

ORIENT LAND TRUST

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2016

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

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Taylor, Roth and Company, PLLC
Certified Public Accountants
working exclusively with nonprofit organizations

April 13, 2017

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, 2016, and the related statements of activities 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, 2016, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is 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 Orient Land Trust's financial statements for the year ended December 31, 2015, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 25, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.


TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

ORIENT LAND TRUST
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016	2015
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 444,053	\$ 290,571
Cash and cash equivalents - board-designated	302,912	268,852
Cash and cash equivalents - temporarily restricted	40,530	24,530
Accounts receivable	283	3,096
Pledge receivable - temporarily restricted (Note 3)	23,223	27,183
Prepaid expenses	8,978	10,256
Merchandise inventory	15,246	11,784
Investments (Note 4)	59,932	18,308
Property and equipment, net (Note 5)	1,798,324	1,807,353
Permanently restricted land (Note 6)	1,482,890	1,482,890
	<u>\$ 4,176,371</u>	<u>\$ 3,944,823</u>
 <u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 12,387	\$ 19
Accrued payroll expenses	39,942	14,422
Deferred revenue	2,150	4,966
Interest payable	-	954
Note payable (Note 7)	-	49,398
	<u>54,479</u>	<u>69,759</u>
 <u>Net assets</u>		
<u>Unrestricted</u>		
Operating	474,013	313,654
Net investment in property and equipment	1,798,324	1,757,955
<u>Board-designated</u>		
Capital reserve	192,429	124,817
Stewardship defense fund	60,000	109,335
Endowment	50,483	34,700
Temporarily restricted (Note 8)	63,753	51,713
Permanently restricted (Note 9)	1,482,890	1,482,890
	<u>4,121,892</u>	<u>3,875,064</u>
Total net assets	<u>\$ 4,176,371</u>	<u>\$ 3,944,823</u>
Total liabilities and net assets	<u>\$ 4,176,371</u>	<u>\$ 3,944,823</u>

See accompanying notes and independent auditors' report

ORIENT LAND TRUST
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>Revenue and other support</u>					
Admissions and accommodations	\$ 1,137,872	\$ -	\$ -	\$ 1,137,872	\$ 1,011,978
Individual contributions	225,190	12,760	-	237,950	209,814
Merchandise sales	60,766	-	-	60,766	48,519
Less: cost of goods sold	(47,349)	-	-	(47,349)	(36,814)
Program fees	19,736	-	-	19,736	18,129
Special events	4,715	-	-	4,715	44,598
Less: direct expenses for events	(2,151)	-	-	(2,151)	(5,597)
Government grants	-	2,500	-	2,500	-
Investment income	2,219	-	-	2,219	1,224
Other income	675	-	-	675	889
In-kind contributions (Note 10)	30,098	-	-	30,098	6,249
Net assets released from restrictions (Note 11)	3,220	(3,220)	-	-	-
Total revenue and support	<u>1,434,991</u>	<u>12,040</u>	<u>-</u>	<u>1,447,031</u>	<u>1,298,989</u>
<u>Expense</u>					
Program services	982,293	-	-	982,293	854,971
Supporting services					
Management and general	156,465	-	-	156,465	140,627
Fund-raising	61,445	-	-	61,445	60,219
Total expense	<u>1,200,203</u>	<u>-</u>	<u>-</u>	<u>1,200,203</u>	<u>1,055,817</u>
Total change in net assets	234,788	12,040	-	246,828	243,172
Net assets, beginning of year	<u>2,340,461</u>	<u>51,713</u>	<u>1,482,890</u>	<u>3,875,064</u>	<u>3,631,892</u>
Net assets, end of year	<u>\$ 2,575,249</u>	<u>\$ 63,753</u>	<u>\$ 1,482,890</u>	<u>\$ 4,121,892</u>	<u>\$ 3,875,064</u>

See accompanying notes and independent auditors' report

ORIENT LAND TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	<u>2016</u>	<u>2015</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 246,828	\$ 243,172
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	90,824	80,273
(Gains)losses on asset dispositions	-	615
(Gains)losses on investments	(1,755)	(810)
Donated securities	(1,734)	(1,799)
Donated equipment and services capitalized	-	(6,249)
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts receivable	2,813	(1,847)
(Increase)decrease in pledge receivable	3,960	-
(Increase)decrease in prepaid expenses	1,278	811
(Increase)decrease in merchandise inventory	(3,462)	(760)
Increase(decrease) in accounts payable	12,368	-
Increase(decrease) in accrued payroll expenses	25,520	(25,702)
Increase(decrease) in deferred revenue	(2,816)	574
Increase(decrease) in interest payable	(954)	(639)
Net cash provided(used) by operating activities	<u>372,870</u>	<u>287,639</u>
<u>Cash flows from investing activities</u>		
(Reinvestment) of investment income	(169)	(414)
(Purchases) of investments	(37,966)	-
(Purchases) of property and equipment	(81,795)	(267,494)
Net cash provided(used) by investing activities	<u>(119,930)</u>	<u>(267,908)</u>
<u>Cash flows from financing activities</u>		
Borrowings (repayments) on notes payable	(49,398)	(50,602)
Net change in cash	203,542	(30,871)
Cash and cash equivalents, beginning of year	<u>583,953</u>	<u>614,824</u>
Cash and cash equivalents, end of year	<u>\$ 787,495</u>	<u>\$ 583,953</u>
Supplemental disclosure of information:		
Cash paid during the period for interest	<u>\$ 4,838</u>	<u>\$ 6,863</u>

See accompanying notes and independent auditors' report

ORIENT LAND TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - NATURE OF ACTIVITIES

Orient Land Trust (the Organization) is a Colorado nonprofit corporation, a land trust dedicated to the preservation of 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, 2016, 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, 2015, 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 April 13, 2017, the date the financial statements were available to be issued.

NOTE 3 - PLEDGE RECEIVABLE

During the year ended December 31, 2012, the Organization received a \$50,000 pledge which was restricted for summer internships for local youth. At December 31, 2016, the unconditional promise to give consists of the following:

<u>Description</u>	<u>Amount</u>
Receivable in less than one year	\$ 5,000
Receivable in one to ten years	28,000
Total	33,000
Less: discount to present value	(9,777)
Net pledge receivable	<u>\$ 23,223</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>
Cash, money funds, FDIC deposits	\$ 674	\$ 674	\$ -
Equities	1,009	1,000	(9)
Certificates of deposit	59,000	58,258	(742)
Total	<u>\$ 60,683</u>	<u>\$ 59,932</u>	<u>\$ (751)</u>

NOTE 4 - INVESTMENTS (concluded)

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	\$ 464
Unrealized gains(losses)	(11,845)
Realized gains(losses)	13,600
Total	<u>\$ 2,219</u>

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Land	\$ 173,649
Infrastructure	372,518
Buildings	1,337,833
Land improvements	259,982
Vehicles	108,594
Furniture, fixtures, and equipment	74,360
Computers	23,654
Total	2,350,590
Less: accumulated depreciation	<u>(552,266)</u>
Net property and equipment	<u>\$ 1,798,324</u>

Depreciation expense for the year was \$90,824.

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, 2014, to support the construction of a wastewater treatment facility. The note, which was unsecured and carried an interest rate of 4.75%, was extinguished early during the year ended December 31, 2016. Interest expense for the year ended December 31, 2016, was \$3,884.

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	\$ 40,220
Eiseman Scholarship Fund	23,223
Other	310
Total	<u>\$ 63,753</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	57,263
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 value of donated services included in the financial statements and the corresponding expenses for the year are as follows:

<u>Description</u>	<u>Amount</u>
Professional services - computer support	\$ 22,015
Professional services - legal	7,488
Professional services - other	595
Total	<u>\$ 30,098</u>

NOTE 10 - IN-KIND CONTRIBUTIONS (concluded)

Additionally, the Organization received approximately 8,038 hours of volunteer services not requiring professional level skills, doing varied tasks such as board and committee membership, camp and educational hosts, maintenance, and administrative assistance. The estimated value of these services was \$170,000.

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>
Science camp	\$ 2,500
Other	720
Total	<u>\$ 3,220</u>

NOTE 12 - RETIREMENT PLAN

During the year, the Organization adopted 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, 2016, contributions expense was \$23,966.

NOTE 13 - CONCENTRATIONS OF RISK

At December 31, 2016, 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 \$476,403.

NOTE 14 - LEGAL EXPENSE

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

NOTE 15 - SUBSEQUENT EVENT

In January 2017, the Organization signed an agreement with an unrelated third party for the creation and development of web application technology. The work is expected to be completed by December 2017, at a cost of approximately \$170,000.

SUPPLEMENTARY INFORMATION

ORIENT LAND TRUST
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016			2015	
	<u>Supporting Services</u>				
	Program Services	Management and General	Fund- raising	Total	Total
Salaries	\$ 518,417	\$ 66,412	\$ 31,820	\$ 616,649	\$ 633,438
Payroll taxes and benefits	82,146	10,522	5,043	97,711	85,855
Professional fees - database consultants	66,670	8,334	8,334	83,338	-
Equipment and furniture	38,914	-	-	38,914	38,768
Repairs and maintenance	37,977	442	-	38,419	13,618
Insurance	34,876	1,867	-	36,743	34,602
Supplies	30,072	3,301	2,160	35,533	25,789
Fees and permits	27,030	318	2,112	29,460	22,105
Vehicles	19,830	231	-	20,061	10,728
Legal fees	-	19,247	-	19,247	3,251
Ranch supplies	14,339	-	-	14,339	14,056
Utilities	11,594	2,123	-	13,717	13,157
Printing	512	-	9,357	9,869	19,318
Telecommunications	4,940	4,586	-	9,526	7,541
Accounting fees	-	7,338	-	7,338	5,950
Dues and subscriptions	3,845	3,024	-	6,869	6,456
Professional fees	6,263	387	-	6,650	1,898
Real estate taxes	-	4,500	-	4,500	4,498
Interest	-	3,884	-	3,884	6,224
Board and staff development	811	2,684	76	3,571	2,658
Postage	1,393	76	1,354	2,823	5,590
Rent	1,007	1,703	-	2,710	2,853
Grants and allocations	2,530	-	-	2,530	2,375
Travel	1,418	493	-	1,911	1,968
All other	1,262	1,805	-	3,067	12,848
	<u>905,846</u>	<u>143,277</u>	<u>60,256</u>	<u>1,109,379</u>	<u>975,544</u>
Depreciation	<u>76,447</u>	<u>13,188</u>	<u>1,189</u>	<u>90,824</u>	<u>80,273</u>
Total expenses	<u>\$ 982,293</u>	<u>\$ 156,465</u>	<u>\$ 61,445</u>	<u>\$ 1,200,203</u>	<u>\$ 1,055,817</u>

See independent auditors' report