are derived principally from or corroborated by other observable market data.

- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

All of the Organization’s investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost per share as a practical expedient as identified in the following, at December 31, 2020:

	2020	
	Cost	Fair Value
Mutual Funds	\$1,391,393	\$1,705,527
Cash	43,250	43,250
Total	\$1,434,643	\$1,748,777

Investments are a combination of Board designated and restricted funds. The restrictions are primarily for the maintenance and defense of currently easements with some set aside as a Board designated operating reserve.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 4 – CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable are estimated to be collected as follows at December 31, 2020:

Within One Year	\$74,000
In One to Five Years	84,000
Over Five Years	<u>0</u>
	158,000
Less Discount on Net Present Value at 7%	<u>(7,254)</u>
	<u>\$150,746</u>

At December 31, 2020, one donor accounted for all of total promises to give. Two contributors accounted for approximately 94 percent of total contribution revenue for the year ended December 31, 2020.

NOTE 5 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table provides information about significant changes in the contract liabilities for the year ended December 31, 2020:

Deferred Revenue, Beginning of Year	\$0
Revenue Recognized That was Included in Deferred Revenue at the Beginning of Year	(158,470)
Increase in Deferred Revenue to Cash Received During the Period	<u>158,470</u>
Deferred Revenue, End of Year	<u>\$0</u>

NOTE 6 – LEASES

The Organization leased its office space under a month to month operating lease for \$650 per month plus utilities from one of the appraisers the Organization uses on regular basis for the appraisal of easements. Total rent paid in 2020 was \$7,800.

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 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 7 – BOARD DESIGNATED NET ASSETS

The Board of Directors has resolved to designate monies for various future uses of the Organization. These funds are available for use under the following Board designations:

<u>Fund Name</u>	<u>2020</u>	<u>Designation</u>
Legacy Fund	\$240,318	To provide income for future perpetual funding of the daily operations of the Organization. Investment gains may be only be used in the event of a Board approved emergency.
Land Owner Assistance Fund	87,208	To primarily facilitate and support easement and transaction capital costs of new donated or purchased easements.
Conservation Defense Fund	202,334	A reserve fund available for expenses of defending easements against legal challenges. Accounts for funds designated by the Board for the purpose listed above.
Stewardship Endowment Fund	215,474	To provide income for ongoing and perpetual stewardship responsibilities.
Stewardship Endowment Fund Earnings	<u>243,336</u>	Earnings available to fund day to day stewardship related expenses. Funds are transferred from the restricted stewardship funds per terms of the fund policies.
 Total	 <u>\$988,670</u>	

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS, TEMPORARY IN NATURE

Net assets with donor restrictions, temporary in nature are funds that are specified by donors for a restricted purpose. The restriction is released upon meeting the purpose or time restrictions of the original funding source. During the years ended December 31, 2020, funds totaling \$470,666 were received as revenues with donor restrictions and were released as the purpose of the funds were accomplished within that year.

As of December 31, 2020, there was \$3,714 in net asset with restrictions. These funds are to be spent on bicycle related projects in future years. In addition, as of December 31, 2020, there was \$4,471 in net asset with restrictions for the purpose of providing transportation for programs.

There are long-term funds with donor restrictions that are received as part of the transactional activity of a new conservation easement accepted by the Organization. They are available for the following purposes:

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<u>Fund Name</u>	<u>2020</u>	<u>Designation</u>
Conservation Defense Fund	\$ 119,515	A reserve fund available for expense of defending easements against legal challenges.
Stewardship Endowment Fund	<u>462,406</u>	To provide income for ongoing and perpetual stewardship responsibilities.
Total	<u>\$581,921</u>	

NOTE 9 - ENDOWMENT FUNDS

Stewardship Endowment Funds

The Organization requires all conservation easements it accepts to be accompanied by funds for the perpetual stewardship of the easements it monitors. As a result, each transaction that is closed includes a portion for the Stewardship fund. Prior to 2010, this donation was represented to the landowners as a permanently restricted donation to the Stewardship endowment. After that time, the language regarding the donation was changed such that new funds received are considered temporarily restricted or Board designated, as appropriate. Thus, the Stewardship Endowment fund is separated into three classes of net assets: Board designated, with donor restrictions, temporary in nature, and with donor restrictions, perpetual in nature (see notes 7 and 8).

The endowment corpus is the result of restricted donations to the Stewardship fund prior to 2010. The appropriation of the corpus is not allowable. The earnings of the fund are divided between funds with donor restrictions, funds without donor restrictions, and Board designated funds. First, a portion of the current year investment return is provided to the stewardship fund with donor restrictions, temporary in nature equal to the prior year's inflation rate (CPI-U as an annual percentage of change) multiplied by the value of the fund at the start of the prior year. Any remaining current year investment income is prorated and released to the funds without donor restrictions and Board designated funds.

Legacy Endowment Funds

In 2015, the Board of Directors established a Legacy Endowment Fund with donor restrictions, perpetual in nature to complement its Board designated Legacy Endowment Fund (see Note 7). The fund is to provide income for future perpetual funding of the daily operations of the Organization. The donated principal of the fund must remain intact, but earnings are allowable for expenditure as determined by the Board of Directors.

Interpretation of Relevant Law

The Organization has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (CUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as permanently restricted assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the endowment instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions, perpetual in

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nature is classified as net assets with donor restrictions, temporary in nature until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed in the CUPMIFA.

Appropriation of Endowment Assets for Expenditure

In accordance with CUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment funds
- (2) The purposes of the endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation or deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policy of the Organization

Endowment Fund Investment Policy

It is the policy of the Organization to exercise prudent management of its financial assets through the investment of its funds according to the parameters of the Investment Fund Policy. The minimum target performance over time (5 + years) will be growth adequate to cover inflation. The assets of the Endowment Funds are invested to provide income for the ongoing and perpetual stewardship and management responsibilities that the Organization incurs. The Endowment Funds have limited need for liquidity and are intended to generate income and capital growth. The Funds may be invested in any or all of the approved investment vehicles listed below.

Allowable investments include:

- a. Savings and checking accounts at commercial banks and savings and loan associations not exceeding the threshold of FDIC insurance,
- b. Certificates of deposit at commercial banks and savings and loan associations with no more than 5 years maturity and not exceeding the threshold of FDIC insurance,
- c. Short term money market funds or accounts,
- d. Notes and bonds of the U.S. government or government agencies or instruments backed by the full faith and credit of the U.S. government or by the credit of the agency or entity issuing the obligations,
- e. Bond mutual funds,
- f. Equity mutual funds,
- g. Closed end funds with a guaranteed income,
- h. Exchange traded funds.

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Stewardship Endowment Funds

Stewardship Endowment Net Asset Composition by Type of Fund

As of December 31, 2020

	Without Donor Restrictions	With Donor Restrictions, Temporary in Nature	With Donor Restrictions, Perpetual in Nature	Totals
Donor Restricted	\$ 0	\$462,406	\$168,737	\$631,143
Board Designated	<u>458,810</u>	<u>0</u>	<u>0</u>	<u>458,810</u>
Total Funds	<u>\$458,810</u>	<u>\$462,406</u>	<u>\$168,737</u>	<u>\$1,089,953</u>

Stewardship Endowment Net Asset Changes for Fiscal Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions, Temporary in Nature	With Donor Restrictions, Perpetual in Nature	Totals
Endowment Net Assets: Beginning of Year	\$370,067	\$456,021	\$168,737	\$994,825
Investment Income	33,209	6,385	0	39,594
Net depreciation	101,972	0	0	101,972
Contributions	0	0	0	0
Appropriation of Endowment Assets for Expenditure	(30,000)	(0)	0	(30,000)
Other Changes/ Transfers	<u>(16,438)</u>	<u>0</u>	<u>0</u>	<u>(16,438)</u>
Endowment Net Assets; End of Year	<u>\$458,810</u>	<u>\$462,406</u>	<u>\$168,737</u>	<u>\$1,089,953</u>

Legacy Endowment Funds

Legacy Endowment Net Asset Composition by Type of Fund

As of December 31, 2020

	Without Donor Restrictions	With Donor Restrictions, Temporary in Nature	With Donor Restrictions, Perpetual in Nature	Totals
Donor Restricted	\$ 0	\$ 0	\$9,450	\$9,450
Board Designated	<u>240,318</u>	<u>0</u>	<u>0</u>	<u>240,318</u>
Total Funds	<u>\$240,318</u>	<u>\$ 0</u>	<u>\$9,450</u>	<u>\$249,768</u>

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Legacy Endowment Net Asset Changes for Fiscal Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions, Temporary in Nature	With Donor Restrictions, Perpetual in Nature	Totals
Endowment Net Assets:				
Beginning of Year	\$197,360	\$ 0	\$9,450	\$206,810
Investment Income	2,819	0	0	2,819
Net Depreciation	42,303	0	0	42,303
Contributions	0	0	0	0
Appropriation of Endowment Assets for Expenditure	0	0	0	0
Other Changes/ Transfers	<u>(2,164)</u>	<u>0</u>	<u>0</u>	<u>(2,164)</u>
Endowment Net Assets; End of Year	<u>\$240,318</u>	<u>\$ 0</u>	<u>\$9,450</u>	<u>\$249,768</u>

NOTE 10 – DONATED PROFESSIONAL SERVICES AND MATERIALS

The Organization received donated professional services and materials as follows during the year ended December 31, 2020:

	Program	Fundraising	Total
Legal	\$2,868	\$0	\$2,868
Items and Supplies for Silent Auction	0	4,630	4,630
Printing Services	0	675	675
Seeds	983	0	983
Photo	145	0	145
Coordinator	<u>0</u>	<u>225</u>	<u>225</u>
Total	<u>\$3,996</u>	<u>\$5,530</u>	<u>\$9,526</u>

NOTE 11 – EMPLOYEE BENEFIT PLAN

The Organization maintains a Simple IRA retirement plan. The plan provides that the Organization will match contributions for all qualifying employees up to 3% of their salaries. Plan match expense was \$6,798 in 2020.

NOTE 12 – EASEMENT ACTIVITIES

The Organization acquires easement and development rights on properties through purchase and donation. Within the land trust movement, a divergence of practice exists as to the values at which easements and development rights are appropriately recorded. There is no definitive accounting guidance on these matters. The Organization follows

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the industry practices to not capitalize the easements and to record any costs associated with their acquisition as expenses in the year of acquisition. At the end of 2020 the Organization held 90 conservation easements.

<u>Year Received</u>	<u>Acres</u>	<u>Transaction Type</u>
1999	298	Transferred to MLC
2000	2,540	Transferred to MLC
2001	320	Transferred to MLC
2002	80	Easement donations
2003	720	Easement donations
2004	320	Easement donations
2005	1,671	Easement donations
2006	1,135	Bargain purchases
2006	1,608	Easement donations
2007	400	Bargain purchases
2007	730	Easement donations
2008	5,350	Bargain purchases
2008	1,390	Easement donations
2009	367	Easement donations
2009	83	Bargain purchases
2010	240	Transferred to MLC
2010	580	Easement donations
2010	12,663	Bargain purchases
2011	394	Easement donations
2011	120	Bargain purchases
2012	2,995	Bargain purchases
2013	1,933	Bargain purchases
2013	975	Easement donations
2014	880	Bargain purchases
2015	1,716	Bargain purchases
2015	1,710	Easement donations
2016	2,690	Bargain purchases
2016	125	Easement donations
2017	263	Bargain purchase
2017	225	Easement donation
2018	0	
2019	<u>167</u>	Easement donation
2020	<u>1,335</u>	Easement donation
Total acres	<u>46,023</u>	

NOTE 13 – RELATED PARTY TRANSACTIONS

The Organization may hold conservation easements on land belonging to former or current Board members. Easements from Board members are not undertaken while the person is an active Board member. There were no such financial transactions in the year ended December 31, 2020, as a result of these easements. However, the Organization has ongoing stewardship responsibilities with regard to these easements.

In 2015, Montezuma Land Conservancy (the Organization) and other community organizations were awarded a planning grant from Great Outdoors Colorado (GOCO) to form a coalition with the mission of addressing the increasing need to get kids outside.

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The Montezuma Inspire Coalition (MIC) was formed, and for the next 18 months Coalition members worked to define the vision, and design proposed programming components. The governance structure of the MIC is comprised of a Steering Committee of coalition partners who oversee the grant and programming. MIC serves youth living in Montezuma County, including the population centers of Cortez, Mancos, Dolores, and Towaoc. MIC brings together a diverse group of nonprofits, businesses and governmental organizations that have a great passion for youth and the outdoors. MIC aims to serve “every kid in every zip” and to increase opportunities for all youth in our county to experience the outdoors through the coordination and scaffolding of existing and new programming.

The Organization is the acting fiscal agent for the MIC (providing financial oversight and accountability), houses the Coordinating Hub for the Coalition, employs the coalition coordinator, and serves on the steering committee.

The Organization was the fiscal agent for the MIC throughout the initial three-year grant cycle and continues to be for a second grant cycle which is five years beginning in 2021. While in this role the Organization will act as the pass through for all funding from GOCO and other future grants for the MIC. The Organization will act, in conjunction with the Coalition Coordinator, as the final backstop of communication to GOCO for reporting purposes both in programs, places, and pathways. The Organization will maintain and monitor all contracts and agreements with MIC members as they pertain to GOCO and other community partners. The Organization will receive all program and financial reporting from MIC members and compile and submit to GOCO as requested. As fiscal agent, the Organization will be ultimately responsible for the funds administered by GOCO per the executed contract agreement.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated all the activities of the Organization through June 14, 2021, (the date on which the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States and the World.

The ultimate disruption which may be caused by the outbreak is uncertain and it may have additional adverse effect on the Organization’s financial position, operations and cash flows.