

ORIENT LAND TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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May 23, 2018

INDEPENDENT AUDITORS' REPORT

Board of Directors
Orient Land Trust
Villa Grove, Colorado

We have audited the accompanying financial statements of **Orient Land Trust**, (a Colorado nonprofit corporation), which comprise the statement of financial position as of December 31, 2017, 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 principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Orient Land Trust as of December 31, 2017, 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 audited Orient Land Trust's financial statements for the year ended December 31, 2016, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 13, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Taylor, Roth and Company PLLC

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

ORIENT LAND TRUST
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 114,645	\$ 162,486
Cash and cash equivalents - board-designated	788,299	584,479
Cash and cash equivalents - temporarily restricted	58,585	40,530
Accounts receivable	3,090	283
Pledge receivable - temporarily restricted (Note 3)	19,487	23,223
Prepaid expenses	8,644	8,978
Merchandise inventory	15,562	15,246
Investments (Note 4)	61,803	59,932
Property and equipment, net (Note 5)	1,968,567	1,798,324
Permanently restricted land (Note 6)	1,482,890	1,482,890
Total assets	<u>\$ 4,521,572</u>	<u>\$ 4,176,371</u>
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 12,387
Accrued payroll expenses	44,196	39,942
Deferred revenue	314	2,150
Note payable (Note 7)	77,171	-
Total liabilities	<u>121,681</u>	<u>54,479</u>
<u>Net assets</u>		
<u>Unrestricted</u>		
Operating	159,234	192,446
Net investment in property and equipment	1,891,396	1,798,324
<u>Board-designated</u>		
MOU with LTUA and CBLT	601	601
Stewardship Defense Fund	60,000	60,000
Land Conservation Fund	220,065	80,966
Operating reserve	200,000	200,000
Endowment	68,778	50,483
Capital Savings Fund	238,855	192,429
Temporarily restricted (Note 8)	78,072	63,753
Permanently restricted (Note 9)	1,482,890	1,482,890
Total net assets	<u>4,399,891</u>	<u>4,121,892</u>
Total liabilities and net assets	<u>\$ 4,521,572</u>	<u>\$ 4,176,371</u>

See accompanying notes and independent auditors' report

ORIENT LAND TRUST
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue and other support					
Admissions and accommodations	\$ 1,185,271	\$ -	\$ -	\$ 1,185,271	\$ 1,137,872
Individual contributions	239,386	31,172	-	270,558	237,950
Merchandise sales	69,514	-	-	69,514	60,766
Less: cost of goods sold	(60,472)	-	-	(60,472)	(47,349)
Program fees	32,317	-	-	32,317	19,736
Special events	6,955	-	-	6,955	4,715
Less: direct expenses for events	(4,413)	-	-	(4,413)	(2,151)
Grants	-	5,000	-	5,000	2,500
Investment income	1,066	-	-	1,066	2,219
Other income	388	-	-	388	675
In-kind contributions (Note 10)	12,988	-	-	12,988	30,098
Net assets released from restrictions (Note 11)	21,853	(21,853)	-	-	-
Total revenue and support	1,504,853	14,319	-	1,519,172	1,447,031
Expense					
Program services	1,014,311	-	-	1,014,311	982,293
Supporting services					
Management and general	173,528	-	-	173,528	156,465
Fund-raising	53,334	-	-	53,334	61,445
Total expense	1,241,173	-	-	1,241,173	1,200,203
Total change in net assets	263,680	14,319	-	277,999	246,828
Net assets, beginning of year	2,575,249	63,753	1,482,890	4,121,892	3,875,064
Net assets, end of year	<u>\$ 2,838,929</u>	<u>\$ 78,072</u>	<u>\$ 1,482,890</u>	<u>\$ 4,399,891</u>	<u>\$ 4,121,892</u>

See accompanying notes and independent auditors' report

ORIENT LAND TRUST

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017			2016	
	<u>Supporting Services</u>				
	Program	Management	Fund-	Total	Total
	Services	and General	raising		
Salaries	\$ 580,655	\$ 74,385	\$ 35,640	\$ 690,680	\$ 616,821
Payroll taxes and benefits	95,636	12,250	5,871	113,757	97,711
Supplies	44,098	4,841	3,168	52,107	35,533
Insurance	38,461	2,058	-	40,519	36,743
Equipment and furniture	36,306	-	-	36,306	38,914
Fees and permits	29,466	347	2,303	32,116	29,460
Vehicles	21,637	6,488	-	28,125	20,061
Legal fees	-	28,014	-	28,014	19,247
Repairs and maintenance	27,587	321	-	27,908	38,419
Ranch supplies	14,219	-	-	14,219	14,339
Utilities	11,456	2,098	-	13,554	13,717
Telecommunications	4,866	4,517	-	9,383	9,526
Consulting - database	6,177	772	772	7,721	83,338
Grants and allocations	7,457	-	-	7,457	2,530
Accounting fees	-	7,050	-	7,050	7,338
Dues and subscriptions	3,742	2,943	-	6,685	6,869
Professional fees	5,696	352	-	6,048	6,650
Real estate taxes	-	4,522	-	4,522	4,500
Printing	161	-	2,940	3,101	9,869
Board and staff development	690	2,286	65	3,041	3,571
Postage	1,365	75	1,326	2,766	2,823
Interest expense	-	2,441	-	2,441	3,884
Rent	899	1,520	-	2,419	2,710
Travel	1,622	564	-	2,186	1,911
All other	1,878	1,843	-	3,721	2,895
	934,074	159,687	52,085	1,145,846	1,109,379
Depreciation	80,237	13,841	1,249	95,327	90,824
Total expenses	<u>\$ 1,014,311</u>	<u>\$ 173,528</u>	<u>\$ 53,334</u>	<u>\$ 1,241,173</u>	<u>\$ 1,200,203</u>

See accompanying notes and independent auditors' report

ORIENT LAND TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	<u>2017</u>	<u>2016</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 277,999	\$ 246,828
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	95,327	90,824
(Gains)losses on investments	(135)	(1,755)
Donated securities	(941)	(1,734)
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts receivable	(2,807)	2,813
(Increase)decrease in pledge receivable	3,736	3,960
(Increase)decrease in prepaid expenses	334	1,278
(Increase)decrease in merchandise inventory	(316)	(3,462)
Increase(decrease) in accounts payable	(12,388)	12,368
Increase(decrease) in accrued payroll expenses	4,254	25,520
Increase(decrease) in deferred revenue	(1,835)	(2,816)
Increase(decrease) in interest payable	-	(954)
Net cash provided(used) by operating activities	<u>363,228</u>	<u>372,870</u>
<u>Cash flows from investing activities</u>		
(Reinvestment) of investment income	(795)	(169)
(Purchases) of investments	-	(37,966)
(Purchases) of property and equipment	(265,570)	(81,795)
Net cash provided(used) by investing activities	<u>(266,365)</u>	<u>(119,930)</u>
<u>Cash flows from financing activities</u>		
Borrowings (repayments) on notes payable	<u>77,171</u>	<u>(49,398)</u>
Net change in cash	174,034	203,542
Cash and cash equivalents, beginning of year	<u>787,495</u>	<u>583,953</u>
Cash and cash equivalents, end of year	<u>\$ 961,529</u>	<u>\$ 787,495</u>
Supplemental disclosure of information:		
Cash paid during the period for interest	<u>\$ 2,441</u>	<u>\$ 4,838</u>

See accompanying notes and independent auditors' report

ORIENT LAND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - NATURE OF ACTIVITIES

Orient Land Trust (the Organization) is a Colorado nonprofit corporation, a land trust dedicated to the preservation of Valley View Hot Springs (VVHS) and its viewshed—including natural and biological resources, agricultural lands, wildlife habitat, open space, and historic and geologic features of the northern San Luis Valley for the education and enjoyment of current and future generations. The Organization is supported primarily by admissions and accommodations and contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

4. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

5. Donations

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities, as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (continued)

6. Promises to Give

Unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

7. Capitalization and Depreciation

The Organization follows a practice of capitalizing all expenditures for property and equipment in excess of \$3,000. The fair value of donated assets is similarly capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. The estimated useful lives range from 3 to 30 years.

8. Inventory

Inventory is stated at the lower of cost or market.

9. Estimates

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

10. Income Taxes

Orient Land Trust has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

11. Fair Value Measurements

The Organization is subject to the provisions of the Fair Value Measurements and Disclosures accounting standard. This standard requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

12. Functional Reporting of Expenses

For the year ended December 31, 2017, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (concluded)

13. Summarized Prior Year Information

The 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

14. Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

15. Subsequent Events

Management has evaluated subsequent events through May 23, 2018, the date the financial statements were available to be issued.

NOTE 3 - PLEDGE RECEIVABLE

During the year ended December 31, 2017, the Organization received a \$50,000 pledge which was restricted for summer internships for local youth. At December 31, 2017, the unconditional promise to give consisted of the following:

<u>Description</u>	<u>Amount</u>
2018	\$ 5,000
2019	5,000
2020	5,000
2021	5,000
2022	5,000
2023	2,000
Total	27,000
Less: discount to present value	(7,513)
Net pledge receivable	<u>\$ 19,487</u>

Unconditional promises to give are discounted at 6 percent.

NOTE 4 - INVESTMENTS

At year-end, investments consisted of:

<u>Description</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Certificates of deposit	\$ 48,000	\$ 47,087	\$ (913)
Cash, money funds, FDIC deposits	12,469	12,469	-
Equities	1,950	2,247	297
Total	<u>\$ 62,419</u>	<u>\$ 61,803</u>	<u>\$ (616)</u>

The investments are Level 1 investments in the fair value hierarchy. Investment income consisted of the following:

<u>Description</u>	<u>Amount</u>
Interest and dividends	\$ 795
Unrealized gains(losses)	135
Total	<u>\$ 930</u>

Investment income also includes \$136 of interest income on bank accounts for the year.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Description</u>	<u>Amount</u>
Land	\$ 173,649
Infrastructure	431,429
Buildings	1,341,223
Land improvements	266,062
Vehicles	108,594
Furniture, fixtures, and equipment	101,654
Computers	23,651
Works-in-progress	164,341
Total	2,610,603
Less: accumulated depreciation	(642,036)
Net property and equipment	<u>\$ 1,968,567</u>

Depreciation expense for the year was \$95,327.

NOTE 6 - PERMANENTLY RESTRICTED LAND

On December 9, 2009, the owners of the Valley View Hot Springs donated the land and facilities to the Organization. Ownership of the land and accompanying water rights were transferred via special warranty deeds. The land and accompanying water rights were valued at the estimated fair value at date of receipt of \$1 million plus acquisition costs. The use of the land is restricted in perpetuity for naturist use. In 2010, the Organization granted conservation easements on three of its properties to The Nature Conservancy and on one of its properties to the State of Colorado, Division of Wildlife. The conservation easements to The Nature Conservancy were valued at 40 percent of the properties' market value before the easement or \$716,093. The conservation easement to the State of Colorado was valued at 25 percent of the property's market value before the easement or \$136,250. The Organization did not receive any proceeds for the conservation easements. The terms of the conservation easements dictate that there will not be any additional development of the properties outside of the four designated building envelopes. The total losses on the conservation easements of the properties of \$852,343 were recognized in 2010.

NOTE 7 - NOTE PAYABLE

The Organization borrowed \$100,000 from an unrelated individual during the year ended December 31, 2017, to support the development of database software. The note is unsecured and carries an interest rate of 4.75%. During 2017, additional principal payments were made. Future minimum principal payments are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 20,000
2019	20,000
2020	20,000
2021	17,171
Total	<u>\$ 77,171</u>

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

At year-end, temporarily restricted net assets are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Future land purchase	\$ 55,220
Eiseman Scholarship Fund	19,487
Other	3,365
Total	<u>\$ 78,072</u>

NOTE 9 - PERMANENTLY RESTRICTED NET ASSETS

At year-end, permanently restricted net assets consisted of the following lands subject to conservation easements with The Nature Conservancy and the State of Colorado, Division of Wildlife as follows:

<u>Description</u>	<u>Amount</u>
Valley View Hot Springs	\$ 609,897
Orient Mine	408,750
Everson Ranch	406,980
Susman parcel	<u>57,263</u>
Total	<u>\$ 1,482,890</u>

The development of the land is restricted in perpetuity.

NOTE 10 - IN-KIND CONTRIBUTIONS

In-kind contributions are reflected in the accompanying statements at their estimated values at the date of receipt. The Organization received donated legal services relating to environmental compliance during the year ended December 31, 2017, valued at \$12,988 .

In addition, the Organization received approximately 8,275 hours of volunteer services from 128 volunteers which did not require professional level skills. Volunteers performed various tasks such as board and committee membership, camp and educational hosts, maintenance, and administrative assistance. The estimated value of these services was \$176,000.

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted program purposes:

<u>Description</u>	<u>Amount</u>
Telescope	\$ 14,909
Science camp	6,444
Other	<u>500</u>
Total	<u>\$ 21,853</u>

NOTE 12 - RETIREMENT PLAN

The Organization sponsors a Simplified Employee Pension Plan (SEP-IRA) for employees. The contribution rate is 5% of eligible employees' wages, and during the year ended December 31, 2017, contributions expense was \$27,350

NOTE 13 - CONCENTRATIONS OF RISK

At December 31, 2017, the Organization had cash assets in a local banking institution that exceeded the \$250,000 of coverage offered by the Federal Deposit Insurance Corporation. The uninsured bank balances at year-end were \$646,171.

NOTE 14 - LEGAL EXPENSES

During the year, the Organization incurred legal expenses related to state environmental regulatory compliance issues.