

THE LANCASTER COUNTY CONSERVANCY

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022
AND INDEPENDENT AUDITOR'S REPORT

THE LANCASTER COUNTY CONSERVANCY

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Lancaster County Conservancy

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Lancaster County Conservancy (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Lancaster County Conservancy as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Lancaster County Conservancy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Lancaster County Conservancy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Lancaster County Conservancy's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2024, on our consideration of The Lancaster County Conservancy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Lancaster County Conservancy 's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Lancaster County Conservancy 's internal control over financial reporting and compliance.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
July 11, 2024

THE LANCASTER COUNTY CONSERVANCY

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
Current assets		
Cash and cash equivalents	\$ 9,300,458	\$ 6,663,129
Grants receivable	2,851,697	1,494,454
Promises to give	2,262,316	2,013,813
Other receivables	322,216	243,520
Other current assets	50,131	43,534
Total current assets	14,786,818	10,458,450
Property and equipment		
Land	55,502,932	53,349,763
Conservation easements	59,463	59,463
Office furniture and equipment	97,473	111,868
Stewardship equipment	218,977	173,139
Transportation equipment	247,378	240,698
Computer software	49,680	44,838
Property improvements	1,173,689	880,339
Land improvements	336,634	229,043
Construction/projects in progress	338,883	173,166
Total property and equipment	58,025,109	55,262,317
Accumulated depreciation	(903,508)	(759,561)
Net property and equipment	57,121,601	54,502,756
Other assets		
Investments	3,187,863	1,826,358
Restricted investments	6,890,100	6,146,661
Promises to give - net	4,397,256	6,162,221
Escrow and related costs for properties to be acquired	126,151	68,645
Interest in charitable remainder trust	120,559	108,791
Total other assets	14,721,929	14,312,676
Total assets	\$ 86,630,348	\$ 79,273,882

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

	2023	2022
Current liabilities		
Accounts payable	\$ 141,330	\$ 50,096
Accrued payroll and taxes	10,910	9,120
Refundable advances	2,605,909	1,399,318
Other liabilities	2,330	1,830
Total liabilities	2,760,479	1,460,364
Net assets without donor restrictions		
Land and conservation easements	55,562,395	53,409,226
Board designated	2,562,400	2,091,970
Other	2,465,678	1,528,030
Total net assets without donor restrictions	60,590,473	57,029,226
Net assets with donor restrictions	23,279,396	20,784,292
Total net assets	83,869,869	77,813,518
Total liabilities and net assets	\$ 86,630,348	\$ 79,273,882

THE LANCASTER COUNTY CONSERVANCY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Grants	\$ 1,997,443	\$ -	\$ 1,997,443
Contributions	878,819	3,921,833	4,800,652
Program revenue	254,438	-	254,438
In-kind contributions	13,883	-	13,883
Special events, net	629,550	-	629,550
Net investment return	494,316	1,108,201	1,602,517
Other income, net	56,810	40,547	97,357
Change in value of charitable remainder trust	-	11,768	11,768
Net assets released from restrictions	2,587,245	(2,587,245)	-
	<u>6,912,504</u>	<u>2,495,104</u>	<u>9,407,608</u>
Total revenue and other support			
Expenses			
Program services			
Land			
Protection and Acquisition	333,170	-	333,170
Stewardship	1,691,851	-	1,691,851
Community Impact	690,395	-	690,395
	<u>2,715,416</u>	<u>-</u>	<u>2,715,416</u>
Total program services			
Supporting services			
Management and general	345,705	-	345,705
Fundraising and development	290,136	-	290,136
	<u>635,841</u>	<u>-</u>	<u>635,841</u>
Total supporting services			
Total expenses	<u>3,351,257</u>	<u>-</u>	<u>3,351,257</u>
Change in net assets	3,561,247	2,495,104	6,056,351
Net assets, beginning	<u>57,029,226</u>	<u>20,784,292</u>	<u>77,813,518</u>
Net assets, ending	<u>\$ 60,590,473</u>	<u>\$ 23,279,396</u>	<u>\$ 83,869,869</u>

The accompanying notes are an integral part of these financial statements.

THE LANCASTER COUNTY CONSERVANCY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Grants	\$ 637,056	\$ 2,157,000	\$ 2,794,056
Contributions	906,231	2,808,860	3,715,091
Program Revenue	195,995	-	195,995
In-kind contributions	37,043	-	37,043
Special events, net	619,412	-	619,412
Net investment return	(1,059,389)	(215,664)	(1,275,053)
Other income, net	(8,422)	44,265	35,843
Change in value of charitable remainder trust	-	(32,054)	(32,054)
Net assets released from restrictions	1,484,136	(1,484,136)	-
	<u>2,812,062</u>	<u>3,278,271</u>	<u>6,090,333</u>
Total revenue and other support			
Expenses			
Program services			
Land			
Protection and Acquisition	2,090,009	-	2,090,009
Stewardship	1,322,833	-	1,322,833
Community Impact	575,821	-	575,821
	<u>3,988,663</u>	<u>-</u>	<u>3,988,663</u>
Total program services			
Supporting services			
Management and general	348,541	-	348,541
Fundraising and development	485,379	-	485,379
	<u>833,920</u>	<u>-</u>	<u>833,920</u>
Total supporting services			
Total expenses	<u>4,822,583</u>	<u>-</u>	<u>4,822,583</u>
Change in net assets	(2,010,521)	3,278,271	1,267,750
Net assets, beginning	<u>59,039,747</u>	<u>17,506,021</u>	<u>76,545,768</u>
Net assets, ending	<u>\$ 57,029,226</u>	<u>\$ 20,784,292</u>	<u>\$ 77,813,518</u>

The accompanying notes are an integral part of these financial statements.

THE LANCASTER COUNTY CONSERVANCY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

	Land Protection & Acquisition	Land Stewardship	Community Impact	Total Programs	Management and General	Fundraising & Development	Total
Expenses							
Salaries and wages	\$ 265,956	\$ 703,737	\$ 336,382	\$ 1,306,075	\$ 147,002	\$ 190,020	\$ 1,643,097
Payroll taxes and benefits	47,949	162,008	67,771	277,728	36,257	36,680	350,665
Member events	-	39	52,478	52,517	2,994	29,261	84,772
Rent	-	71,427	14,709	86,136	54,053	-	140,189
Supplies	-	1,073	2,108	3,181	12,081	364	15,626
Postage	-	10	2,733	2,743	3,148	579	6,470
Bank fees	-	-	-	-	10,377	152	10,529
Professional fees	528	325,890	24,558	350,976	47,644	38,152	436,772
Taxes and fees	-	6,259	-	6,259	-	-	6,259
Auto and travel	1,742	42,186	5,309	49,237	2,540	1,500	53,277
Insurance	470	22,768	5,915	29,153	32,886	41	62,080
Printing and publications	-	4,006	4,376	8,382	1,145	3,669	13,196
Office expense	82	78,143	66,335	144,560	56,910	3,782	205,252
Depreciation	1,601	128,820	35,697	166,118	4,402	1,601	172,121
Maintenance	-	21,416	6,052	27,468	2,542	-	30,010
Miscellaneous expense	14,842	76,715	35,972	127,529	(68,276)	(15,665)	43,588
Grant expenses	-	47,354	30,000	77,354	-	-	77,354
Total expenses	<u>\$ 333,170</u>	<u>\$ 1,691,851</u>	<u>\$ 690,395</u>	<u>\$ 2,715,416</u>	<u>\$ 345,705</u>	<u>\$ 290,136</u>	<u>\$ 3,351,257</u>

The accompanying notes are an integral part of these financial statements.

THE LANCASTER COUNTY CONSERVANCY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Land Protection & Acquisition	Land Stewardship	Community Impact	Total Programs	Management and General	Fundraising & Development	Total
Expenses							
Salaries and wages	\$ 263,094	\$ 585,260	\$ 302,046	\$ 1,150,400	\$ 137,338	\$ 167,045	\$ 1,454,783
Payroll taxes and benefits	46,562	120,994	74,429	241,985	36,208	33,402	311,595
Member events	-	170	30,526	30,696	-	7,579	38,275
Rent	-	92,743	8,024	100,767	67,108	-	167,875
Supplies	24	349	640	1,013	11,199	-	12,212
Postage	-	-	1,034	1,034	1,822	201	3,057
Bank fees	-	356	-	356	7,507	7	7,870
Professional fees	1,332	142,779	-	144,111	26,335	65,975	236,421
Taxes and fees	-	17,981	-	17,981	-	-	17,981
Auto and travel	2,778	36,752	7,374	46,904	1,715	742	49,361
Insurance	100	19,707	3,286	23,093	23,576	-	46,669
Printing and publications	-	5	88	93	113	9,919	10,125
Office expense	88	60,455	76,478	137,021	58,293	8,210	203,524
Depreciation	-	123,876	-	123,876	16,908	-	140,784
Maintenance	-	20,465	9,063	29,528	350	-	29,878
Provision for uncollectible pledges	-	-	-	-	-	149,726	149,726
Miscellaneous expense	14,270	72,362	30,833	117,465	(62,231)	10,710	65,944
Fundraising and development	-	-	-	-	-	31,863	31,863
Grant expenses	-	10,000	32,000	42,000	22,300	-	64,300
Goodno Riverlands Fund expenses	1,761,761	18,579	-	1,780,340	-	-	1,780,340
Total expenses	<u>\$ 2,090,009</u>	<u>\$ 1,322,833</u>	<u>\$ 575,821</u>	<u>\$ 3,988,663</u>	<u>\$ 348,541</u>	<u>\$ 485,379</u>	<u>\$ 4,822,583</u>

The accompanying notes are an integral part of these financial statements.

THE LANCASTER COUNTY CONSERVANCY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 6,056,351	\$ 1,267,750
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Net realized and unrealized (gain) loss on investments	(1,106,868)	1,430,167
Change in value of split-interest agreement	(11,768)	32,054
Provision for uncollectible promises to give	-	149,726
Change in discount of long-term promises to give	45,388	(297,392)
Depreciation	172,121	140,784
Extinguishment of debt	-	-
(Increase) decrease in assets		
Grants and other receivables	(1,357,243)	1,273,117
Promises to give	1,516,462	553,598
Other current assets	(6,597)	(355)
Increase (decrease) in liabilities		
Accounts payable	91,234	(44,810)
Accrued payroll and taxes	1,790	(85,279)
Prepaid rent	-	(3,720)
Accrued interest	-	(2,035)
Refundable advances	1,206,591	1,139,384
Contributions restricted for long-term purposes	(3,198,245)	(94,356)
Net cash and cash equivalents provided by operating activities	3,409,216	5,458,633
Cash flows from investing activities		
Purchase of property and equipment	(2,597,075)	(273,338)
Purchase of restricted investments	(1,290,058)	(1,300,918)
Sale of restricted investments	793,411	1,704,315
Net cash and cash equivalents provided by (used in) investing activities	(3,093,722)	130,059
Cash flows from financing activities		
Collections of contributions restricted for long-term purposes	2,400,531	946,560
Repayment of note payable	-	(1,425,000)
Net cash and cash equivalents provided by (used in) financing activities	2,400,531	(478,440)
Net increase in cash and cash equivalents	2,716,025	5,110,252
Cash and cash equivalents- beginning of the year	6,663,129	1,552,877
Cash and cash equivalents - end of the year	\$ 9,379,154	\$ 6,663,129

The accompanying notes are an integral part of these financial statements.

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Lancaster County Conservancy is an accredited nonprofit land trust that protects and restores natural lands for future generations. The mission of the Conservancy is “Providing wild and forested lands and clean waterways for our community. Forever.” Since its founding in 1969 by local anglers, hunters and naturalists, the Conservancy has saved over 10,000 acres of land to protect the ecosystems and landscapes upon which we depend for food, clean water, clean air, economic and public health, and the restoration of the soul and spirit.

The Conservancy manages the lands it owns in 50 nature preserves and cares for over 56 miles of hiking trails. Conservancy preserves, located in Lancaster County as well as along the Susquehanna River in York County, are open to the public free of charge 365 days a year and provide opportunities for passive recreation like hiking, fishing, and hunting. The Conservancy has protected some of the most beautiful and beloved natural places in the area – places like Climbers Run, Welsh Mountain, Tucquan Glen & Pyfer, Kellys Run, and Shenks Ferry Wildflower preserves.

The Conservancy’s work cultivates a connection with nature and educates the community on the importance of clean water, native species, biodiversity, and proper land use. By partnering with other nonprofit organizations and government entities, the Conservancy works to protect the health of our lands, watersheds, and local wildlife – forever. As a member supported organization, the Conservancy relies on community support through both monetary contributions and volunteers to save nature.

Basis of Accounting

The Conservancy follows the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, has reflected all significant receivables, payables, and other liabilities.

Basis of Presentation

The Conservancy is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Management’s Use of Estimates

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

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

The Conservancy considers all highly-liquid investments having an initial maturity of three months or less to be cash equivalents.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Any discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

An allowance for uncollectible promises to give is based on analysis of specific donor's payment history and other current relevant information available and a general allowance is also recorded.

Property and Equipment

Property and equipment are stated at cost or fair value if donated. Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss, net of proceeds, is reflected in the change in net assets for the period. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The estimated useful lives of the Conservancy's assets are as follows:

<u>Asset Class</u>	<u>Useful Life</u>
Office furniture and equipment	3 – 10 years
Stewardship equipment	5 – 10 years
Transportation equipment	5 years
Computer software	3 – 7 years
Property improvements	7 – 15 years
Land improvements	15 years

Impairment

The Conservancy reviews its long-lived assets for impairment on an exception basis whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through future cash flows. If it is determined that an impairment loss has occurred, based on the expected cash flows, a loss is recognized in the statement of activities.

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

Investments

Investments are recorded at their fair values in the statements of financial position. The fair value of mutual funds and funds held by the Lancaster County Community Foundation are based on quoted net asset values of the shares held by the Conservancy. Net realized and unrealized gains and losses on investments are reflected in the statements of activities. The Conservancy has funds totaling \$1,561,553 and \$856,738 invested in money market funds as of December 31, 2023 and 2022. These funds are not insured by the Federal Deposit Insurance Corporation.

Restricted investments consist of investments held for the Ralph H. Goodno Riverlands Fund. See Note 11 for further information.

Net Assets

Net asset classification is based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The Board of Directors may, at its discretion, designate funds for specific purposes. See Note 2 for further details. Amounts have also been designated for land and conservation easements.

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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

Revenue is considered a contribution to The Conservancy if commensurate value has not been exchanged.

Contributions received are recorded as with or without donor restrictions support. This requirement is dependent on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the 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 statements of activities as “net assets released from restrictions.”

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

The Conservancy has been awarded grants from various organizations. The grants are considered nonreciprocal transactions, include a right for donor to be released from the commitment and are contingent on incurring allowable costs. Accordingly, revenue is recognized when the Conservancy incurs allowable costs and the donor's right of release has been satisfied. Amounts received in advance are reported in the statements of financial position as refundable advances.

Program revenue is recognized at the point in time services, programs or use of facilities are provided.

In-Kind Contributions

Donated in-kind contributions are recorded at fair market value at the time of receipt. These contributions are recognized as both support and expenses in the statements of activities. Only those contributed services that create or enhance non-financial assets, require specialized skills, and are provided by such individuals possessing those skills and would typically need to be purchased, if not provided by donation, are so recognized in the financial statements. There were \$13,883 and \$37,043 of gifts in kind, including contributed services, recognized in the financial statements for the years ending December 31, 2023 and 2022. The Conservancy estimates the fair value of its in-kind contributions based on prices for similar products or services in the Lancaster County area.

There were a substantial number of volunteers that donated significant amounts of time to the Conservancy's activities during the years ended December 31, 2023 and 2022. There have been no amounts reflected in the accompanying financial statements for such donated services because such services are not subject to objective measurement or valuation. However, because recognition of donated services as support would also involve recognition of corresponding expenses, there would be no effect on the Conservancy's net assets.

Functional Allocation of Expenses

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

<u>Expense</u>	<u>Allocation Method</u>
Salaries and wages	Time and effort
Payroll taxes and benefits	Time and effort
Office expenses	Benefits received
Telephone	Benefits received

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

Program Services

Land Protection and Acquisition – The Conservancy partners with local, county, state, and national governmental entities and nonprofits to identify and acquire lands of high conservation value, and it is one of the most successful land trusts in the Commonwealth of Pennsylvania. The Conservancy works with landowners and our partners to protect land through acquisition and conservation easements by donation, bargain sale, or a fair market value purchase.

Land Stewardship – Lands owned by the Conservancy are managed in accordance with donor wishes and best management practices as defined through comprehensive management plans prepared for each preserve. Conservancy preserves are open to the public free of charge for activities including hiking, bird watching, cross country skiing, nature walks, passive recreation, and education.

Community Impact – Community Impact initiatives support the Conservancy’s purpose in three areas: 1) Marketing and communications through publications, reports, website, and social media outreach to increase awareness and support of our mission to protect and restore natural lands and waterways; 2) Community engagement events and programs to build knowledge and understanding about our natural world and increase supporters of our mission; 3) Volunteer recruitment and training to support habitat restoration, community education, and the care of the Conservancy’s nature preserves.

Income Taxes

The Conservancy is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). The Conservancy adheres to the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes. ASC 740 establishes rules for recognizing and measuring tax positions taken in an income tax return, including disclosures of uncertain tax positions (UTPs). ASC 740 mandates that companies evaluate all material income tax positions for periods that remain open under applicable statutes of limitation, as well as positions expected to be taken in future returns. The UTP rules then impose a recognition threshold on each tax position. A company can recognize an income tax benefit only if the position has a "more likely than not" (i.e., more than 50 percent) chance of being sustained on the technical merits. For the years ended December 31, 2023 and 2022, the Conservancy has taken no material tax positions on its applicable tax filings that do not meet the “more likely than not” threshold. As a result, no amount for UTPs has been included in the financial statements. Management believes it is no longer subject to income tax examinations for years prior to 2020.

Subsequent Events

Management evaluated subsequent events through July 11, 2024, the date the financial statements were available to be issued. See Note 13.

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets as of December 31, 2023 and 2022, available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position dates, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 9,300,458	\$ 6,663,129
Investments without donor restrictions	1,550,441	1,167,645
Grants receivable	<u>3,173,913</u>	<u>1,737,974</u>
Total financial assets	14,024,812	9,568,748
Less: Refundable advances	(2,605,909)	(1,399,318)
Less: Board designated net assets	(2,562,400)	(2,091,970)
Less: Cash held for conservation projects	<u>(8,013,667)</u>	<u>(5,483,747)</u>
	<u>\$ 842,836</u>	<u>\$ 593,713</u>

The Conservancy manages its liquidity and cash reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. As part of the Conservancy's liquidity management plan, the Conservancy invests cash in excess of daily requirements in money market accounts. The Conservancy forecasts its future cash flows and monitors its liquidity and cash balances on a monthly basis.

The Conservancy's board designated funds of \$2,562,400 and \$2,091,970 in the years 2023 and 2022 consist of an operating reserve, capital asset reserve and board designated endowment fund. The purpose and use of these funds is defined by the Conservancy's Reserves Policy adopted by the Board of Directors. The Conservancy does not intend to spend from the board designated funds, other than the amounts appropriated for general expenditures as part of the annual budget approval and appropriation. These amounts could be made available if necessary.

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

3. PROMISES TO GIVE

Promises to give at December 31, 2023 and 2022, are as follows:

	2023	2022
Restricted for Ralph H. Goodno Riverlands Fund	\$ 1,294,045	\$ 1,458,008
Restricted for conservation projects	5,633,482	7,181,430
Total promises to give	\$ 6,927,527	\$ 8,520,822
Receivable in less than one year	\$ 2,262,316	\$ 2,013,813
Receivable in one to five years	4,143,652	5,638,133
Receivable in more than five years	521,559	868,876
Total promises to give	6,927,527	8,520,822
Less discounts to net present value	(149,674)	(195,062)
Less allowance for uncollectible promises to give	(118,281)	(149,726)
Net promises to give	6,659,572	8,176,034
Less current portion of promises to give	(2,262,316)	(2,013,813)
Promises to give – long term	\$ 4,397,256	\$ 6,162,221

Promises to give are discounted at a rate of 4.13% and 4.11% at December 31, 2023 and 2022.

4. INVESTMENTS

The fair values of investments at December 31, 2023 and 2022, are as follows:

Description	2023	2022
Money market mutual funds	\$ 1,561,553	\$ 856,738
Common stock and mutual funds	5,363,379	4,304,340
Corporate and government bonds	1,625,171	1,643,088
Funds held by Lancaster County Community Foundation	1,254,860	1,168,854
Total investments	\$ 10,077,963	\$ 7,973,019

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

The Conservancy has invested in a common pool of investments managed by Lancaster County Community Foundation (LCCF). Income from the investments is to be used for the Ralph H. Goodno Riverlands Fund and the acquisition of land in Lancaster County.

5. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820, *Fair Value Measurements and Disclosures* are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Conservancy has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

Mutual funds: The fair value of mutual funds is based on quoted net asset values of the shares as reported by the fund.

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

Common stock, corporate and government bonds: Fair values of investments including common stocks, government bonds, and corporate bonds are based on quoted market prices or dealer quotes, valued at the closing price reported on the active market on which the individual securities are traded.

Funds held by LCCF: Valued at the net asset value of the allocable portion of the common pool investments.

Unconditional promises to give: Valued at net realizable value for any pledges expected to be collected within one year. Pledges expected to be collected in future years are recorded at the present value of their estimated future cash flows. Unconditional promises to give expected to be received in more than one year are discounted using a rate comparable to the governmental bond rate for the term of the pledges.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Conservancy believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Conservancy's assets at fair value as of December 31, 2023 and 2022.

Assets at fair value as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market mutual funds	\$ 1,561,553	\$ -	\$ -	\$ 1,561,553
Common stock and mutual funds	5,636,379	-	-	5,636,379
Corporate and government bonds	1,625,171	-	-	1,625,171
Funds held by LCCF	-	1,254,860	-	1,254,860
Unconditional promises to give	-	-	6,659,572	6,659,572
	<u>\$ 8,823,103</u>	<u>\$ 1,254,860</u>	<u>\$ 6,659,572</u>	<u>\$ 16,737,535</u>

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

Assets at fair value as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market mutual funds	\$ 856,738	\$ -	\$ -	\$ 856,738
Common stock and mutual funds	4,304,340	-	-	4,304,340
Corporate and government bonds	1,643,088	-	-	1,643,088
Funds held by LCCF	-	1,168,854	-	1,168,854
Unconditional promises to give	-	-	8,176,034	8,176,034
	<u>\$ 6,804,166</u>	<u>\$ 1,168,854</u>	<u>\$ 8,176,034</u>	<u>\$ 16,149,054</u>

6. CONSERVATION INTEREST IN LAND HELD IN FEE

The Conservancy acquires conservation interests in land, including land held in fee, conservation easements, and leasehold interests in land by donation and purchase. Land purchased and held in fee is recorded at cost. Land held in fee that is received by donation is recorded at fair value at the date of donation. Donated land, totaling approximately 88 acres, received prior to December 31, 1991, is not recorded in the financial statements because no appraisal was performed at the time of the donation to obtain the fair market value of the property.

The Conservancy holds conservation easements on various properties in Lancaster County that are designed to prohibit the development or alteration of the property in any way inconsistent with the easement. Although conservation easements bring significant value to the Conservancy's purpose, they have no financial value, other than the direct acquisition costs. For this reason, only direct costs incurred to acquire easements are capitalized, whereas donated conservation easements are not reflected in the financial statements.

The Conservancy also holds a conservation interest in the form of a lease. The lease is being renewed on a year-to-year basis and payments are expensed as they are paid.

The Conservancy has the ongoing commitment to ensure the preservation and maintenance of its conservation interests. Although the amounts for land held in fee are shown as unrestricted net assets in the statements of financial position, it is the Conservancy's intention to hold them indefinitely. In most cases, the Conservancy would need to obtain the permission of the original funder from which the grant or contribution proceeds used to purchase the land held in fee were received before selling a parcel of land.

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2023, the Conservancy held the following conservation interests:

	Carrying Amount	Acreage
Land held in fee	\$ 55,502,932	7,289
Conservation easements held	<u>59,463</u>	944
	<u>\$ 55,562,395</u>	
Leases, conservation land use		<u>67</u>
Total acres		<u>8,166</u>

The Conservancy has also facilitated the protection of 1,940 additional acres of land that are not held in fee or conservation easements. The long term preservation and maintenance of these properties was determined to be better managed by a governmental agency. Thus, the Conservancy either facilitated the initial acquisition by the agency or acquired the land in fee then conveyed ownership of the properties to the designated agency. In 2023, the Conservancy acquired a 21 acre property in Hellam Township, York County and subsequently sold the property to the Commonwealth of Pennsylvania. In 2023, the Conservancy also facilitated the acquisition of a 28 acre property in Fairview Township, York County by the York County Parks Foundation Charitable Trust.

7. INTEREST IN CHARITABLE REMAINDER TRUST

The Conservancy received a donation of trust assets in August 2006. Under the terms of the charitable remainder trust agreement, the donors are to receive 6.50% annually of the value of the assets paid quarterly. The present value of the trust at December 31, 2023 and 2022, was \$120,559 and \$108,791, respectively, and has been included in other assets on the statements of financial position.

8. NET ASSETS WITH DONOR RESTRICTIONS

The Conservancy has received contributions to be used specifically for conservation projects, including land acquisition and land stewardship. Some of these contributions have geographic limitations.

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

Net assets with donor restrictions consisted of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Ralph H. Goodno Riverlands Fund (Note 11)	\$ 7,874,269	\$ 7,245,644
Conservation projects	13,647,146	12,744,144
Charitable remainder trust	120,559	108,791
Conservancy operating endowment	<u>1,637,422</u>	<u>658,713</u>
	<u>\$ 23,279,396</u>	<u>\$ 20,784,292</u>

9. RETIREMENT PLAN

The Conservancy provides a qualified 403(b) retirement plan for the benefit of substantially all of the employees that allows employees to contribute a portion of their compensation. The Conservancy has the option to match employee contributions. The Conservancy provided matching contributions of \$39,407 and \$35,279 for the years ended December 31, 2023 and 2022.

10. CONCENTRATIONS

Credit Risk

The Conservancy maintains cash accounts that, at times, may exceed federally insured limits. The Conservancy has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management monitors the financial condition of its depository banks on a regular basis.

Geographic Risk

The Conservancy is vulnerable to fluctuations in the real estate market in Lancaster and surrounding counties. Events affecting the market value of real estate in the region could affect the ability of the Conservancy to purchase land held in fee or obtain conservation easements.

11. RESTRICTED INVESTMENTS

The Conservancy acquired land from PPL (and its successors) along the lower Susquehanna River in Lancaster County from 2010 through 2016. As part of the agreement, PPL donated their proceeds of \$5,732,623 from the land sales to the Conservancy to The Lower Susquehanna Fund (Fund). In addition, PPL committed to contribute \$115,000 per year, increasing by 3% each year, to the Fund for twenty years. The Fund is restricted and the funds are to be used to protect, operate, maintain, improve, and

THE LANCASTER COUNTY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

promote the lands and facilities along the Lower Susquehanna River in Lancaster and York counties for public conservation and recreation use. Effective June 12, 2014, the Lower Susquehanna Fund was officially renamed the Ralph H. Goodno Riverlands Fund.

Under the terms of the Lower Susquehanna Fund Agreement, the Conservancy received a distribution annually of \$150,000 increased by 3% each year for the life of the Fund. The terms of the Fund also required that the Susquehanna National Heritage Area receive an annual distribution from the fund of \$50,000 increased by 3% through the year 2031. The Fund also required, upon transfer of Phase 2 land to York County, that York County receive an annual distribution of \$5,000 increased by 3% for the life of the Fund.

On February 28, 2022, the Ralph H. Goodno Riverlands Fund Agreement was terminated. As a part of the termination of the original agreement, the Conservancy made final distributions of \$703,124 to the Susquehanna National Heritage Area and \$50,100 to York County making the Conservancy the sole beneficiary of the fund. The remaining funds are to be governed by the Ralph H. Goodno Endowment Fund Agreement which was signed by the Conservancy and DCNR on February 28, 2022. Under this new agreement, the funds are restricted to the same purposes described above and will be managed in accordance with the Conservancy's investment and spending policies adopted by its Board of Directors.

The Conservancy received distributions from the fund in the amount of \$400,000 during the years ended December 31, 2023 and 2022. At December 31, 2023 and 2022, the Conservancy held restricted investments for the Fund totaling \$6,890,100 and \$6,146,661.

12. COMMUNITY FOUNDATION DESIGNATED FUNDS

The Conservancy has been designated the interest in the earnings of three funds held by LCCF. LCCF retains variance power over the funds and may modify the interest in the funds under certain circumstances. Thus, the assets of each fund are not reported on the Conservancy's financial statements. However, distributions of income from the funds can be received by the Conservancy. The Conservancy received distributions of income from the funds in the amount of \$2,400 and \$2,451 for the years ended December 31, 2023 and 2022, respectively.

13. SUBSEQUENT EVENTS

In the first half of 2024, the Conservancy purchased four properties totaling 478 acres of land for \$6.87 million.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

Board of Directors
Lancaster County Conservancy

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Lancaster County Conservancy, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated July 11, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or

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significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
July 11, 2024



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