

DELAWARE HIGHLANDS CONSERVANCY
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

DELAWARE HIGHLANDS CONSERVANCY
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YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delaware Highlands Conservancy

We have audited the accompanying financial statements of Delaware Highlands Conservancy (a Pennsylvania nonprofit corporation), 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

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware Highlands 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of easements held and transferred on pages 17-19 are presented for purposes of additional analysis and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Delaware Highlands Conservancy's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2020. 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 audited financial statements from which it has been derived.

Ginader, Jones & Co., LLP

GINADER, JONES & CO., LLP

Archbald, Pennsylvania

August 12, 2021

DELAWARE HIGHLANDS CONSERVANCY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(With Summarized Information as of December 31, 2019)

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	TOTAL	TOTAL
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$ 210,866	\$ 19,834	\$ 230,700	\$ 239,333
Accounts Receivable	58,499	-	58,499	27,189
Unconditional Promises to Give, Net	-	18,886	18,886	-
Prepaid Expenses	34,170	-	34,170	13,813
<u>TOTAL CURRENT ASSETS</u>	<u>303,535</u>	<u>38,720</u>	<u>342,255</u>	<u>280,335</u>
<u>PROPERTY AND EQUIPMENT, NET</u>	<u>882,213</u>	<u>-</u>	<u>882,213</u>	<u>22,764</u>
<u>OTHER ASSETS</u>				
Unconditional Promises to Give, Net	-	51,974	51,974	-
Investments	1,402,029	1,451,059	2,853,088	1,373,556
Property Held for Resale	600,000	-	600,000	770,900
<u>TOTAL OTHER ASSETS</u>	<u>2,002,029</u>	<u>1,503,033</u>	<u>3,505,062</u>	<u>2,144,456</u>
<u>TOTAL ASSETS</u>	<u>\$ 3,187,777</u>	<u>\$ 1,541,753</u>	<u>\$ 4,729,530</u>	<u>\$ 2,447,555</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 11,057	\$ -	\$ 11,057	\$ 11,220
Payroll Taxes Payable	4,586	-	4,586	5,602
<u>TOTAL CURRENT LIABILITIES</u>	<u>15,643</u>	<u>-</u>	<u>15,643</u>	<u>16,822</u>
<u>NET ASSETS</u>	<u>3,172,134</u>	<u>1,541,753</u>	<u>4,713,887</u>	<u>2,430,733</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 3,187,777</u>	<u>\$ 1,541,753</u>	<u>\$ 4,729,530</u>	<u>\$ 2,447,555</u>

See notes to financial statements.

DELAWARE HIGHLANDS CONSERVANCY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
(With Summarized Information for the Year Ended December 31, 2019)

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	Without Donor Restrictions	With Donor Restrictions	TOTAL	TOTAL
<u>SUPPORT AND REVENUES</u>				
Grants	\$ 153,841	\$ 1,500,000	\$ 1,653,841	\$ 4,868,483
Contributions	1,133,233	70,910	1,204,143	914,123
Donated Services	88,400	-	88,400	72,300
Loan Forgiveness	81,780	-	81,780	-
Education Programs	53,188	-	53,188	60,432
Land Protection	44,056	-	44,056	268,543
Conservation Programs	43,812	-	43,812	42,163
Special Events, net of expenses: \$1,177	39,783	-	39,783	65,172
<u>TOTAL SUPPORT AND REVENUES</u>	<u>1,638,093</u>	<u>1,570,910</u>	<u>3,209,003</u>	<u>6,291,216</u>
<u>EXPENSES</u>				
Program Services	627,356	-	627,356	5,081,937
General and Administrative	160,646	-	160,646	103,249
Fund Raising	19,649	-	19,649	31,846
<u>Total Expenses</u>	<u>807,651</u>	<u>-</u>	<u>807,651</u>	<u>5,217,032</u>
Holding Loss, Property Held for Resale	170,900	-	170,900	-
<u>TOTAL EXPENSES AND LOSS</u>	<u>978,551</u>	<u>-</u>	<u>978,551</u>	<u>5,217,032</u>
<u>OPERATING INCOME</u>	<u>659,542</u>	<u>1,570,910</u>	<u>2,230,452</u>	<u>1,074,184</u>
<u>INVESTMENT EARNINGS</u>				
Dividends and Interest	26,042	5,248	31,290	27,823
Realized and Unrealized Gains	22,877	1,585	24,462	68,861
Fees	(3,050)	-	(3,050)	(3,069)
<u>INVESTMENT EARNINGS, NET</u>	<u>45,869</u>	<u>6,833</u>	<u>52,702</u>	<u>93,615</u>
<u>INCREASE IN NET ASSETS</u>	<u>705,411</u>	<u>1,577,743</u>	<u>2,283,154</u>	<u>1,167,799</u>
Net Assets Released from Restrictions	230,732	(230,732)	-	-
Net Assets, Beginning of Year	2,235,991	194,742	2,430,733	1,262,934
<u>NET ASSETS, END OF YEAR</u>	<u>\$ 3,172,134</u>	<u>\$ 1,541,753</u>	<u>\$ 4,713,887</u>	<u>\$ 2,430,733</u>

See notes to financial statements.

DELAWARE HIGHLANDS CONSERVANCY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020
(With Summarized Information for the Year Ended December 31, 2019)

	2020					2019	
	Program Services			General	Fund Raising	GRAND TOTAL	GRAND TOTAL
	Land Conservation	Education	Total Program				
EXPENSES							
Wages and Benefits	\$ 251,828	\$ 129,824	\$ 381,652	\$ 79,134	\$ 11,713	\$ 472,499	\$ 425,566
Professional Fees	80,000	-	80,000	21,001	3,016	104,017	83,435
Land Protection	58,680	-	58,680	-	-	58,680	4,524,317
Occupancy	27,008	-	27,008	24,363	2,008	53,379	40,895
Conservation	28,059	-	28,059	-	-	28,059	37,499
Insurance	8,945	1,734	10,679	15,743	-	26,422	14,904
Outreach and Education	-	10,720	10,720	4,954	-	15,674	29,083
Communications	9,356	6,237	15,593	-	-	15,593	8,024
Administrative	7,203	-	7,203	6,088	338	13,629	19,627
Depreciation	4,393	-	4,393	4,394	-	8,787	8,237
Training and Travel	1,369	-	1,369	4,969	-	6,338	14,961
Promotions	-	-	-	-	2,574	2,574	8,484
Scholar Awards	2,000	-	2,000	-	-	2,000	2,000
<u>TOTAL EXPENSES</u>	<u>\$ 478,841</u>	<u>\$ 148,515</u>	<u>\$ 627,356</u>	<u>\$ 160,646</u>	<u>\$ 19,649</u>	<u>\$ 807,651</u>	<u>\$ 5,217,032</u>

See notes to financial statements.

DELAWARE HIGHLANDS CONSERVANCY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

(With Summarized Information for the Year Ended December 31, 2019)

	2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase in Net Assets	\$ 2,283,154	\$ 1,167,799
Adjustments:		
Depreciation	8,787	8,237
Gains on Investments	(24,462)	(68,861)
Loss, Property Held for Resale	170,900	-
Changes In:		
Accounts Receivable and Promises to Give	(102,170)	46,850
Prepaid Expenses	(20,357)	(411)
Accounts Payable and Payroll Taxes Payable	(1,179)	2,717
<u>Net Cash Provided by Operating Activities</u>	2,314,673	1,156,331
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from Sale of Investments	415,041	219,515
Purchase of Investments	(1,870,111)	(339,624)
Purchase of Property and Equipment	(72,236)	(8,588)
Donated Property Received	(796,000)	(770,900)
<u>Net Cash Used in Investing Activities</u>	(2,323,306)	(899,597)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from Debt	81,780	-
Loan Repayment via Forgiveness or Grant Award	(81,780)	(113,700)
<u>Net Cash Used in Financing Activities</u>	-	(113,700)
<u>NET CHANGE IN CASH AND RESTRICTED CASH</u>	(8,633)	143,034
Cash and Restricted Cash, Beginning of Year	239,333	96,299
<u>CASH AND RESTRICTED CASH, END OF YEAR</u>	\$ 230,700	\$ 239,333
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest Payments	\$ -	\$ -
Income Taxes Paid	\$ -	\$ -

See notes to financial statements.

DELAWARE HIGHLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Delaware Highlands Conservancy is a not-for-profit corporation whose mission is to conserve lands that define the upper Delaware River region, to protect its ecology, to sustain its outdoor traditions, and to promote the well-being of its people. The Conservancy negotiates conservation easements on behalf of landowners and various holding agencies and other organizations who operate in this region. The Conservancy's support comes primarily from contributions, grants, land protection fees, and public education programs.

Basis of Presentation

The Conservancy has prepared the accompanying financial statements on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP) and with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

Based on the existence or absence of donor-imposed restrictions, the Conservancy classifies resources into two categories: without donor restrictions and with donor restrictions.

Net assets without donor restrictions - Net assets that are for use in general operations and not subject to donor restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenses are reported as decreases in net assets without donor restrictions. Grants and contributions gifted for recurring programs of the Conservancy are not considered "restricted" under GAAP.

Net assets with donor restrictions - Net assets that are subject to donor-imposed restrictions that will be met either by actions of the Conservancy or the passage of time. Generally, the donors' imposed restrictions of these assets permit the Conservancy to use all or part of the income earned on related investments only for certain general or specific purposes. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the statement of activities.

Revenue Recognition

The Conservancy recognizes contributions, bequests, and grants when cash, securities, or other assets (such as unconditional promises to give) are received. Conditional promises to give are not recognized until the conditions on which they depend have been met.

DELAWARE HIGHLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions which impose restrictions that are met in the same fiscal year they are received are reported as increases in net assets without donor restrictions. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, the net assets are reclassified to net assets without donor restrictions. Non-cash contributions are recorded at their fair market value at the date of the contribution.

Program fees for various services such as land protection, education programs, and consulting, are recognized as revenue at the time the service is performed. Such fees are due at the completion of service.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits held by financial institutions, and any equivalent securities with a maturity of three months or less. Restricted cash was received from donors for the educational scholarship program.

Accounts Receivable

Accounts receivable arise primarily from education programs, contributions, and grants. Such receivables are recorded at gross less an allowance for doubtful accounts. The allowance is based on an account-by-account review. Accounts are charged off when collection efforts have failed, and the account is deemed uncollectible. At December 31, 2020, the allowance for doubtful accounts was \$0. The Conservancy generally does not charge interest on accounts receivable.

Unconditional Promises to Give

Unconditional promises to give consist of pledges receivable and are recorded in the year the promise is made. Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. The interest rate used in 2020 was 3.25%. Amortization of the discount is included in contributions revenue. The discount will be recognized as contributions revenue in future years as the discount is amortized over the duration of the promises to give.

Investments

The Conservancy reports its investments, which consist of money market funds, mutual funds, and equities, at fair market value determined by quoted market prices. Gains and losses (realized and unrealized) are included in investment earnings on the statement of activities. Investment earnings are reported net of fees of approximately \$3,000 in 2020.

DELAWARE HIGHLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are recorded at cost, or if donated, at the approximate fair value at the date of donation. Significant additions and renewals are capitalized. Payments for maintenance, repairs, and minor renewals are charged to operations as incurred. Depreciation is computed using the straight-line method over estimated useful lives of the assets, which range from five to seven years. Depreciation expense for 2020 was \$8,757.

Estimates

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

Easements

Easements are restrictions placed on the development of certain parcels of real estate and are held in perpetuity by the Conservancy. The Conservancy expenses property easements when paid, and uses the zero value approach to value easements for financial statements purposes.

Donated Services, Materials, and Facilities

The Conservancy receives donated services from a variety of volunteers including legal and accounting services. Amounts recognized in the accompanying statement of activities have met the criteria for recognition of such volunteer effort under generally accepted accounting principles.

Functional Allocation of Expenses

The costs of providing the Conservancy's various services and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as time and effort, square footage, or other reasonable basis.

Joint Costs

The costs of the Conservancy's land protection efforts, occupancy costs, and administrative costs are allocated between program, general, and fundraising expenses as reflected in the statement of functional expenses.

DELAWARE HIGHLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising and marketing costs are expensed as incurred. These costs totaled \$2,574 during 2020.

Income Taxes

The Conservancy qualifies as a tax-exempt, not-for-profit Corporation under Section 501C (3) of the Internal Revenue Code. The Conservancy files an annual information return with the Internal Revenue Service (IRS) (Form 990) and with the following states: Connecticut, New Jersey, New York, and Pennsylvania. No provision for federal or state income taxes has been recorded. The Conservancy has not been informed of any tax examinations by the IRS or the various state authorities.

Subsequent Events

Subsequent events have been evaluated by management through August 12, 2021, the date the financial statements were available to be issued. Material events, if any, are disclosed in a separate footnote to these financial statements.

Recently Adopted Accounting Pronouncements

The Conservancy has adopted FASB Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement*. This ASU provides new disclosure requirements for Level 3 assets and measurements, and for investments in certain entities that calculate net asset value. The Conservancy adopted this pronouncement effective January 1, 2020, and there was no cumulative effect recognized.

The Conservancy has adopted FASB Accounting Standards Update (ASU) 2019-04, *Codification Improvements to Topic 825, Financial Instruments*. This ASU provides new directives for reporting investments in held-to-maturity debt securities, and equity securities without readily determinable fair values. The Conservancy adopted this pronouncement effective January 1, 2020, and there was no cumulative effect recognized.

Effective January 1, 2019, the Conservancy adopted FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08, *Revenues from contracts with Customers*. These ASUs provide a new revenue recognition model that require an organization to recognize revenue to depict the transfer of goods or services to a customers at an amount that reflects the consideration it expects to receive in exchange for those goods and services. This guidance impacts not-for-profit entities that have revenue transactions other than contributions. No cumulative effective was required to be recognized in the Conservancy's financial statements as a result of these adoptions.

DELAWARE HIGHLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During 2019, the Conservancy adopted FASB Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU clarifies how restricted cash is to be reported within the statement of cash flows. No cumulative effect was required to be recognized.

During 2019, the Conservancy adopted FASB Accounting Standards Update (ASU) 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This ASU provides new directives for reporting Investments held by not-for-profit entities within the statement of financial position and related notes, and guidance for the reporting of investment earnings within the statement of activities and related notes. No cumulative effect was required to be recognized.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Conservancy to concentrations of credit risk consist of cash and investments. The Conservancy places its cash and investments in various investment vehicles allowing for diversification which limits the amount of credit exposure. However, the Conservancy may, from time to time, have cash and investments in excess of that insured by the FDIC and SIPC. The Conservancy periodically assesses the financial condition of the institutions holding the cash and investments, and it believes that risk of loss due to a failure of a specific institution is minimal.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Conservancy has approximately \$1,671,000 in financial assets at year-end, consisting of unrestricted cash, accounts receivable, and unrestricted investments available to support operations. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for expenditures. Management expects a conservative withdrawal from its investment portfolio to supplement current operating costs. In addition, the Conservancy will continue to actively earn program fees as well as solicit contributions and grants to fund current operations. The Conservancy has a plan to maintain financial assets to cover at least 12 months of recurring operating expenses which, on average, total approximately \$68,000 per month under full programmatic operations.

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE

All unconditional promises to give are scheduled to be collected by December 31, 2025, and are comprised of the following:

Due within one year:	\$19,500, unamortized discount of \$614.	\$ 18,886
Due in one to five years:	\$57,500, unamortized discount of \$5,526.	<u>51,974</u>
<u>Total Unconditional Promises to Give, Net</u>		<u>\$ 70,860</u>

DELAWARE HIGHLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020 consisted of the following:

Buildings		\$ 446,667
Land		420,000
Computer and Office Equipment		49,706
Maintenance Equipment		1,568
		917,941
Less: Accumulated Depreciation		(35,728)
		\$ 882,213

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at December 31, 2020 consisted of the following:

	Cost	Fair Value
Mutual Funds	\$ 891,347	\$ 913,935
Mutual Funds, With Donor Restrictions	775,399	779,210
Money Market Funds	176,388	176,388
Money Market Funds, With Donor Restrictions	671,849	671,849
Equities	268,323	311,706
	\$ 2,783,306	\$ 2,853,088

The Fair Value Measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. The three levels of the fair value hierarchy are presented in the highest priority as follows:

Level 1

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

Level 2

Inputs to the valuation methodology include (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in inactive markets; (c) inputs other than quoted prices that are observable for the asset or liability; or (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

DELAWARE HIGHLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Level 3

Inputs are unobservable inputs for which little or no market data exists. Level 3 inputs require an entity to develop its own assumptions.

FASB ASC 820-10 requires the Conservancy to give the highest priority to Level 1 inputs and the lowest priority to unobservable inputs (level 3) when measuring fair value. The Conservancy classifies financial assets and liabilities in their entirety based on the lowest level input that is significant to the fair value measurement. There have been no changes in the methodologies used at December 31, 2020.

Mutual Funds, Money Market Funds, and Equities: valued at the closing prices reported on the active market where the individual securities are traded. *Property Held for Resale*: valued at its closing offer price by a prospective buyer in an inactive market. The following table sets forth by level, within the fair value hierarchy, the Conservancy's assets at fair value as of December 31, 2020.

Description	Level 1	Level 2	Total
Mutual Funds	\$ 1,693,145	\$ -	\$ 1,693,145
Money Market Funds	848,237	-	848,237
Equities	311,706	-	311,706
Property Held for Resale	-	600,000	600,000
	<u>\$ 2,853,088</u>	<u>\$ 600,000</u>	<u>\$ 3,453,088</u>

The carrying amounts of other assets and liabilities, including cash, receivables, prepaid expenses, accounts payable, and payroll taxes payable, approximate their fair market value due to the short term maturities of these instruments.

NOTE 7 - DONATED PROPERTY

During 2020, the Conservancy received a donation of 144 acres of land, including a house, barn, and other buildings, located in Wayne County, Pennsylvania. The subject real estate was donated to the Conservancy by a family who champions the Conservancy's mission. The Conservancy intends to use this property as its primary operating facility and education center, and has reported the property at appraised value, plus improvements.

NOTE 8 - LONG-TERM DEBT

During 2020, the Conservancy borrowed \$81,780 from a regional bank under the Small Business Administration's (SBA) Payroll Protection Program (PPP). The loan was unsecured, payable over two years at an interest rate of 1%, and forgivable in part or in whole if funds were used for eligible purposes. The SBA fully forgave this loan during 2020. Accordingly, the Conservancy recognized loan forgiveness income of \$81,780 in these financial statements.

DELAWARE HIGHLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 9 - BOARD DESIGNATED NET ASSETS

The Conservancy's Board of Directors has designated certain net assets without donor restrictions as available for specific purposes at December 31, 2020. The Board's designations are as follows:

Monitoring of Easements	\$ 754,238
Legal Defense of Easements	373,988
Operating Reserves	213,644
Fund for the Future	38,003
Land Protection	17,900
<u>TOTAL BOARD DESIGNATED NET ASSETS</u>	<u>\$ 1,397,773</u>

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

These net assets are comprised of the following:

Van Scott Reserve (investments)	\$ 1,272,041
Eagle Habitat (investments)	152,271
Unconditional Promises to Give	70,860
Educational Scholarships (cash of \$19,834, plus investments)	46,581
<u>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</u>	<u>\$ 1,541,753</u>

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

During 2020, net assets were released from donor restrictions by incurring expenses that satisfied the restricted purposes, as follows:

Funding for development of the Van Scott Nature Reserve	\$ 228,732
Educational scholarships awarded	2,000
<u>TOTAL</u>	<u>\$ 230,732</u>

NOTE 12 - DONATED SERVICES

These revenues for 2020 are comprised of the following:

Legal Fees, Land Protection	\$ 80,000
Accounting, Program	8,400
<u>TOTAL</u>	<u>\$ 88,400</u>

DELAWARE HIGHLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 13 - SUPPORT CONCENTRATION

During 2020, the Conservancy received \$750,000 in grant funds from the Van Scott Foundation, and another \$750,000 in grant funds from the Van Scott Family Charitable Fund. Both of these funding entities are overseen by the same family who donated property to the Conservancy during the year (see Note 7). These grant funds are restricted for the development of the donated property into a nature reserve, and an environmental learning center that also provides public use.

NOTE 14 - COMPENSATED ABSENCES

No amounts for compensated absences, such as vacation and sick time, have been accrued since the amount cannot be reasonably estimated. Management believes that it will continue to be able to fund any such absences with current revenues.

NOTE 15 - RETIREMENT PLAN

The Conservancy has established a retirement savings plan to provide post-employment benefits to its employees. All employees who meet age and service requirements are eligible to participate in the plan. Each participant may contribute a percentage of his/her annual compensation to the plan, subject to annual limits established by the Internal Revenue Service. The Conservancy may make discretionary matching contributions to the plan, as determined by management. During 2020, the Conservancy made retirement plan contributions of \$22,865.

NOTE 16 - OPERATING LEASES

The Conservancy leases operating space in Hawley, PA and Barryville NY for terms of one year. The Conservancy also leased operating space in Bethel, NY under a lease that ended in 2020. During 2020, the Conservancy incurred and paid total rent expense on these leases of \$3,500. The Conservancy has reported this expense in the Statement of Functional expenses under the caption Occupancy.

NOTE 17 - LITIGATION

The Conservancy is plaintiff to a complaint filed in 2019 by a New York property owner, on whose land the Conservancy holds a conservation easement, against various defendants. The complaint alleges that defendants removed approximately 120 trees from the conservation property without consent, and caused extensive damage to the property. Plaintiffs are seeking monetary damages for both the removed trees and the cost to repair property damages incurred, plus punitive damages. The plaintiffs also seek specific performance and other costs and fees. The Conservancy's management and legal counsel believe it is premature to evaluate the outcome of this matter.

DELAWARE HIGHLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 18 - PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by resource category or natural expense category. 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 Conservancy's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

NOTE 19 - RECLASSIFICATIONS

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between reporting periods presented.

NOTE 20 – SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States, including Pennsylvania and New York, has caused various business disruptions through mandated and voluntary closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of these closings. Any related financial impact and duration cannot be reasonably estimated at this time.

DELAWARE HIGHLANDS CONSERVANCY
 SCHEDULE I - EASEMENTS HELD: DECEMBER 31, 2020

ID #	Name	County	Year	Acres
1	Willowemoc I	Sullivan, NY	1995	113
2	Willowemoc II	Sullivan, NY	1995	66
3	Butterfly Barn	Wayne, PA	1996	13
4	Journey's End Farm	Wayne, PA	1997	65
5	Coxton Lake, Lot 1	Wayne, PA	1998	35
6	Coxton Lake, Lot 2	Wayne, PA	1998	35
7	Coxton Lake, Lot 3	Wayne, PA	1998	35
8	Coxton Lake, Lot 4	Wayne, PA	1998	35
9	Coxton Lake, Lot 5	Wayne, PA	1998	35
10	Coxton Lake, Lot 6	Wayne, PA	1998	35
11	Twin Lakes I	Pike, PA	1999	154
12	Mill Pond A1	Pike, PA	1999	24
12	Mill Pond A2	Pike, PA	1999	32
12	Mill Pond A3	Pike, PA	1999	8
12	Mill Pond	Pike, PA	1999	510
13	Bone Pond	Wayne, PA	1999	96
14	Hempstead Lake	Wayne, PA	2000	154
15	Crooked Creek Farm	Wayne, PA	2001	312
16	Twin Lakes II	Pike, PA	2001	3
17	Dwarfskill Preserve	Pike, PA	2001	364
18a	Lake Lattimore Ia	Pike, PA	2002	39
18b	Lake Lattimore Ib	Pike, PA	2002	44
19	Sherwood House	Delaware, NY	2002	221
20	Hempstead Lake II	Wayne, PA	2003	39
21	Green Valley	Pike, PA	2003	506
22	South Canaan Meadows	Wayne, PA	2004	35
23	Westfall Marsh	Pike, PA	2004	110
24	Spruce Lake Farm	Wayne, PA	2004	189
25	Carr Pond	Wayne, PA	2004	242
26	Lacawac Partner Ridge	Wayne, PA	2004	10
27	Penn Wood Forest	Pike, PA	2004	25
28	Bradley Woods	Pike, PA	2005	22
29	Milford Aquifer	Pike, PA	2005	28
30	Baldwin Hill I	Wayne, PA	2005	10
31	Baldwin Hill IIa	Wayne, PA	2005	56
31	Baldwin Hill IIb	Wayne, PA	2005	10
32a	Windsor Woods Ia	Broome, NY	2005	1,048
32b	Windsor Woods Ib	Broome, NY	2005	168
33	Crestmont Estate	Wayne, PA	2006	57
34	Spring Brook	Pike, PA	2006	29
35	Baldwin Hill III	Wayne, PA	2006	112
36	Birch Ridge	Sullivan, NY	2006	24
38	Old Milford Turnpike	Pike, PA	2006	57
39	La Anna I	Pike/Monroe, PA	2006	1,234
40	Baldwin Hill IV	Wayne, PA	2007	23
Total Acreage of Easements Held, Page 1				6,462

DELAWARE HIGHLANDS CONSERVANCY
SCHEDULE I - EASEMENTS HELD: DECEMBER 31, 2020 (Continued)

ID #	Name	County	Year	Acres
41	South Canaan Meadows II	Wayne, PA	2007	51
42	La Anna II	Pike/Monroe, PA	2007	40
43	Baldwin Hill V	Wayne, PA	2007	25
44	Hemlock I	Susquehanna, PA	2007	200
45	Hemlock II	Broome, NY	2007	98
46	Perry Pond Brook	Sullivan, NY	2007	97
47	Stony Brook Farm	Pike, PA	2007	205
48	River Road I	Wayne, PA	2008	10
49	River Road II	Wayne, PA	2008	3
50	Swan Lake	Sullivan, NY	2008	31
51	River Road III	Wayne, PA	2008	7
52	River Road IV	Wayne, PA	2008	3
53	Lackawaxen Ridge	Pike, PA	2008	300
54	Barn Bass Sanctuary	Wayne, PA	2008	98
55	Partridge Island	Delaware, NY	2008	83
56	Egypt Creek	Pike, PA	2009	58
57	Stairway Ridge	Pike, PA	2009	708
58	Long Swamp	Pike, PA	2009	458
59	Holbert Creek Farm	Wayne, PA	2009	47
60	Lemons Brook Farm	Sullivan, NY	2009	119
61	Bait Pond	Pike, PA	2009	500
62	Mongaup Sanctuary	Sullivan, NY	2010	101
63	Lake Lattimore IIa	Pike, PA	2011	10
63	Lake Lattimore IIb	Pike, PA	2011	10
64	Lake Lattimore III	Pike, PA	2011	36
65	Sulphur Springs Farm	Sullivan, NY	2011	161
66	Lemons Brook Farm II	Sullivan, NY	2011	45
67	Windsor Woods II	Broome, NY	2012	33
68	Beaver Run	Pike, PA	2012	854
69	Mitchell Pond Brook	Sullivan, NY	2012	22
70	Rose Valley Forest	Sullivan, NY	2012	26
71	Turner Brook Preserve	Sullivan, NY	2012	36
72	Smallwood Forest I	Sullivan, NY	2013	124
73	Smallwood Forest II	Sullivan, NY	2013	10
74	Hornbecks Mill Falls	Pike, PA	2013	17
75	Alden Hill Forest	Wayne, PA	2013	86
76	Silver Lake	Pike, PA	2016	65
77	Gorr Road Farm	Sullivan, NY	2016	315
78	Bone Ridge	Wayne, PA	2016	236
79	Tri-Angle Farm	Pike, PA	2017	50
80	Mongaup River Forest	Sullivan, NY	2018	33
81	Foster Hill Farm	Pike, PA	2019	73
85	Apple Pond Farm	Sullivan, NY	2020	82
Total Acreage of Easements Held, Page 2				5,566

Grand Total Acreage of Easements Held

12,028

DELAWARE HIGHLANDS CONSERVANCY
SCHEDULE II - EASEMENTS TRANSFERRED: DECEMBER 31, 2020

ID #	Name	County	Year	Acres
37	Milford Experimental Forest	Pike, PA	2006	1,191
82	NE Connection: Lehman Lake	Pike, PA	2019	694
83	NE Connection: Maskenozha	Pike, PA	2019	1,176
84	NE Connection: Mink Pond	Pike, PA	2019	<u>1,813</u>
Total Acreage of Easements Transferred				<u><u>4,874</u></u>

See notes to financial statements.