

THE LAND TRUST ALLIANCE, INC. AND AFFILIATE

COMBINED FINANCIAL STATEMENTS

Years Ended December 31, 2009 and 2008



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

THE LAND TRUST ALLIANCE, INC.

We have audited the accompanying combined statement of financial position of The Land Trust Alliance, Inc. and Affiliate as of December 31, 2009, and the related combined statements of activities and changes in net assets and cash flows for the year then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The combined financial statements of The Land Trust Alliance, Inc. and Affiliate as of December 31, 2008 were audited by other auditors whose report dated March 20, 2009 expressed an unqualified opinion on those statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Land Trust Alliance, Inc. and Affiliate as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

Bethesda, Maryland
March 22, 2010

THE LAND TRUST ALLIANCE, INC. AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,138,879	\$ 2,194,664
Receivables	13,794	58,190
Promises to give	1,937,226	1,393,127
Investments	3,048,777	2,932,411
Prepaid expenses	144,537	142,370
Inventories	55,230	51,637
TOTAL CURRENT ASSETS	<u>7,338,443</u>	<u>6,772,399</u>
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$809,658 (\$740,241 in 2008)	<u>464,518</u>	<u>564,186</u>
OTHER ASSETS		
Promises to give, long-term	726,444	687,223
Investments - endowments	1,440,371	1,068,828
Deposits	8,419	8,419
TOTAL OTHER ASSETS	<u>2,175,234</u>	<u>1,764,470</u>
TOTAL ASSETS	<u>\$ 9,978,195</u>	<u>\$ 9,101,055</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 982,617	\$ 515,761
Deferred rent	402,502	411,498
TOTAL CURRENT LIABILITIES	<u>1,385,119</u>	<u>927,259</u>
<u>NET ASSETS</u>		
NET ASSETS		
Unrestricted	2,840,471	3,126,225
Temporarily restricted	4,400,389	3,745,355
Permanently restricted	1,352,216	1,302,216
TOTAL NET ASSETS	<u>8,593,076</u>	<u>8,173,796</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,978,195</u>	<u>\$ 9,101,055</u>

See Notes to Financial Statements

THE LAND TRUST ALLIANCE, INC. AND AFFILIATE
COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2009

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Grants	\$ 90,738	\$ 5,827,668	\$ 50,000	\$ 5,968,406
Contributions				
Individual memberships and donations	1,744,447	25,192	-	1,769,639
Organizational memberships	909,778	-	-	909,778
Other donations	29,136	-	-	29,136
Conference fees	910,666	-	-	910,666
Investment income	345,929	94,243	-	440,172
Accreditation fees	163,250	-	-	163,250
Publication sales	57,883	-	-	57,883
Other programs	13,143	-	-	13,143
Net assets released from restrictions	5,292,069	(5,292,069)	-	-
TOTAL SUPPORT AND REVENUE	<u>9,557,039</u>	<u>655,034</u>	<u>50,000</u>	<u>10,262,073</u>
EXPENSES				
Program services	7,864,304	-	-	7,864,304
Management and general	544,331	-	-	544,331
Fundraising	1,434,158	-	-	1,434,158
TOTAL EXPENSES	<u>9,842,793</u>	<u>-</u>	<u>-</u>	<u>9,842,793</u>
CHANGE IN NET ASSETS	(285,754)	655,034	50,000	419,280
NET ASSETS, BEGINNING OF YEAR	<u>3,126,225</u>	<u>3,745,355</u>	<u>1,302,216</u>	<u>8,173,796</u>
NET ASSETS, END OF YEAR	<u>\$ 2,840,471</u>	<u>\$ 4,400,389</u>	<u>\$ 1,352,216</u>	<u>\$ 8,593,076</u>

See Notes to Financial Statements

THE LAND TRUST ALLIANCE, INC. AND AFFILIATE

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2008

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Grants	\$ 204,500	\$ 4,367,147	\$ 500,000	\$ 5,071,647
Contributions				
Individual memberships and donations	2,300,356	15,295	-	2,315,651
Organizational memberships	920,608	-	-	920,608
Other donations	21,797	-	-	21,797
Conference fees	880,490	-	-	880,490
Investment (loss)	(85,235)	(27,989)	-	(113,224)
Accreditation fees	219,500	-	-	219,500
Publication sales	97,481	-	-	97,481
Other programs	9,769	-	-	9,769
Net assets released from restrictions	5,025,551	(5,025,551)	-	-
TOTAL SUPPORT AND REVENUE	<u>9,594,817</u>	<u>(671,098)</u>	<u>500,000</u>	<u>9,423,719</u>
EXPENSES				
Program services	7,678,945	-	-	7,678,945
Management and general	630,575	-	-	630,575
Fundraising	1,425,703	-	-	1,425,703
TOTAL EXPENSES	<u>9,735,223</u>	<u>-</u>	<u>-</u>	<u>9,735,223</u>
CHANGE IN NET ASSETS	(140,406)	(671,098)	500,000	(311,504)
NET ASSETS, BEGINNING OF YEAR	3,266,631	4,416,453	802,216	8,485,300
NET ASSETS, END OF YEAR	<u>\$ 3,126,225</u>	<u>\$ 3,745,355</u>	<u>\$ 1,302,216</u>	<u>\$ 8,173,796</u>

See Notes to Financial Statements

THE LAND TRUST ALLIANCE, INC. AND AFFILIATE

COMBINED STATEMENTS OF CASH FLOWS

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 419,280	\$ (311,504)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	126,635	136,170
Donated securities	(242,664)	(184,862)
Deferred rent	(8,996)	(129)
Increase in discount on promises to give	2,062	2,687
Realized and unrealized (gain) loss on investments	(299,918)	322,876
Contributions, restricted for long-term purposes - endowment	(50,000)	(500,000)
Decrease (increase) in operating assets		
Receivables	44,396	(3,114)
Promises to give	(585,382)	(53,214)
Prepaid expenses	(2,167)	5,113
Inventories	(3,593)	(7,035)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	466,856	(75,596)
Conditional contributions	-	(250,000)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(133,491)</u>	<u>(918,608)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(26,967)	(68,861)
Purchase of investments	(2,377,799)	(1,939,945)
Proceeds from sale of investments	<u>2,432,472</u>	<u>1,396,673</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>27,706</u>	<u>(612,133)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions, restricted for long-term purposes - endowment	<u>50,000</u>	<u>500,000</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(55,785)	(1,030,741)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,194,664</u>	<u>3,225,405</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,138,879</u>	<u>\$ 2,194,664</u>

See Notes to Financial Statements

THE LAND TRUST ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Nature of operations – The Land Trust Alliance, Inc. and Affiliate (the “Organization”) is comprised of two entities: The Land Trust Alliance, Inc. (the “Alliance”) and The Land Trust Accreditation Commission (the “Commission”).

The Alliance is a not-for-profit corporation organized under the laws of Massachusetts. The Alliance was formed in 1982 to advance the mission of land trusts. Since then, it has trained thousands of conservation leaders, won new federal incentives for conservation of private land, and developed standards and practices to professionalize and safeguard land trust work. The Alliance has championed the use of conservation easements, a legal device that restricts certain types of development but keeps the land in the hands of the current owners or their families. Farms, forests, ranches, waterways, and scenic vistas have all been protected through the efforts of land trusts nationwide.

Through its programs and services, the Alliance leads the movement by facilitating state-of-the-art information collection and exchange; national and regional training, including providing tools and training on how to plan and prioritize their conservation work; ensuring the continued protection, in perpetuity, of land already set aside for conservation; and advancing public policies to accelerate the pace of private voluntary conservation. More than 1,000 land trusts are members of the Alliance, which operates through a national office in Washington, D.C. and regional programs around the country.

In 2006, the Commission, an independent program of the Alliance, was created to support the mission of the Alliance, by operating a land trust accreditation program to ensure public confidence in land conservation and to build strong land conservation organizations by verifying land trust implementation of specific indicator practices from the *Land Trust Standards and Practices*, as established by the Alliance. The Commission is headquartered in Saratoga Springs, New York.

Principles of combination – The accounts of the Alliance and the Commission which are under common control of the Alliance’s Board of Directors are included in the combined financial statements. All inter-organizational balances and significant transactions have been eliminated.

Basis of accounting – The Organization’s policy is to prepare its combined financial statements on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation – The Organization follows the presentation requirements of Financial Accounting Standard Board Codification of Accounting Standards Topic 958-Not for Profit Entities (formerly SFAS No. 117, “*Financial Statements of Not-for-Profit Organizations*”). Under topic 958 of the FASB Codification, the Organization is required to report information regarding its combined financial position and activities according to three classes of net assets: permanently restricted (net assets which cannot be spent due to donor-imposed permanent restrictions on the use of funds), temporarily restricted (net assets can be expended but only in accordance with donor-imposed restrictions), or unrestricted (net assets may be spent in accordance with management and Board wishes).

THE LAND TRUST ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

As of December 31, 2009, the Alliance's net assets consisted of temporarily restricted net assets of \$3,943,647, permanently restricted net assets of \$1,352,216, and unrestricted net assets of \$2,682,909. The Commission's net assets consisted of temporarily restricted net assets of \$456,742 and unrestricted net assets of \$157,562.

As of December 31, 2008, the Alliance's net assets consisted of temporarily restricted net assets of \$3,118,484, permanently restricted net assets of \$1,302,216, and unrestricted net assets of \$3,046,628. The Commission's net assets consisted of temporarily restricted net assets of \$626,871 and unrestricted net assets of \$79,597.

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.

Fair value – For cash and short-term investments, receivables and payables, the carrying amount is a reasonable estimate of fair value. Marketable equity securities and fixed maturity investments held for investment purposes are carried at market value, which approximates fair value. Market values for these investments are based on quoted prices in an active market or dealer quotes for identical assets or liabilities (Level 1 inputs, under the terminology of the FASB Codification Topic 820-10 (formerly SFAS No. 157, "*Fair Value Measurements*")).

Cash and cash equivalents – The Organization considers all highly liquid money market funds and certificates of deposit with original maturities of less than ninety days to be cash equivalents. Money funds and certificates of deposit held by investment custodians are considered investments.

Investments – Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is recorded as a component of investment income in the combined statements of activities and changes in net assets.

Receivables – Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written-off when deemed uncollectible. Recoveries of receivables previously written-off are recorded when received. There was no provision for doubtful accounts at December 31, 2009 or 2008.

Promises to give – Unconditional promises to give are recognized as revenue or gains in the period acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Promises to give are carried at the original amount promised less an estimate made for doubtful promises based on a

THE LAND TRUST ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

review of all outstanding promises on a monthly basis. Management determines the allowance for doubtful promises by regularly evaluating individual promises to give and considering prior history of donor and proven collectability of past donations. Promises to give are written-off when deemed uncollectible. Recoveries of promises to give previously written-off are recorded when received. There was no allowance for doubtful promises at December 31, 2009 or 2008.

Inventory – Inventories, which consist primarily of publications for re-sale, are stated at the lower of cost or market value. Cost has been determined on the first-in, first-out (FIFO) basis. Management establishes a reserve for any inventory deemed to be non-saleable by identifying nonmarketable items and by using historical experience applied to recent sales. Items are written-off when deemed unmarketable. There was no allowance for obsolescence, based on management's evaluation of the salability of inventory, at December 31, 2009 or 2008.

Property and equipment – Property and equipment (including software) is recorded at cost. Donated equipment is stated at the estimated fair market value at the time of donation. The Organization capitalizes all property and equipment purchased with a cost of \$500 or more. Depreciation and amortization are computed on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives</u>
Office equipment	3 - 5 years
Furniture and fixtures	7 years
Leasehold improvements	10 years

Leases – The Organization does not have any capital leases. Leases for its offices and office equipment are classified as operating leases whereby rent payments are classified as rent expense as incurred.

Conditional contributions – During 2007, the Alliance received \$250,000 in conditional contributions that required 100% matching by the Alliance. During 2008, the Alliance received the matching funds.

During 2008, the Alliance received a conditional grant of \$500,000 for the endowment fund, payable in a future year based on the Alliance raising \$3,000,000 in endowment contributions.

During 2009, the Alliance received a grant of \$1,000,000 which includes \$750,000 payable in future years that required 100% matching by the Alliance.

Deferred rent – Rent expense is being recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent in the combined statement of financial position. In addition, deferred rent also includes the landlord incentive on a portion of the leasehold improvement cost, which is being amortized over the life of the lease.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Support and revenue recognition – Contributions received, including grants, are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 combined statements of activities and changes in net assets as net assets released from restrictions.

Membership dues revenue is recognized when received.

Conference fees are recognized during the period the conference is held.

Expenses – Direct costs associated with specific programs are recorded as program expenses. Administrative overhead expenses are allocated to the various programs based on personnel time spent on these activities. Fringe benefits are allocated based on labor dollars spent on these activities.

Income taxes – The Alliance and the Commission are generally exempt from federal income taxes under the provisions of Section 501 (c)(3) of the Internal Revenue Code (IRC). In addition, the Alliance and the Commission qualify for charitable contributions deductions and have been classified as organizations that are not private foundations. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. Neither the Alliance nor the Commission had any net unrelated business income at December 31, 2009 or 2008.

Accounting for Uncertainty in Income Taxes – The Alliance and the Commission have adopted FASB Codification Topic 740-10 (formerly Interpretation No. 48, “*Accounting for Uncertainty in Income Taxes*”) which prescribes measurement and disclosure requirements for current and deferred income tax provisions. The interpretation provides for a consistent approach in identifying and reporting uncertain tax provisions. It is management’s belief that both the Alliance and the Commission do not hold any uncertain tax positions.

Subsequent events – The Organization has evaluated subsequent events through March 22, 2010, which is the date the combined financial statements were available to be issued.

Recently issued accounting pronouncements – Effective for reporting periods ending after September 15, 2009, the FASB Accounting Standards Codification (ASC) is the single source of authoritative nongovernmental accounting principles generally accepted in the United States of America (GAAP). The Codification supersedes all previously issued standards including Statements of Financial Accounting Standards and guidance promulgated by the American Institute of Certified Public Accountants (AICPA). The adoption of the ASC did not have a significant impact on the combined financial statements.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

FASB Codification Topic 740-10 became effective for not-for-profit organizations for fiscal years beginning after December 15, 2008.

Reclassifications – Certain 2008 financial information has been reclassified to conform to the 2009 presentation. The reclassifications have no impact on the previously reported changes in net assets.

(2) Promises to give

Promises to give in one year or more are measured using the present value of future cash flows based on a discount rate of 3% and 4%, respectively, at December 31, 2009 and 2008. Promises to give consisted of the following:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Promises to give in less than one year	\$ 1,937,226	\$ 1,393,127
Promises to give in one to two years	<u>745,000</u>	<u>703,717</u>
Total unconditional promises to give	2,682,226	2,096,844
Less discount to net present value	<u>18,556</u>	<u>16,494</u>
	<u>\$ 2,663,670</u>	<u>\$ 2,080,350</u>

(3) Property and equipment

Property and equipment consisted of the following:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Cost		
Office equipment	\$ 863,257	\$ 893,508
Leasehold improvements	<u>410,919</u>	<u>410,919</u>
Total cost	1,274,176	1,304,427
Accumulated depreciation and amortization	<u>809,658</u>	<u>740,241</u>
Net property and equipment	<u>\$ 464,518</u>	<u>\$ 564,186</u>

Depreciation and amortization expense was \$126,635 and \$136,170 for the years ended December 31, 2009 and 2008, respectively.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

(4) Investments

Investments at fair market value consisted of the following:

	December 31,	
	2009	2008
Certificates of deposit	\$ 2,933,000	\$ 2,725,000
Equities	916,875	506,788
Money funds	157,538	491,317
Corporate bonds	481,735	278,134
	\$ 4,489,148	\$ 4,001,239

Investment income (loss) consisted of the following:

	Years Ended December 31,	
	2009	2008
Interest and dividends on investments	\$ 140,254	\$ 209,652
	299,918	(322,876)
	\$ 440,172	\$ (113,224)

(5) Fair value measurements

FASB Codification Topic 820-10 (formerly SFAS No. 157, "Fair Value Measurements") establishes 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy 820-10 are described below:

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

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

(5) Fair value measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2009.

	Investments at Fair Value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Promises to give	\$ -	\$ -	\$ 2,663,670	\$ 2,663,670
Investments	<u>4,489,148</u>	<u>-</u>	<u>-</u>	<u>4,489,148</u>
Total investments at fair value	<u>\$ 4,489,148</u>	<u>\$ -</u>	<u>\$ 2,663,670</u>	<u>\$ 7,152,818</u>

(6) Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2009 and 2008 are available for the following programs, and net assets during the years ended December 31, 2009 and 2008 were released from restrictions by incurring expenses satisfying the restricted purpose. Net assets were released and are available in the following programs:

	December 31,	
	2009	2008
Program:		
Education and Capacity Building	\$ 2,762,142	\$ 2,197,785
Policy and Outreach	275,550	76,758
Conservation Defense	743,022	765,571
Accreditation	550,985	626,870
Time restricted:		
National office	<u>68,690</u>	<u>78,371</u>
Total temporary restricted net assets	<u>\$ 4,400,389</u>	<u>\$ 3,745,355</u>

THE LAND TRUST ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

(7) Permanently restricted net assets

Interpretation of Relevant Law

The Board of Directors of the Alliance has interpreted the District of Columbia enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Alliance classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the organization and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effects of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the organization
- g. The investment policies of the organization

Return Objective and Risk Parameters

The Alliance's objective is to earn a respectable, long-term, risk-adjusted total rate of return to support the designated programs. The Organization recognizes and accepts that pursuing a respectable rate of return involves risk and potential volatility. The generation of current income will be a secondary consideration. The Alliance targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Alliance has established a policy portfolio, or normal asset allocation. While the policy portfolio can be adjusted from time to time, it is designed to serve for long-time horizons based upon long-term expected returns. The Alliance has a preference for simple investment structures which will have lower cost, easier oversight, and less complexity for internal financial management and auditing.

Spending Policy

The Alliance will appropriate for expenditure in its annual budget a maximum of 5% of the rolling average of the market value of the endowment assets over the preceding 12 quarters, the base to be adjusted for new capital contributions to the endowment. There may be times when the Alliance may opt not to take the maximum spending rate, but rather reinvest some of the annual return. This spending rate is based on the long-term assumption of 8% of nominal investment returns and a 3% inflation rate.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

(7) Permanently restricted net assets (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Alliance to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles (GAAP), deficiencies of this nature that are reported in unrestricted net assets were (\$6,086) and (\$233,388) as of December 31, 2009 and 2008, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (233,388)	\$ -	\$ 1,302,216	\$ 1,068,828
Investment return:				
Investment income	12,129	20,085	-	32,214
Net depreciation (realized and unrealized)	215,173	74,157	-	289,330
Total investment return	<u>(6,086)</u>	<u>94,242</u>	<u>1,302,216</u>	<u>1,390,372</u>
Contributions	-	-	50,000	50,000
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ (6,086)</u>	<u>\$ 94,242</u>	<u>\$ 1,352,216</u>	<u>\$ 1,440,372</u>

Permanently restricted net assets were comprised as follows:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Berkley Endowment	\$ 1,250,000	\$ 1,200,000
Kingsbury Browne Award Endowment	<u>102,216</u>	<u>102,216</u>
Total permanently restricted net assets	<u>\$ 1,352,216</u>	<u>\$ 1,302,216</u>

(8) Retirement plan

The Organization maintains a 403(b) defined contribution retirement plan that covers all eligible employees. The Organization contributes 9% for employees starting in the 37th month of employment and 7.5% of salary to other employees between the 7th and 36th months of service. Total retirement expense for the years ended December 31, 2009 and 2008 was \$292,192 and \$277,275, respectively.

The Organization provides certain employees the opportunity to defer current compensation under a 457(b) plan. The Organization made contributions of \$10,900 to this plan for both the years ended December 31, 2009 and 2008.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

(9) Operating leases

The Alliance leases its Washington, D.C. office under an operating lease expiring in 2017. This lease agreement provides for the Alliance to pay a stated minimum annual rent and a proportionate percentage of increases in operating expenses. Also, the Alliance has leases on offices in the states of Colorado, New York, Michigan, North Carolina, Connecticut and Montana. In addition, a landlord improvements allowance was provided to be applied toward reimbursement of the costs incurred by the Alliance for the preparation of its headquarters. Deferred rent was recognized to allocate the benefit of these improvements throughout the remaining term of the lease.

The future minimum rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year are as follows:

<u>Years Ending December 31,</u>	
2010	\$ 401,936
2011	382,617
2012	397,252
2013	410,025
2014	420,276
Thereafter	<u>1,020,726</u>
	<u>\$ 3,032,832</u>

Total rent expense for 2009 was \$456,816 (\$465,780 for 2008).

(10) Commitments

The Organization has entered into several contracts for hotel rooms relating to various events through October 2012. In the event of cancellation, the Organization is required to pay various costs of the hotel rooms as stipulated in the contracts, the amounts of which are dependent upon the date of cancellation.

(11) Line of credit

The Organization has an unsecured line of credit agreement with a bank in the amount of \$500,000. Borrowings on the line accrue interest at an annual rate of 1.75% plus the London Inter Bank Offered Rate (LIBOR) with a floor of 3%. The agreement was renewed as of July 23, 2009, with no expiration date. At December 31, 2009 and 2008, the Organization had no borrowings on the line of credit.

(12) Letter of credit

The Organization has a letter of credit for the deposit on its office space in the amount of \$29,077. The letter is secured by a certificate of deposit in the amount of \$59,869.

THE LAND TRUST ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

(13) **Concentration of credit risk and financial instruments**

Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of cash balances maintained at creditworthy financial institutions. The Organization maintained cash balances in bank accounts including certificates of deposit and money funds that are fully insured by the Federal Deposit Insurance Corporation (FDIC) as of December 31, 2009. As of December 31, 2008, the bank accounts exceeded federally insured limits by \$1,877,537. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

The Organization invests in certificates of deposit, money funds, bonds, and equities. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the combined financial statements.

(14) **Related party transactions**

The Land Trust Accreditation Commission is a supporting organization of The Land Trust Alliance, Inc. There is an agreement between the Alliance and the Commission for the Alliance to manage the Commission's finances and provide human resources and information technology support. Fees for these services totaled \$24,000 and \$23,000 for the years ended December 31, 2009 and 2008, respectively. In keeping with the principles of combination in Note 1 above, the resulting revenue and expense have been eliminated in the combined statements.

(15) **Program expenses**

For the year ending December 31, 2009, program services included the following:

Education and Capacity Building	\$ 5,699,270
Policy and Outreach	1,474,426
Conservation Defense	280,919
Accreditation	<u>409,689</u>
Total program	<u>\$ 7,864,304</u>

THE LAND TRUST ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

(16) Fair value of financial instruments

The Alliance and the Commission have adopted FASB Codification Topic 825-10 (formerly SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities*") for the purpose of valuing promises to give. The provisions of topic 825-10 give entities the option, at specific election dates, to measure certain financial assets and liabilities at fair value. The election may be applied to financial assets and liabilities on an instrument by instrument basis, is irrevocable, and may only be applied to entire instruments. Unrealized gains and losses on instruments for which the fair value option has been elected are reported in changes in net assets at each subsequent reporting date. The Alliance and the Commission did not elect fair value accounting for any other assets or liabilities that are not currently required to be measured at fair value, with the exception of promises to give.

ADDITIONAL INFORMATION



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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors

THE LAND TRUST ALLIANCE, INC.

Our report on our audit of the basic combined financial statements of The Land Trust Alliance, Inc. for the year ended December 31, 2009 appears on page 1. This audit was conducted for the purpose of forming an opinion on the combined financial statements of The Land Trust Alliance, Inc. and Affiliate for the year ended December 31, 2009 taken as a whole. The accompanying combining information and combined schedule of functional expenses for the year ended December 31, 2009, which follow, are presented for purposes of additional analysis of the basic combined financial statements rather than to present the financial position, changes in net assets and functional expenses of the individual entities and are not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and in our opinion is fairly stated, in all material respects, in relation to the basic combined financial statements taken as a whole. The supplementary information for the year ended December 31, 2008 was audited by other auditors and in their report dated March 20, 2009 expressed an unqualified opinion on such information in relation to the basic combined financial statements taken as a whole.

Mayer Hoffman McCann P.C.

Bethesda, Maryland
March 22, 2010

THE LAND TRUST ALLIANCE, INC. AND AFFILIATE

ADDITIONAL INFORMATION - COMBINING SCHEDULES OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31, 2009 and 2008

	The Alliance	The Commission	Eliminations	Total 2009	Total 2008
SUPPORT AND REVENUE					
Grants	\$ 5,731,534	\$ 236,872	\$ -	\$ 5,968,406	\$ 5,071,647
Contributions					
Individual memberships and donations	1,769,639	-	-	1,769,639	2,315,651
Organizational memberships	909,778	-	-	909,778	920,608
Other donations	29,136	-	-	29,136	21,797
Conference fees	910,666	-	-	910,666	880,490
Investment income (loss)	438,858	1,314	-	440,172	(113,224)
Accreditation fees	-	163,250	-	163,250	219,500
Publication sales	57,883	-	-	57,883	97,481
Other programs	37,143	-	(24,000)	13,143	9,769
Net assets released from restrictions	-	-	-	-	-
TOTAL SUPPORT AND REVENUE	<u>9,884,637</u>	<u>401,436</u>	<u>(24,000)</u>	<u>10,262,073</u>	<u>9,423,719</u>
EXPENSES					
Program services	7,454,614	433,690	(24,000)	7,864,304	7,678,945
Management and general	484,422	59,909	-	544,331	630,575
Fundraising	1,434,158	-	-	1,434,158	1,425,703
TOTAL EXPENSES	<u>9,373,194</u>	<u>493,599</u>	<u>(24,000)</u>	<u>9,842,793</u>	<u>9,735,223</u>
CHANGE IN NET ASSETS	511,443	(92,163)	-	419,280	(311,504)
NET ASSETS, BEGINNING OF YEAR	<u>7,467,328</u>	<u>706,468</u>	<u>-</u>	<u>8,173,796</u>	<u>8,485,300</u>
NET ASSETS, END OF YEAR	<u>\$ 7,978,771</u>	<u>\$ 614,305</u>	<u>\$ -</u>	<u>\$ 8,593,076</u>	<u>\$ 8,173,796</u>

See Independent Auditors' Report on Additional Information

THE LAND TRUST ALLIANCE, INC. AND AFFILIATE

ADDITIONAL INFORMATION - COMBINING SCHEDULES OF FUNCTIONAL EXPENSES

Years Ended December 31, 2009 and 2008

	Education and Capacity Building	Policy and Outreach	Conservation Defense	Accreditation	Total Program	Management and General	Fundraising	Total 2009	Total 2008
PERSONNEL EXPENSES									
Salaries and benefits	\$ 1,978,930	\$ 781,765	\$ 165,276	\$ 304,257	\$ 3,230,228	\$ 365,886	\$ 894,909	\$ 4,491,023	4,416,831
Contractors/consultants	562,308	332,193	50,147	37,917	982,565	1,066	87,668	1,071,299	1,457,914
TOTAL PERSONNEL EXPENSES	<u>2,541,238</u>	<u>1,113,958</u>	<u>215,423</u>	<u>342,174</u>	<u>4,212,793</u>	<u>366,952</u>	<u>982,577</u>	<u>5,562,322</u>	<u>5,874,745</u>
NONPERSONNEL EXPENSES									
Grants, scholarships, awards	1,675,193	5,500	-	-	1,680,693	-	-	1,680,693	1,001,026
Rent	269,872	65,428	13,638	-	348,938	35,822	72,056	456,816	465,780
Information technology	185,175	70,669	8,535	6,677	271,056	10,133	43,802	324,991	294,598
Staff and project travel and expenses	213,279	30,659	13,514	12,708	270,160	2,140	72,494	344,794	458,958
Facility, exhibiting, meals and a/v fees	358,449	368	248	-	359,065	-	-	359,065	408,167
Printing, design and copying	162,598	94,053	8,068	3,299	268,018	3,514	74,034	345,566	336,052
Staff training and recruitment	9,823	3,792	775	1,156	15,546	1,895	4,781	22,222	140,152
Depreciation and amortization	65,850	20,637	4,346	-	90,833	12,239	23,563	126,635	136,170
Postage and delivery	45,509	18,149	2,173	6,309	72,140	4,731	77,798	154,669	131,157
Equipment lease and maintenance	28,668	2,898	610	428	32,604	879	3,308	36,791	33,996
Telecommunications	55,360	17,284	4,940	9,397	86,981	8,604	7,211	102,796	98,600
Meetings/receipts	16,152	6,473	936	919	24,480	12,622	33,562	70,664	78,964
Supplies	24,800	2,876	999	4,252	32,927	3,478	11,026	47,431	78,423
Board and committee meetings	-	-	-	21,279	21,279	20,647	-	41,926	47,900
Bank service charges	29,440	700	147	367	30,654	2,162	7,134	39,950	38,336
Professional fees	2,609	992	5,865	-	9,466	31,316	320	38,209	38,209
Dues/subscriptions/library	5,043	19,267	619	414	25,343	7,826	11,338	44,507	34,207
Commercial insurance	2,483	-	-	-	2,483	18,962	-	21,445	20,972
Small equipment	1,162	417	19	-	1,598	316	133	2,047	-
Royalties	4,532	-	-	-	4,532	-	-	4,532	4,716
Other	2,035	306	64	310	2,715	93	9,021	11,829	14,095
TOTAL NONPERSONNEL EXPENSES	<u>3,158,032</u>	<u>360,468</u>	<u>65,496</u>	<u>67,515</u>	<u>3,651,511</u>	<u>177,379</u>	<u>451,581</u>	<u>4,280,471</u>	<u>3,860,478</u>
TOTAL EXPENSES	\$ <u>5,699,270</u>	\$ <u>1,474,426</u>	\$ <u>280,919</u>	\$ <u>409,689</u>	\$ <u>7,864,304</u>	\$ <u>544,331</u>	\$ <u>1,434,158</u>	\$ <u>9,842,793</u>	\$ <u>9,735,223</u>

See Independent Auditors' Report on Additional Information