

**OPEN SPACE INSTITUTE, INC.
AND
CONSOLIDATED ENTITY**



**OPEN SPACE
INSTITUTE**

**Consolidated Financial Statements
and Supplementary Information
(Together with Independent Auditors' Report)
Year Ended December 31, 2022
(With Comparative Totals for December 31, 2021)**

OPEN SPACE INSTITUTE, INC. AND CONSOLIDATED ENTITY

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
(Together with Independent Auditors' Report)**

**FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Totals for December 31, 2021)**

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Open Space Institute, Inc. and Consolidated Entity
New York, New York

Opinion

We have audited the consolidated financial statements of Open Space Institute, Inc. and Consolidated Entity (collectively, the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Summarized Comparative Information

We have previously audited the Organization's December 31, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 26, 2022.

Change in Accounting Principle

As discussed in Note 2P to the consolidated financial statements, the Organization changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, Leases, effective January 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information as of and for the year ended December 31, 2022 on pages 29 and 30 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Mayer Hoffman McCann CPAs

New York, NY
August 4, 2023

OPEN SPACE INSTITUTE, INC. AND CONSOLIDATED ENTITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
(With Comparative Totals as of December 31, 2021)

	2022	2021
ASSETS		
Cash and cash equivalents (Notes 2D and 10)	\$ 49,666,829	\$ 46,303,152
Investments, at fair value (Notes 2G, 2H, 4 and 10)	186,192,512	236,963,389
Contributions and grants receivable (Notes 2E and 5)	5,855,235	5,052,369
Accounts receivable (Notes 2N and 7)	873,580	3,409,549
Conservation lending program receivable, net (Notes 2F and 6)	4,331,515	3,352,600
Investment - Limited Liability Company (Note 4)	159,798	1,986,555
Land and easement holdings, net (Notes 2I and 7)	88,758,619	66,009,112
Property, furniture and equipment, net (Notes 2J and 8)	607,799	601,444
Operating lease assets (Notes 2L, 2Q and 9)	1,269,818	-
Other assets	<u>4,952,489</u>	<u>1,718,987</u>
TOTAL ASSETS	<u>\$ 342,668,194</u>	<u>\$ 365,397,157</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 2,203,346	\$ 2,428,439
Deferred contributions and grants revenue (Notes 2N and 5)	8,763,733	7,913,447
Conservation borrowing and lending program (Notes 2F and 12)	41,594,515	23,731,904
Grants payable (Note 7)	4,145,700	4,326,299
Operating lease liabilities (Notes 2L, 2Q and 9)	1,411,297	-
Other liabilities	<u>1,751,424</u>	<u>2,104,115</u>
TOTAL LIABILITIES	<u>59,870,015</u>	<u>40,504,204</u>
COMMITMENTS AND CONTINGENCIES (Note 14)		
NET ASSETS (Note 2B)		
Without donor restrictions		
Operating net assets	76,936,799	85,937,166
Board designated - easement enforcement fund	982,452	1,200,458
Board designated - land and parks improvement	<u>1,799,516</u>	<u>2,285,301</u>
Total net assets without donor restrictions	<u>79,718,767</u>	<u>89,422,925</u>
With donor restrictions (Note 11)		
Endowment	149,476,726	191,860,842
Other net assets with donor restrictions	<u>53,602,686</u>	<u>43,609,186</u>
With donor restrictions	<u>203,079,412</u>	<u>235,470,028</u>
TOTAL NET ASSETS	<u>282,798,179</u>	<u>324,892,953</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 342,668,194</u>	<u>\$ 365,397,157</u>

OPEN SPACE INSTITUTE, INC. AND CONSOLIDATED ENTITY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	For the Year Ended December 31, 2022			
	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
OPERATING REVENUES AND SUPPORT:				
Contributions and grants (Note 2E)	\$ 2,556,962	\$ 27,801,640	\$ 30,358,602	\$ 23,356,804
Donated land (Note 2K)	30,000	-	30,000	863,500
Conservation lending program interest income (Note 2F)	181,983	-	181,983	97,671
Project revenues (Note 2N)	2,966,868	155,868	3,122,736	817,676
Investment income and appreciation utilized (Note 11)	8,049,502	-	8,049,502	7,664,598
Revenue recovery (Note 2N)	2,334,712	-	2,334,712	499,765
Gain on real estate activity	1,753	-	1,753	842,179
Miscellaneous income (Note 2N)	503,430	349,612	853,042	182,528
Net assets released from restrictions (Note 11)	18,481,754	(18,481,754)	-	-
Total Operating Revenues and Support	35,106,964	9,825,366	44,932,330	34,324,721
OPERATING EXPENSES (Note 2O):				
Program services:				
Land conservation operations	16,582,898	-	16,582,898	7,710,166
Stewardship	1,642,368	-	1,642,368	1,446,128
Conservation capital	6,071,765	-	6,071,765	3,020,794
Conservation communities	1,214,851	-	1,214,851	821,250
Parks and public policy	5,659,381	-	5,659,381	4,825,655
Total program services	31,171,263	-	31,171,263	17,823,993
Supporting services:				
Management and administration	4,168,415	-	4,168,415	3,511,070
Fundraising	1,211,493	-	1,211,493	939,965
Total supporting services	5,379,908	-	5,379,908	4,451,035
Total Operating Expenses	36,551,171	-	36,551,171	22,275,028
CHANGES IN NET ASSETS FROM OPERATIONS (Note 2M)	(1,444,207)	9,825,366	8,381,159	12,049,693
NON-OPERATING ACTIVITIES:				
Investment activity (Note 4)	(7,861,585)	(34,564,846)	(42,426,431)	23,423,544
Investment appreciation utilized	-	(8,049,502)	(8,049,502)	(7,664,598)
Transfers of net assets (Note 11)	(398,366)	398,366	-	-
NET NON-OPERATING ACTIVITIES	(8,259,951)	(42,215,982)	(50,475,933)	15,758,946
CHANGES IN TOTAL NET ASSETS	(9,704,158)	(32,390,616)	(42,094,774)	27,808,639
NET ASSETS - BEGINNING OF YEAR	89,422,925	235,470,028	324,892,953	297,084,314
NET ASSETS - END OF YEAR	\$ 79,718,767	\$ 203,079,412	\$ 282,798,179	\$ 324,892,953

OPEN SPACE INSTITUTE, INC. AND CONSOLIDATED ENTITY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

For the Year Ended December 31, 2022										
	Land Conservation Operations	Stewardship	Conservation Capital	Conservation Communities	Parks and Public Policy	Total Program Services	Management and Administration	Fundraising	Total 2022	Total 2021
Salaries and employee benefits (Note 13)	\$ 3,166,484	\$ 501,893	\$ 1,578,671	\$ 486,710	\$ 1,729,625	\$ 7,463,383	\$ 2,753,691	\$ 850,404	\$ 11,067,478	\$ 9,607,111
Professional fees	1,150,374	12,517	531,151	302,648	609,308	2,605,998	294,375	191,162	3,091,535	2,166,992
Public recreation additions	166,167	3,935	-	-	2,819,186	2,989,288	-	-	2,989,288	2,566,463
Grants	9,888,686	8,317	3,681,002	178,748	25,527	13,782,280	78,911	-	13,861,191	3,456,540
Real estate conservation loss (Note 7)	351,000	-	-	-	-	351,000	-	-	351,000	872,866
Cost of easements and options	2	-	-	-	-	2	-	-	2	-
Real estate taxes	-	371,812	-	-	-	371,812	-	-	371,812	301,591
Occupancy and related expenses	364,456	224,367	173,027	133,912	173,793	1,069,555	685,457	113,383	1,868,395	1,909,553
Depreciation and amortization	134,724	108,467	46,165	22,899	40,211	352,466	-	25,920	378,386	155,383
Property maintenance	35,877	393,324	14	29,630	17,507	476,352	9,214	9,251	494,817	467,119
Travel and meetings	82,521	8,217	25,070	41,806	108,553	266,167	206,996	4,382	477,545	196,544
Interest	1,075,084	-	5,380	-	-	1,080,464	-	-	1,080,464	191,793
Pledge and loan loss reserve expense	-	-	3,063	-	93,829	96,892	-	-	96,892	-
Public relations and communications	167,331	8,919	28,219	17,106	41,130	262,705	52,622	16,991	332,318	297,811
Miscellaneous	192	600	3	1,392	712	2,899	87,149	-	90,048	85,262
TOTAL	\$ 16,582,898	\$ 1,642,368	\$ 6,071,765	\$ 1,214,851	\$ 5,659,381	\$ 31,171,263	\$ 4,168,415	\$ 1,211,493	\$ 36,551,171	\$ 22,275,028
TOTAL - 2021	\$ 7,710,166	\$ 1,446,128	\$ 3,020,794	\$ 821,250	\$ 4,825,655	\$ 17,823,993	\$ 3,511,070	\$ 939,965	\$ 22,275,028	

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

OPEN SPACE INSTITUTE, INC. AND CONSOLIDATED ENTITY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (42,094,774)	\$ 27,808,639
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	378,386	387,184
Net unrealized/realized loss (gain) on investments	42,889,857	(23,364,545)
Donated natural land areas and improvements	7,513,411	1,323,638
Donated land received	(30,000)	(863,500)
Pledge and loan loss reserves	(35,000)	77,000
In-kind interest expense	250,301	-
Gain on sale of land areas	(1,753)	(842,179)
Real estate conservation (gain) loss	(1,983,712)	872,866
Subtotal	6,886,716	5,399,103
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions, grants and accounts receivable	1,733,103	6,390,329
Operating lease assets	(1,269,818)	-
Other assets	(3,233,502)	(461,966)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(225,093)	(28,703)
Deferred contributions and grants revenue	850,286	21,611
Grants payable	(180,599)	(5,725,543)
Operating lease liabilities	1,411,297	-
Other liabilities	(352,691)	220,446
Net Cash Provided by Operating Activities	<u>5,619,699</u>	<u>5,815,277</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales or redemption of investments	61,142,894	38,076,774
Purchases of investments	(53,261,874)	(30,313,118)
Purchase of investment in Limited Liability Company	(98,243)	(4,708)
Distribution of investment in Limited Liability Company	1,925,000	1,375,000
Issuance of loans for conservation lending program	(6,420,470)	(1,809,600)
Payments received from conservation lending program	5,476,555	13,348
Purchases of property, furniture & equipment	(277,408)	(21,244)
Purchases of land and easement holdings	(30,952,334)	(40,139,322)
Proceeds from sales of land and easement holdings	2,597,548	27,665,974
Net Cash Used in Investing Activities	<u>(19,868,332)</u>	<u>(5,156,896)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from conservation lending program payable	23,638,812	19,396,391
Repayments of conservation lending program payable	(6,026,502)	(7,465,354)
Net Cash Provided by Financing Activities	<u>17,612,310</u>	<u>11,931,037</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,363,677	12,589,418
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>46,303,152</u>	<u>33,713,734</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 49,666,829</u>	<u>\$ 46,303,152</u>
Supplemental Disclosure of Cash Flow Information:		
Noncash investing and financing transactions:		
Donations of land areas and improvements	<u>\$ (7,483,411)</u>	<u>\$ 2,187,138</u>
Cash paid for interest during the year	<u>\$ 830,163</u>	<u>\$ 191,793</u>

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

OPEN SPACE INSTITUTE, INC. AND CONSOLIDATED ENTITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022
(With Comparative Totals for December 31, 2021)

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

A national conservation leader, Open Space Institute, Inc. ("OSI") has protected more than 2.3 million acres of the land that matters most for our families, our communities, and our planet. For nearly 50 years, OSI has been protecting land throughout the eastern United States and southern Canada to support clean air and water; improve access to nature and the outdoors; secure wildlife habitat; and combat climate change, while curbing its devastating effects.

Because the benefits of conservation and improved access to the outdoors are universal, OSI has embedded diversity, equity, and inclusion principles throughout the organization, from its strategic plan and board charters to project selection and internal policies, OSI's equity values are defined and imbedded in all aspects of the organization.

OSI and its affiliated entity, as defined in Note 2A, (collectively, the "Organization") achieve this mission through the following programs:

Land Conservation Operations: Smart, strategic land conservation strengthens communities, ensures access to drinking water resources, provides recreational resources, curbs climate change, and protects habitats. Working throughout the eastern United States, with project concentrations in New York, New Jersey, South Carolina, and Georgia, OSI acquires land of ecological, recreational, and climate protection significance with the goal of conveying it to public agencies and conservation partners as permanent additions to publicly accessible lands. In 2022, Open Space Institute Land Trust, Inc. ("OSILT") protected 8,517 acres of land having a fair market value of \$30.8 million.

Conservation Capital: Guided by science, with a focus on climate change, water protection, forests, and wildlife habitat, OSI works with foundations to design and administer capital re-grant programs, directing capital and low-cost loans to accelerate the rate and effectiveness of conservation. OSI also offers catalyst grants to localities and their conservation partners to incorporate strategic land protection into local planning efforts. In 2022, OSILT made 23 capital grants totaling \$3,443,564, protecting 21,336 acres in seven states with a fair market value of \$28,858,336. Further, OSI directly approved ten grants for conservation planning totaling \$126,279.

Parks and Public Policy: OSI is making nature and the outdoors more welcoming and enjoyable to all. Through park improvements, the creation of new trails and greenways public policy research, and advocacy for greater federal, state, and national investments in public lands, OSI works to improve accessibility and access to open space, promote community wellbeing, and create the next generation of conservationists. OSI also provides support services for the newly formed parks improvement group New City Parks, which aims to bring urban parks to neighborhoods.

Stewardship: Through its Stewardship work, OSI monitors and enforces conservation easements, oversees the management of properties conserved with third-party partners, and provides interim management for properties that will be conveyed to public agencies or other conservation partners.

Conservation Communities: OSI supports grassroots organizations and promotes the development of young environmental leaders to broaden representation within the field of conservation. Its Citizen Action initiative supports newly formed local environmental groups and urban parks; the Malcolm Gordon Charitable Fund awards grants to nonprofits in urban Hudson Valley communities; and the Barnabas McHenry Hudson River Valley Awards provide grants to students who are actively working to improve their local communities. Likewise, OSI's Conservation Diversity Fellowship is promoting greater diversity within the environmental field by providing recent students salaried fellowships to jumpstart their careers.

OSI and OSILT are not-for-profit corporations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and have been designated as organizations which are not private foundations. OSI and OSILT are incorporated under the laws of the State of New York (the "State") and are exempt from State and local income and sales taxes.

OPEN SPACE INSTITUTE, INC. AND CONSOLIDATED ENTITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022
(With Comparative Totals for December 31, 2021)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting*

The Organization's consolidated financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") as established by the Financial Accounting Standards Board (the "FASB"), and, in addition to OSI include the accounts and activities of the following entity for which OSI has control and an economic interest:

OSILT, is a 501(c)(3) supporting organization of OSI through which Land Operations, Stewardship, Conservation Capital and Parks and Public Policy operate. OSILT holds all of the Organization's lands and all of the conservation easements.

All material inter-organizational accounts and transactions have been eliminated in consolidation.

B. *Basis of Presentation*

The Organization reports information regarding its financial position and activities in two classes of net assets: without and with donor restrictions. Net assets without donor restrictions consist of amounts that can be spent at the discretion of the Organization and have no donor restrictions associated with them. Net assets without donor restrictions in the amount of \$2,781,968 and \$3,485,759 have been designated by the Board of Trustees for the Land Acquisition, Stewardship and Parks programs. As of December 31, 2022 and 2021, respectively, net assets with donor restrictions consist of contributions that are restricted by the donor for a specific time period or purpose. The Organization did not have any net assets with donor restrictions to be held in perpetuity as of December 31, 2022 and 2021.

C. *Use of Estimates*

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of support, revenue, expenses, and other changes in net assets during the reported period. The most significant assumptions and estimates relate to the determination of the allowance for uncollectible grants and accounts receivable, reserve for possible loan losses, valuation of investments in pooled investment funds, impairment of land and other long-lived assets, discount factor for multi-year receivables, imputed interest on loans receivable and payable, estimated useful lives of property and equipment, and functional allocation of expenses. Actual results could differ from those estimates.

D. *Cash Equivalents*

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, except for those short-term investments managed by the Organization's investment managers as part of its long-term investment strategies. Approximately \$35 million and \$30 million of cash and cash equivalents at December 31, 2022 and 2021, respectively, were restricted for specific programs as required by certain funders.

E. *Contributions, Grants and Net Assets Released from Restrictions*

All contributions and grants, whether or not restricted, are recognized as revenue at fair value when received or unconditionally promised to the Organization.

The Organization classifies contributions as with donor restrictions if received with donor stipulations that limit the use of the contributions. When such donor stipulations expire, that is, when stipulated or implied time restrictions end or purpose restrictions are accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statement of activities and changes in net assets as net assets released from restrictions.

Contributions of property are recorded at fair value on the date of contribution. Fair value is determined by an appraisal report, management estimate or quoted market prices when available.

Grants receivable represent amounts unconditionally committed by donors, foundations and agencies that have not yet been received by the Organization.

OPEN SPACE INSTITUTE, INC. AND CONSOLIDATED ENTITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022
(With Comparative Totals for December 31, 2021)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. *Conservation Lending Program*

This program provides program-related loans primarily to nonprofit organizations to expand land conservation. This program is funded through program-related investments from various organizations at interest-free, or below market interest rates from the Organization's lines of credit and the Organization's assets.

The Organization reports conservation loans at their outstanding principal balances, reduced by reserves for possible loan losses. The Organization estimates possible lending losses based on factors related to a specific borrower's financial position and ability to pay, loan collateral and current economic trends. The Organization reports conservation loans payable at their outstanding principal balances, reduced by the amount of imputed interest.

For loans receivable and payable that are interest-free or that have below-market interest rates, a contribution (income or expense) is recorded as the difference between the value of the loan at fair market rates at its inception and at its stated rate annually. See Notes 6 and 12 for additional discussion.

G. *Investments*

Investments are carried at estimated fair value in the consolidated statement of financial position (See Note 4). The consolidated statement of activities and changes in net assets includes net return on investments consisting of interest and dividend income, realized and unrealized gains and losses, as well as management and custodial fees. Interest income is recorded on the accrual basis. Dividends are recorded when the company declares the dividend and sets a record date (the "ex-dividend date"). Purchases and sales of securities are recorded on a trade-date basis.

H. *Fair Value Measurements*

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.

I. *Land and Easement Holdings*

Land purchased is recorded at the lower of cost, market or conservation value. Improvements on land are valued at cost and depreciated over the estimated life of the asset unless deemed not to add to market value. Consistent with its conservation mission, the Organization will conserve all lands acquired and the market value may be impaired to reflect its conserved value. In many cases, the Organization purchases unencumbered property and then sells the property with a conservation easement restricting development rights. The Organization regularly reviews land held for sale for impairment and whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined to be impaired, the carrying value is reduced to its current estimated fair value based on the best information available at date of issuance of the consolidated financial statements. Realized gains and losses on natural land areas and improvements, if any, are recorded upon disposition.

Easements that have a resale value are recorded at the lower of cost or market. Easements that are determined to have no resale value are recorded at one dollar.

J. *Property, Furniture and Equipment*

Purchases of property and equipment in excess of \$10,000 and an estimated useful life of greater than one year are recorded at cost. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets ranging from five to forty years. Leasehold improvements are amortized over the shorter of the term of the lease or the life of the asset.

K. *Donated Land*

Donated nonfinancial assets are recognized in the consolidated financial statements at fair value, if the non-financial contributions enhance or require specialized skills, provided the individuals possess those skills and would typically need to be purchased, if not provided by donation. For the years ended December 31, 2022 and 2021 there was \$30,000 and \$863,500, respectively, of donated land to be used for program activities. There were no donor-imposed restrictions and were appraised to determine fair value. See Note 2Q.

OPEN SPACE INSTITUTE, INC. AND CONSOLIDATED ENTITY
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. *Operating Lease*

Prior to the adoption of FASB ASU 2016-02, *Leases*, as of January 1, 2022, rent expense was recognized using the straight-line method over the terms of the leases. The difference between rent expense incurred and the amount paid, which is attributable to scheduled rent increases, is reported as operating lease liabilities in the accompanying consolidated statement of financial position as of December 31, 2021. As explained in Note 2P, the Organization adopted FASB ASU 2016-02, *Leases* (Topic 842) as of January 1, 2022.

M. *Operating and Non-Operating Activities*

The Organization includes, in its definition of operations, all revenues and expenses that are an integral part of its programs and supporting activities, including an authorized investment income allocation (see Note 11) and all contributions.

N. *Project Revenues, Revenue Recovery and Miscellaneous Income*

The Organization recognizes revenue through the five-step model described by the FASB in the Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contracts; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contracts; and (5) recognition of revenue when a performance obligation is met.

Project revenues consist primarily of income received from revenues related to services provided by the Organization.

Recovery revenue relates to the reversal of prior year accruals, reserves and impairments that are recovered in the current year.

Miscellaneous income is composed of various income items including management fee income, security settlements and rental income.

These line items may be restricted if the revenue is related to funds that were donor restricted at inception and have not yet been released.

The timing of billings, cash collections and revenue recognition results in accounts receivable and deferred revenue on the accompanying consolidated statements of financial position. Deferred revenue amounted to approximately \$8,764,000, \$7,913,000 as of December 31, 2022, 2021 and \$7,892,000 as of January 1, 2021, respectively. Accounts receivable amounted to approximately \$874,000, \$3,410,000 as of December 31, 2022, 2021 and \$7,886,000 as of January 1, 2021, respectively.

O. *Functional Allocation of Expenses*

The costs of program and supporting service activities have been summarized on a functional basis in the consolidated statement of functional expenses. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation and amortization, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance and miscellaneous, which are allocated on the basis of estimates of time and effort.

P. *Summarized Comparative Information*

The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class or the natural classification of functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization’s consolidated financial statements for the year ended December 31, 2021, from which the summarized information was derived.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. *New Accounting Pronouncement*

FASB ASU 2016-02, *Leases* (Topic 842) was adopted by the Organization for the year ended December 31, 2022. This ASU requires organizations that lease assets to recognize the present value of the assets and liabilities for the rights and obligations created by those leases. The Organization adopted this ASU as of January 1, 2022. The adoption of this ASU required the Organization to record amounts as of January 1, 2022. The prior year financial statements have not been adjusted as the new standard permits adoption prospectively. As of January 1, 2022, the right-of-use assets ("ROU") amounted to \$2,017,601 and lease obligations amounted to \$2,260,819. As the deferred rent as of January 1, 2022 of \$243,218 was netted against the right-of-use assets, the adoption of ASU 2016-02 did not affect the change in net assets as previously reported.

FASB ASU 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* ("Gifts-in-Kind") was adopted by the Institute for the year ended December 31, 2022. The core guidance in ASU 2020-07 is to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit ("NFP") organizations, including transparency on how those assets are used and how they are valued. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs. The amendments did not change existing recognition and measurement requirements for those assets.

R. *Reclassification*

Certain line items in the December 31, 2021 consolidated statement of activities have been reclassified to conform to the December 31, 2022 presentation. This changes had no impact on the change in net assets for the year ended December 31, 2021.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following as of December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 49,666,829	\$ 46,303,152
Current portion of grants receivable	3,980,016	4,143,066
Current portion of accounts receivable	243,330	3,342,334
Current portion of conservation lending program receivable	1,673,515	1,620,000
Redeemable investments	<u>168,821,553</u>	<u>221,491,497</u>
Total financial assets	224,385,243	276,900,049
Donor and other imposed restrictions:		
Subject to specified purpose or passage of time	(177,079,360)	(216,091,379)
Available portion of donor-restricted endowments for use over next fiscal year	4,108,300	4,024,752
Cash collateral related to letter of credit	(138,744)	(138,744)
Investment collateral related to lines of credit	(24,416,441)	(17,332,122)
Net board designated funds for land purchases and trail building	<u>(2,775,771)</u>	<u>(3,421,975)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 24,083,227</u>	<u>\$ 43,940,581</u>

As part of the Organization's liquidity management plan, the Organization invests excess cash beyond expected operating needs in U.S. government debt, common stock, common trust funds and hedge funds.

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NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments, at fair value consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Investments, at fair value	\$ 186,192,512	\$234,826,196
Receivable redeemed investments	<u>-</u>	<u>2,137,193</u>
Total investments	<u>\$ 186,192,512</u>	<u>\$236,963,389</u>

Receivable redeemed investments arise when the Organization notifies an investment manager of a pending redemption. The investments without immediate liquidity segregate the redemption, removing it from market risk, and remits it at a later date. All such receivables were collected in 2022.

As noted in Note 2G, investments are reported at fair value. FASB guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under FASB ASC Topic 820, "Fair Value Measurement," as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under ASC Topic 820 are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments in Level 1 include listed equities and U.S. government debt.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. Investments in this category generally include corporate debt and less liquid securities such as securities traded on certain foreign exchanges. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments in this category generally include equity and debt positions in private companies.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The Organization assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy.

All assets carried at fair value have been valued using a market approach. There were no changes in the valuation techniques during the current year. The following are the valuation techniques used by the Organization, some of which are obtained from the investment fund managers in the absence of readily determinable market values to measure different financial instruments at fair value and the level within the fair value hierarchy in which the financial instrument is categorized:

- Investments in securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.

OPEN SPACE INSTITUTE, INC. AND CONSOLIDATED ENTITY
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NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

- Securities traded in the common collective trust and listed securities for which no sale was reported on that date are stated at the last quoted bid price. These financial instruments are classified as Level 2 in the fair value hierarchy.
- Investments in pooled investment funds are classified as level 3 or by net asset value, and are valued at fair value based on the applicable percentage ownership of the investment funds' net assets as of the measurement date, as reported to the Organization by the investment fund. The majority of investment funds value the funds' securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the management or sponsor of the respective investment funds and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized.

Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the Organization's investments in investment funds generally represents the amount the Organization would expect to receive if it were to liquidate its investment in the investment fund, excluding any redemption charges that may apply.

The Organization categorized its investments in investment funds as a Level 2 fair value measurement if the Organization had the ability to redeem its investments at year-end or within 90 days or less from year-end. Certain investment funds, including those that hold private equity and real estate investments that do not permit redemptions or have lock-ups that restrict redemptions for a specific period of time, are classified as Level 3.

The following table presents the Organization's fair value hierarchy for those assets measured at fair value as of December 31, 2022:

Description	2022 Fair Value Measurements Using					Total
	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value		
Cash equivalents	\$ 10,967,353	\$ -	\$ -	\$ -		\$ 10,967,353
U.S. government debt	10,677,971	-	-	-		10,677,971
Common Stock	13,992,667	-	-	-		13,992,667
Common /collective trust fund	-	26,655,254	-	-		26,655,254
Pooled investment funds						
Long/short equities						
(directional hedge)	-	-	-	-		-
Multi-strategy	-	-	263,208	-		263,208
Private equity	-	-	45,848	-		45,848
Real assets	-	-	17,061,902	-		17,061,902
Investments measured at net asset value	-	-	-	106,528,309		106,528,309
Total	<u>\$ 35,637,991</u>	<u>\$ 26,655,254</u>	<u>\$ 17,370,958</u>	<u>\$ 106,528,309</u>		<u>\$ 186,192,512</u>

Certain investments that are measured at fair market value, including certain investments such as hedge funds, private equity and real estate funds, using the net asset value per share (or its equivalent) practical expedient, have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

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NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table reconciles all Level 3 assets measured at fair value for the year ended December 31, 2022:

	Pooled Investment Funds				
	Long/Short Equities (Directional Hedge)	Multi-Strategy	Private Equity	Real Assets	2022 Total
Balance, beginning of year	\$ -	\$ 1,012,077	\$ 234,846	\$ 15,237,046	\$ 16,483,969
Net change in unrealized appreciation	-	(2,500)	(40,566)	1,930,320	1,887,254
Purchases of investments	-	-	-	3,312,247	3,312,247
Sales and redemptions	-	(746,369)	(148,432)	(3,417,711)	(4,312,512)
Balance, end of year	<u>\$ -</u>	<u>\$ 263,208</u>	<u>\$ 45,848</u>	<u>\$ 17,061,902</u>	<u>\$ 17,370,958</u>

The following table summarizes the Organization's investments in pooled investment funds at December 31, 2022:

Investment Objective	Fair Value	Unfunded Commitments	Redemption Frequency (if currently permitted)	Redemption Notice Period
Multi-strategy (1)	\$ 263,208	\$ -	Illiquid	
Private equity (2)	45,848	81,731	Illiquid	
Real assets (2)	17,061,902	15,007,124	Illiquid	
Total	<u>\$ 17,370,958</u>	<u>\$ 15,088,855</u>		

- (1) Fund managers of OSI's investments in multi-strategy funds employ a variety of techniques, including event driven, debt and equity portfolios designed to provide above average returns while preserving capital.
- (2) The Organization's investments in funds that hold private equity and real assets are primarily invested in illiquid investments for extended time periods measured in years. Due to the nature of the underlying investments, distributions and redemptions prior to the scheduled fund termination dates are at the sole discretion of these funds. Typically, distributions are made by the funds as the underlying investments are sold or otherwise liquidated.

In addition, investments measured at net asset value totaling \$106,528,309 and \$140,206,967 as of December 31, 2022 and 2021, respectively, are redeemable on a monthly, quarterly or annual basis at the Organization's request.

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NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table presents the Organization's fair value hierarchy for those assets measured at fair value as of December 31, 2021:

Description	2021 Fair Value Measurements Using				Total
	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	
Cash equivalents	\$ 16,325,682	\$ -	\$ -	-	\$ 16,325,682
U.S. government debt	7,858,444	-	-	-	7,858,444
Common Stock	23,139,912	-	-	-	23,139,912
Common /collective trust fund	-	30,811,222	-	-	30,811,222
Pooled investment funds					
Multi-strategy	-	-	1,012,077	-	1,012,077
Private equity	-	-	234,846	-	234,846
Real assets	-	-	15,237,046	-	15,237,046
Investments measured at net asset value	-	-	-	140,206,967	140,206,967
Total	\$ 47,324,038	\$ 30,811,222	\$ 16,483,969	\$ 140,206,967	\$ 234,826,196

Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

The following table reconciles all Level 3 assets measured at fair value for the year ended December 31, 2021:

	Pooled Investment Funds				
	Long/Short Equities (Directional Hedge)	Multi-Strategy	Private Equity	Real Assets	2021 Total
Balance, beginning of year	\$ 65	\$ 7,067,334	\$ 291,594	\$ 15,462,335	\$ 22,821,328
Net change in unrealized appreciation	(65)	165,528	45,186	2,370,128	2,580,777
Purchases of investments	-	-	-	3,270,637	3,270,637
Sales and redemptions	-	(6,220,785)	(101,934)	(5,866,054)	(12,188,773)
Balance, end of year	\$ -	\$ 1,012,077	\$ 234,846	\$ 15,237,046	\$ 16,483,969

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NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes the Organization's investments in pooled investment funds at December 31, 2021:

Investment Objective	Fair Value	Unfunded Commitments	Redemption Frequency (if currently permitted)	Redemption Notice Period
Multi-strategy (1)	\$ 818,755	\$ -	Semi-Liquid	60 days
Multi-strategy (1)	193,322	-	Illiquid	
Private equity (2)	234,846	81,731	Illiquid	
Real assets (2)	15,237,046	11,214,109	Illiquid	
Total	<u>\$ 16,483,969</u>	<u>\$ 11,295,840</u>		

The net change in unrealized appreciation of investments in investment funds, which is included in investment activity in the consolidated statement of activities and changes in net assets, is applicable to investments still in position at December 31, 2022 and 2021.

The Organization's investments in certain funds have liquidity restraints due to lock-up periods that range from one to two years. The aggregate fair value of these investments subject to lock-ups was \$17,862,089 and \$19,084,498 as of December 31, 2022 and 2021, respectively. Additionally, several of the investments in investment funds have "side pocket" investments in illiquid assets, the redemption of which is dependent on the eventual sale of the underlying investments. The aggregate fair value of these investments held in side pockets was \$68,333 and \$127,822 as of December 31, 2022 and 2021, respectively.

The components of the net return on investments, including Level 3 investments, as reported in the accompanying consolidated statement of activities and changes in net assets included the following for the years ended December 31:

	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 196,250	\$ 842,621	\$ 1,038,871
Realized gain on investments	3,359,430	14,452,814	17,812,244
Unrealized loss on investments	(11,308,880)	(49,393,221)	(60,702,101)
Investment fees	(62,622)	(271,454)	(334,076)
Investment UBIT	(45,763)	(195,606)	(241,369)
Net investment loss	<u>\$ (7,861,585)</u>	<u>\$ (34,564,846)</u>	<u>\$ (42,426,431)</u>

	2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 129,151	\$ 589,165	\$ 718,316
Realized gain on investments	3,409,433	15,595,132	19,004,565
Unrealized gain on investments	776,296	3,583,684	4,359,980
Investment fees	(118,342)	(540,975)	(659,317)
Net investment gain	<u>\$ 4,196,538</u>	<u>\$ 19,227,006</u>	<u>\$ 23,423,544</u>

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NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Certain securities held in investment accounts are pledged as collateral for the Organization's lines of credit. The Organization is only at risk for the outstanding loan balance, which amounted to \$22,373,975 and \$18,084,904 as of December 31, 2022 and 2021 (see Note 12).

In October of 2017, OSILT formed a South Carolina Limited Liability Company (the "LLC") that is operating exclusively in furtherance of charitable, educational and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The purpose of the LLC is to acquire real estate, primarily in the state of South Carolina, that has high conservation value, and to hold, improve, restore and preserve such properties. The properties will then be sold to governmental agencies or conservation buyers subject to appropriate restrictions protecting the conservation value of such properties. OSILT has also entered into an operating agreement with an unrelated private foundation. Both organizations are 50% members of the LLC, valued using the equity method of accounting, with OSILT acting as manager of the LLC. As manager, OSILT is entitled to certain property placement fees and property maintenance fees. Condensed financial information for the LLC as of and for the years ended December 31, 2022 and 2021 is as follows:

Summary of statements of financial position

	<u>2022</u>	<u>2021</u>
Assets		
Cash	\$ 385,883	\$ 196,855
Accounts receivable	-	3,774,733
Natural land	4,540,318	10,076,252
Prepaid expenses	<u>8,714</u>	<u>1,601</u>
Total Assets	<u>\$ 4,934,915</u>	<u>\$ 14,049,441</u>
Liabilities and Members' Capital		
Accounts payable	\$ -	\$ 78
Grants payable	<u>4,615,318</u>	<u>10,076,253</u>
Total Liabilities	4,615,318	10,076,331
Members' Capital	<u>319,597</u>	<u>3,973,110</u>
Total Liabilities and Members' Capital	<u>\$ 4,934,915</u>	<u>\$ 14,049,441</u>

Summary of Statements of Operations

Service income	\$ 8,609	\$ -
Interest Income	53,650	110,549
Gain on Sale of RE	<u>277,500</u>	<u>-</u>
Total Income	<u>339,759</u>	<u>110,549</u>
Grant expense	75,000	-
Property placement and management fees	28,496	77,365
Insurance	13,830	10,631
Professional fees	18,258	5,183
Real estate taxes	<u>7,688</u>	<u>7,954</u>
Total expenses	<u>143,272</u>	<u>101,133</u>
Net Income	<u>\$ 196,487</u>	<u>\$ 9,416</u>

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NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The investment in the LLC consists of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Opening Balance	\$ 3,973,110	\$ 6,713,694
Capital distribution - OSILT	(1,925,000)	(1,375,000)
Capital distribution - Second Partner	(1,925,000)	(1,375,000)
Net income	<u>196,487</u>	<u>9,416</u>
 Total investment in LLC	 <u>\$ 319,597</u>	 <u>\$ 3,973,110</u>
 OSILT investment in LLC	 <u>\$ 159,798</u>	 <u>\$ 1,986,555</u>

NOTE 5 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Grants receivable consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Amounts due from foundations	\$ 3,501,760	\$ 2,765,237
Pledges and other receivables	<u>2,353,475</u>	<u>2,287,132</u>
Total	<u>\$ 5,855,235</u>	<u>\$ 5,052,369</u>

Contributions and grants receivable were due to be collected as of December 31 as follows:

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 3,980,016	\$ 4,143,066
Due within one to five years	<u>1,875,219</u>	<u>909,303</u>
Total contributions and grants receivable	<u>\$ 5,855,235</u>	<u>\$ 5,052,369</u>

The Organization determines whether an allowance for uncollectible grants and accounts receivable should be provided based on prior years' experience and management's analysis of specific pledges made. The Organization determined that no allowance was necessary as of both December 31, 2022 and 2021.

As of December 31, 2022 and 2021, the Organization received conditional grants and contracts that are accounted for under FASB *Accounting Standards Update* ("ASU") 2018-08. Such grants have not been recognized in the accompanying consolidated financial statements as they are for future periods and will be recognized when contract barriers are overcome. Such barriers include expending these funds in accordance with their budgets and agreements. If such services are not provided, the governmental entities are not obligated to disburse the funds allotted under the grants and contracts and the Organization may be required to return the funds already remitted.

The Organization entered into an \$11,433,000 grant agreement with a foundation which covers the period from February 1, 2018 through July 31, 2021 and was extended to December 15, 2024. The grant agreement provides for \$2,433,000 for administration and outreach and up to \$9,000,000 restricted for a capital fund. The \$9,000,000 in capital funding is subject to a variety of matching conditions. If such services are not provided, the foundations and governmental entities are not obligated to expend the funds allotted under the grants and contracts and the Organization may be required to return the funds already remitted. Of the \$11,433,000 received as of December 31, 2022, \$2,677,600 has been recorded as revenue and \$8,755,400 has been deferred, as the donor conditions have yet to be satisfied.

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NOTE 5 – GRANTS RECEIVABLE (Continued)

The Organization entered into a \$50,000 grant agreement with a foundation which covers the period from February 15, 2018 through February 15, 2024. The grant agreement provides for \$50,000 based on the conditions of the donor. Of the \$50,000 received as of December 31, 2022, \$41,667 has been recorded as revenue and \$8,333 has been deferred, as the donor conditions have yet to be satisfied.

Such amounts are reflected as deferred contributions and grants revenue in the accompanying consolidated statement of financial position.

NOTE 6 – CONSERVATION LENDING PROGRAM RECEIVABLE

Conservation lending program receivable are loans to land conservation organizations which are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code to finance the acquisition of natural lands by such organizations. Funding for these loans is obtained by the Organization in the form of loans, grants and credit lines from various organizations.

Conservation lending program receivable consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Loans and mortgage notes receivable	\$ 4,373,515	\$ 3,429,600
Less: reserve for possible loan losses	<u>(42,000)</u>	<u>(77,000)</u>
	<u>\$ 4,331,515</u>	<u>\$ 3,352,600</u>

These loans carry interest rates ranging from 1.0% to 6.0223% depending on the source of funding and other applicable lending guidelines set by the Organization. Certain loans have collateral requirements as specified in the loan agreements. The Organization performs ongoing credit evaluations of its borrowers and maintains a reserve for possible loan losses. The loan loss reserve as of December 31, 2022 represents donor funds that are conditional on actual loan losses. In the event that a loan loss occurs, the conditional amount will be recognized as contribution revenue to offset recognition of the loss. As of December 31, 2022 and 2021, none of the program-related investments receivable were impaired or past due.

The following table reconciles the reserve for possible loan losses for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 77,000	\$ -
(Decrease) increase in loan loss reserve	<u>(35,000)</u>	<u>77,000</u>
	<u>\$ 42,000</u>	<u>\$ 77,000</u>

The conservation lending program receivables were due to be collected for the years ended December 31, as follows:

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 1,673,515	\$ 1,697,000
Due within one to five years	-	1,732,600
Due after five years	<u>2,700,000</u>	<u>-</u>
	<u>\$ 4,373,515</u>	<u>\$ 3,429,600</u>

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NOTE 7 – LAND AND EASEMENT HOLDINGS, NET

Land and easement holdings, net, consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Natural land areas	\$ 84,100,506	\$ 60,873,756
Buildings	3,895,602	3,919,601
Improvements	201,295	209,795
Conservation easements	<u>2,438,083</u>	<u>2,789,085</u>
Total	90,635,486	67,792,237
Less: Accumulated depreciation and amortization	<u>(1,876,867)</u>	<u>(1,783,125)</u>
Net book value	<u>\$ 88,758,619</u>	<u>\$ 66,009,112</u>

The changes in land and easement holdings, net, consisted of the following for the year ended December 31, 2022:

	Balance at January 1, 2022	Additions	Deaccession	Impairments / Write-Offs	Balance at December 31, 2022
Natural land areas	\$ 60,873,756	\$ 30,766,332	\$ (7,539,582)	\$ -	\$ 84,100,506
Buildings	3,919,601	216,002	(240,001)	-	3,895,602
Improvements	209,795	-	(8,500)	-	201,295
Conservation easements	<u>2,789,085</u>	<u>-</u>	<u>(2)</u>	<u>(351,000)</u>	<u>2,438,083</u>
	<u>67,792,237</u>	<u>30,982,334</u>	<u>(7,788,085)</u>	<u>(351,000)</u>	<u>90,635,486</u>
Less: accumulated depreciation and amortization	<u>(1,783,125)</u>	<u>(107,333)</u>	<u>13,591</u>	<u>-</u>	<u>(1,876,867)</u>
	<u>\$ 66,009,112</u>	<u>\$ 30,875,002</u>	<u>\$ (7,774,494)</u>	<u>\$ (351,000)</u>	<u>\$ 88,758,619</u>

The changes in land and easement holdings, net, consisted of the following for the year ended December 31, 2021:

	Balance at January 1, 2021	Additions	Deaccession	Impairments / Write-Offs	Balance at December 31, 2021
Natural land areas	\$ 48,995,248	\$ 40,512,812	\$ (28,115,300)	\$ (519,004)	\$ 60,873,756
Buildings	3,879,125	490,007	(449,531)	-	3,919,601
Improvements	209,795	-	-	-	209,795
Conservation easements	<u>2,789,082</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>2,789,085</u>
	<u>55,873,250</u>	<u>41,002,822</u>	<u>(28,564,831)</u>	<u>(519,004)</u>	<u>67,792,237</u>
Less: accumulated depreciation and amortization	<u>(1,731,577)</u>	<u>(115,084)</u>	<u>63,536</u>	<u>-</u>	<u>(1,783,125)</u>
	<u>\$ 54,141,673</u>	<u>\$ 40,887,738</u>	<u>\$ (28,501,295)</u>	<u>\$ (519,004)</u>	<u>\$ 66,009,112</u>

Depreciation expense on buildings and improvements amounted to \$107,333 and \$115,084 for the years ended December 31, 2022 and 2021, respectively.

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NOTE 7 – LAND AND EASEMENT HOLDINGS, NET (Continued)

Included in natural land areas at December 31, 2022 are certain parcels of land with a carrying value of \$1,276,562 that are contracted for sale mostly to state conservation agencies for \$2,590,119. In addition, \$298,404 of restricted land is expected to be donated to a state conservation agency.

As of December 31, 2022, the Organization had contracts or options to acquire natural land areas and conservation easements amounting to \$19,020,688 that are not included in the consolidated financial statements.

During the years ended December 31, 2022 and 2021, the Organization identified several properties which were deemed to have book values in excess of their market values. The real estate reserve expense for these properties amounted to \$351,000 and \$519,004, respectively, and related primarily to approximately 7,632 acres and 386 acres, respectively, of conserved land or easements to be sold or donated to conservation buyers.

As of December 31, 2022 and 2021, the cumulative real estate reserve amounted to \$12,461,186 and \$14,730,882, respectively.

During 2022 and 2021, OSILT purchased several properties in South Carolina that will be used to mitigate other projects. OSILT and partners will collaborate to protect property to preserve and restore mutually agreeable wetlands consistent with overall conservation goals in accordance with the mitigation requirements under Section 404 of the Clean Water Act and of the South Carolina Department of Health and Environmental Control. OSILT entered into contracts with the partners to fund the mitigation projects, and committed to transfer the mitigated properties either by donation to a governmental organization or by sale to private conservation buyers subject to appropriate conservation easements. As of December 31, 2022 and 2021, \$0 and \$785,000 of receivables, respectively, relating to these contracts is included in accounts receivable and \$4,020,700 of payables is included in grants payable for both years.

NOTE 8 – PROPERTY, FURNITURE AND EQUIPMENT, NET

Property, furniture and equipment, net consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Office and other equipment	\$ 519,082	\$ 519,082
Furniture and fixtures	394,864	300,074
Leasehold improvements	<u>3,296,271</u>	<u>3,113,653</u>
Total cost	4,210,217	3,932,809
Less: Accumulated depreciation and amortization	<u>(3,602,418)</u>	<u>(3,331,365)</u>
Net book value	<u>\$ 607,799</u>	<u>\$ 601,444</u>

Depreciation and amortization expenses on property, furniture and equipment amounted to \$271,053 and \$272,100 for the years ended December 31, 2022 and 2021, respectively.

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NOTE 9 – OPERATING LEASES

The Organization leases office space and copiers under three operating leases, with varying end dates between 2023 and 2032. In addition to base rent, the Organization is obligated to pay an additional amount based upon increases in real estate taxes, maintenance and utility costs. The Organization assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. As a result, adopting FASB ASC Topic 842 had no impact on the prior year consolidated statement of financial position information, and because these leases are operating leases, the adoption of the standard has no impact on the Organization's change in net assets. Comparative information provided in the following paragraphs was determined using the accounting principles in effect as of and for the year ended December 31, 2021 (i.e. ASC Topic 840). No comparative information is provided for the amounts reported on the consolidated statement of financial position as of December 31, 2021 since the Organization used the modified retrospective method of transition that does not require restating the prior period.

As of December 31, 2022, the ROU asset had a balance of \$1,269,818 as shown in the consolidated statement of financial position; the lease liability totaled \$1,411,297 as shown in the consolidated statement of financial position. The lease liabilities were calculated utilizing the indicative fixed rate in effect as of the date of adoption, January 1, 2022, ranging from 2.6% - 3.7%, depending on the remaining life of the leases. The weighted average of the remaining leases are 54.9 months, and the weighted average interest rate of the remaining leases is 3.11%. Cash paid for amounts in lease liabilities amounted to \$1,189,118 and \$1,168,060 for the years ended December 31, 2022 and 2021, respectively.

Future minimum payments for non-cancelable operating leases for the next five years ending after December 31, 2022 and thereafter are as follows:

2023	\$ 910,447
2024	93,589
2025	73,729
2026	73,729
2027	75,446
Thereafter	<u>356,808</u>
Total lease payments	1,583,748
Less: Present value discount	<u>(172,451)</u>
Present value of lease liabilities	<u>\$ 1,411,297</u>

NOTE 10 – CONCENTRATION OF CREDIT RISK

The Organization's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents and investments in debt obligations.

The Organization places its cash and cash equivalents with quality financial institutions to mitigate this risk. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit. The Organization has not experienced any losses on these accounts. As of December 31, 2022 and 2021, the Organization had cash accounts that exceeded the FDIC insurance limits by approximately \$28,970,000 and \$37,312,000, respectively.

In order to control market risk, the Organization has an investment committee that oversees its investment portfolio and engages the services of an independent investment consultant to perform due diligence services and ongoing evaluation of investment/fund managers. The Organization also routinely monitors the market risk of its investment portfolio via asset allocation formulas, confirmed values from its investment custodians and the review of general partner reports. The Organization invests in a portfolio that consists of common stocks of financially strong corporations, U.S. government and agency obligations, diversified funds and investment partnerships. As of December 31, 2022, the Organization's largest pooled investment was in one fund with a fair value of \$16,054,582, or approximately 5.68% of its net assets. As of December 31, 2021, the Organization's largest pooled investment was in one fund with a fair value of \$21,979,978, or approximately 6.77% of its net assets. The underlying portfolio of this fund for the years ended December 31, 2022 and 2021 consisted of a diversified portfolio of common stocks. The clearing and depository operations for the Organization's portfolio of investments held in managed accounts are provided principally by one broker. As of December 31, 2022 and 2021, 100.0%, of the fixed income and common stocks directly owned by the Organization were held at JP Morgan Chase Bank.

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NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

The following is a summary of the changes in net assets with donor restrictions during the year ended December 31, 2022:

	Endowment			Non-Endowment						
	Wallace Endowment	Malcolm Gordon Charitable Fund	Subtotal Endowment	Land	Stewardship	Conservation Capital	Parks and Public Policy	Conservation Communities	Subtotal Non- Endowment	Total
Balance, beginning of year	\$ 190,367,340	\$ 1,493,502	\$ 191,860,842	\$ 27,520,711	\$ -	\$ 13,315,038	\$ 1,005,733	\$ 1,767,704	\$ 43,609,186	\$ 235,470,028
Additions:										
Return on investments	(33,952,063)	(263,639)	(34,215,702)	(194,672)	-	-	-	(154,472)	(349,144)	(34,564,846)
Contributions	-	-	-	13,965,994	70,000	6,702,483	6,761,234	301,929	27,801,640	27,801,640
Other	41,444	322	41,766	227	-	307,434	70,000	86,053	463,714	505,480
Total Additions	(33,910,619)	(263,317)	(34,173,936)	13,771,549	70,000	7,009,917	6,831,234	233,510	27,916,210	(6,257,726)
Released from Wallace Endowment	(8,049,502)	-	(8,049,502)	-	-	-	-	-	-	(8,049,502)
Released from Restrictions/ Expenditure:										
Land Purchases	-	-	-	(43,440)	-	-	-	-	(43,440)	(43,440)
Land Operations	-	-	-	(8,680,312)	-	-	-	-	(8,680,312)	(8,680,312)
Stewardship	(73,911)	-	(73,911)	-	(70,000)	-	-	-	(70,000)	(143,911)
Conservation Capital	-	-	-	-	-	(5,293,472)	-	-	(5,293,472)	(5,293,472)
Parks and Public Policy	-	-	-	-	-	-	(3,677,804)	-	(3,677,804)	(3,677,804)
Conservation Communities	-	(86,767)	(86,767)	-	-	-	-	(556,048)	(556,048)	(642,815)
Total releases	(73,911)	(86,767)	(160,678)	(8,723,752)	(70,000)	(5,293,472)	(3,677,804)	(556,048)	(18,321,076)	(18,481,754)
Transfers to restricted	-	-	-	539,683	-	165	11,178	(152,660)	398,366	398,366
Net change during the year	(42,034,032)	(350,084)	(42,384,116)	5,587,480	-	1,716,610	3,164,608	(475,198)	9,993,500	(32,390,616)
Balance, end of year	\$ 148,333,308	\$ 1,143,418	\$ 149,476,726	\$ 33,108,191	\$ -	\$ 15,031,648	\$ 4,170,341	\$ 1,292,506	\$ 53,602,686	\$ 203,079,412

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NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following is a summary of the changes in net assets with donor restrictions during the year ended December 31, 2021:

	Endowment			Non-Endowment						
	Wallace Endowment	Malcolm Gordon Charitable Fund	Subtotal Endowment	Land	Stewardship	Conservation Capital	Parks and Public Policy	Conservation Communities	Subtotal Non- Endowment	Total
Balance, beginning of year	\$ 179,244,964	\$ 1,426,100	\$ 180,671,064	\$ 17,571,401	\$ -	\$ 10,788,938	\$ 1,293,889	\$ 1,457,138	\$ 31,111,366	\$ 211,782,430
Additions:										
Return on investments	18,854,788	148,255	19,003,043	140,782	-	-	-	83,181	223,963	19,227,006
Contributions	-	-	-	14,020,691	30,000	4,711,924	2,487,637	547,720	21,797,972	21,797,972
Other	5,846	46	5,892	44	-	1,616	210,389	17,168	229,217	235,109
Total Additions	18,860,634	148,301	19,008,935	14,161,517	30,000	4,713,540	2,698,026	648,069	22,251,152	41,260,087
Released from Wallace Endowment	(7,664,598)	-	(7,664,598)	-	-	-	-	-	-	(7,664,598)
Released from Restrictions/ Expenditure:										
Land Purchases	-	-	-	(1,995,933)	-	-	-	-	(1,995,933)	(1,995,933)
Land Operations	-	-	-	(2,140,075)	-	-	-	-	(2,140,075)	(2,140,075)
Stewardship	(73,660)	-	(73,660)	-	(30,000)	-	-	-	(30,000)	(103,660)
Conservation Capital	-	-	-	-	-	(2,347,366)	-	-	(2,347,366)	(2,347,366)
Parks and Public Policy	-	-	-	-	-	-	(3,042,817)	-	(3,042,817)	(3,042,817)
Conservation Communities	-	(80,899)	(80,899)	-	-	-	-	(337,503)	(337,503)	(418,402)
Total releases	(73,660)	(80,899)	(154,559)	(4,136,007)	(30,000)	(2,347,366)	(3,042,817)	(337,503)	(9,893,693)	(10,048,252)
Transfers to restricted	-	-	-	(76,200)	-	159,926	56,635	-	140,361	140,361
Net change during the year	11,122,376	67,402	11,189,778	9,949,310	-	2,526,100	(288,156)	310,566	12,497,820	23,687,598
Balance, end of year	\$ 190,367,340	\$ 1,493,502	\$ 191,860,842	\$ 27,520,711	\$ -	\$ 13,315,038	\$ 1,005,733	\$ 1,767,704	\$ 43,609,186	\$ 235,470,028

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NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

As required by U.S. GAAP, the Organization reports and classifies net assets associated with endowment funds based on the existence or absence of donor-imposed restrictions. At December 31, 2022 and 2021, these endowments consist of funds restricted by donors for certain purposes. Substantially all of the Organization's endowment funds were received from the Lila Acheson and DeWitt Wallace Fund for the Hudson Highlands ("Wallace Endowment"). Pursuant to the terms of the endowment agreement, these funds are to be held in investment accounts and will be used only for the acquisition of natural land areas, easements, stewardship and related expenses in certain geographic areas.

Based on a resolution of the Board of Trustees in December 2013, and amended in March 2014, a portion of the Wallace Endowment has been segregated into a Stewardship Fund in the amount of \$1,216,748 and \$1,486,743 as of December 31, 2022 and 2021, respectively. In March 2018, \$1,400,000 was carved out of the Stewardship fund to provide for the 34 fee parcels and 154 conservation easements that were transferred to Beaverkill Valley Land Trust ("BVL"). The fund held by OSI and BVL will be entitled to a 5% yearly draw to pay for stewardship expenses. The balance of the BVL stewardship fund as of December 31, 2022 and 2021 amounted to \$1,327,931 and \$1,697,728, respectively. Also, the Board of Trustees designated funds from the Wallace Endowment for the purpose of monitoring and enforcing certain conservation easements which the Organization has assigned to a local land trust which amounted to \$76,115 and \$97,784 as of December 31, 2022 and 2021, respectively.

In addition, a Conservation Easement Legal Defense Fund without donor restrictions was maintained in the amount of \$982,452 and \$1,200,458 as of December 31, 2022 and 2021, respectively. In addition, there are \$1,799,516 and \$2,285,301 as of December 31, 2022 and 2021, respectively of board designated funds for land purchases and trail building. However, because these funds are board designated and not donor restricted, they are not included in net assets with donor restrictions.

The Organization recognizes that New York State adopted as law the New York Prudent Management of Institutional Funds Act ("NYPMIFA") on September 17, 2010. NYPMIFA replaced the prior law which was the Uniform Management of Institutional Funds Act ("UMIFA"). NYPMIFA applies to any funds that are not wholly-expendable on a current basis due to donor-imposed restrictions on appropriation for spending. The Wallace Endowment qualifies as an endowment fund for purposes of NYPMIFA, even though it is treated as with donor restriction not held in perpetuity for consolidated financial statement classification and disclosure. The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets subject to these policies include those assets of donor-restricted funds as well as board-designated funds without donor restrictions. Under this policy, as approved by the Board of Trustees, the endowment assets are invested to produce a 5% return plus inflation over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

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NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The Board of Trustees of the Organization determines at the end of each year how much of the Wallace Endowment is appropriate for distribution for the next succeeding year. For the year ended December 31, 2022, the Board elected to appropriate for distribution 5% of the investable assets' average fair value over the prior 12 quarters, which was lower than the September 30, 2021 spot rate. For the year ended December 31, 2021, the Board elected to appropriate for distribution 5% of the investable assets' average fair value over the prior 12 quarters, which was lower than the September 30, 2020 spot rate. In establishing the annual spending rate policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the spending policy that it adopts each year to allow its endowment to grow at not less than the rate of inflation, consistent with the Organization's objective to maintain the purchasing power of the endowment assets held. Funds appropriated for expenditure need not be spent immediately and are carried forward to future years. Such unspent appropriated funds are with donor restriction, but no longer subject to the 5% distribution limitation. There were \$129,741 and \$166,536 unspent appropriated funds as of December 31, 2022 and 2021, respectively.

During the years ended December 31, 2022 and 2021, the Organization made total non-operating transfers in the amounts of \$398,366 and \$140,361, respectively. Such amounts were transferred after an evaluation of the nature and activity within the funds and the donors' intentions.

NOTE 12 – CONSERVATION BORROWING AND LENDING PROGRAMS

The Organization borrows money to finance its own acquisitions and to relend to other not-for-profit conservation organizations as part of either its Land or Conservation Capital programs borrowings. In 2003, the Board of Trustees of the Organization authorized a \$20 million credit facility that it obtained from JP Morgan Chase Bank secured by the securities of the Wallace Endowment. The Organization also obtained a \$10 million line of credit that is collateralized solely with assets without donor restrictions. In May 2021, the Organization increased the \$10 million line of credit to \$25 million and borrowed \$15 million for a land conservation purchase in South Carolina. The Organization's lines of credit are as follows at December 31:

	<u>2022</u>	<u>2021</u>
JP Morgan line of credit - used in the Organization's Stewardship loan program. The line is terminable by either party at any time, subject to the terms of the Note.	\$ 20,000,000	\$ 20,000,000
JP Morgan line of credit - used in the Organization's South Carolina land program. The line is terminable by either party at any time, subject to the terms of the Note.	25,000,000	25,000,000
JP Morgan letter of credit - used as security for the Organization's office lease that expires on 12/31/23	<u>138,744</u>	<u>138,744</u>
	<u>\$ 45,138,744</u>	<u>\$ 45,138,744</u>

Certain foundations lend funds to the Organization at below-market rates. The Organization records the imputed difference between the borrowing rate and the current market rate as contribution value of below-market loans payable. The Organization relends at rates that are higher, but still below what the not-for-profit conservation organization would be able to obtain commercially.

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NOTE 12 – CONSERVATION BORROWING AND LENDING PROGRAMS (Continued)

Following is the composition of the liability at December 31:

	<u>2022</u>	<u>2021</u>
PRI loans from certain foundations with fixed interest rates ranging from 0% to 1.0%. The loans have varying maturity dates through 2027 (recourse).	\$ 1,668,000	\$ 1,668,000
Land related loans with fixed interest rates ranging from 0% to 2.0%. The loans have varying maturity dates through 2024 (non-recourse).	14,860,053	2,979,000
Land related loans with fixed interest rate of 0% to 1%. The loans have maturity dates through 2026 (recourse).	2,692,487	1,000,000
Outstanding balances on lines of credit:		
\$25 million line, secured by the Organization's investment accounts custodied at the bank. Interest rates ranged between 1.040% and 5.770% in 2022 and 0.975% and 1.100% in 2021. Interest is payable monthly.	20,753,975	14,732,304
\$20 million line, secured by the Organization's investment accounts custodied at the bank. Interest rates ranged between 1.040% and 5.770% in 2022 and 0.975% and 1.100% in 2021. Interest is payable monthly.	<u>1,620,000</u>	<u>3,352,600</u>
	<u>\$ 41,594,515</u>	<u>\$ 23,731,904</u>

Through the August 4, 2023 date of issuance, the Organization repaid \$26,597,553 of the conservation borrowing balance as of December 31, 2022 and borrowed money for acquisition of \$11,389,503. The following is a summary of the annual principal payments anticipated to be repaid or required to be repaid based on individual loan maturities:

2023	\$ 30,512,357
2024	8,414,158
2025	1,260,000
2026	1,000,000
2027	<u>408,000</u>
	<u>\$ 41,594,515</u>

NOTE 13 – RETIREMENT PLAN

The Organization maintains a defined contribution retirement plan (the "Plan") under section 403(b) of the Internal Revenue Code. The Plan covers all employees who normally work more than 20 hours per week. The Plan provides for voluntary salary deferrals with certain limits. The Organization provides matching employer contributions for eligible employees who contribute a certain minimum percentage of their compensation. The Plan also allows for a discretionary contribution based on salary. The Organization contributed \$451,734 and \$407,068 to the Plan for the years ended December 31, 2022 and 2021, respectively.

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NOTE 14 – COMMITMENTS AND CONTINGENCIES

A. *Litigation*

The Organization is a party to various legal proceedings pertaining to enforcement of conservation easements and resolution of title issues relating to real property owned by OSILT. While it is not feasible to predict or determine with certainty the outcome of each case, it is the opinion of management, in consultation with legal counsel, that the outcomes will not have a material adverse effect on the accompanying consolidated financial statements.

B. *Contingencies for Future Audits by Government Agencies*

Government supported programs are subject to audit by the granting agency. The Organization expects that any changes that could result from the audits would not have a material impact on the consolidated financial statements.

C. *Uncertainty in Income Taxes*

The Organization believes it had no uncertain tax positions as of December 31, 2022 and 2021 in accordance with FASB ASC Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through August 4, 2023, the date the consolidated financial statements were available to be issued.

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SUPPLEMENTARY INFORMATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022

	Open Space Institute, Inc.	Open Space Institute Land Trust, Inc.	Consolidating Eliminations	Consolidated Total
ASSETS				
Cash and cash equivalents	\$ 6,593,543	\$ 43,073,286	\$ -	\$ 49,666,829
Investments, at fair value	1,817,726	184,374,786	-	186,192,512
Contributions and grants receivable	93,219	5,762,016	-	5,855,235
Accounts receivable	16,456	857,124	-	873,580
Conservation lending program receivable, net	-	4,331,515	-	4,331,515
Investment - Limited Liability Company	-	159,798	-	159,798
Land and easement holdings, net	-	88,758,619	-	88,758,619
Property, furniture and equipment, net	574,041	33,758	-	607,799
Operating lease assets	1,269,818	-	-	1,269,818
Other assets	626,003	4,326,486	-	4,952,489
TOTAL ASSETS	\$ 10,990,806	\$ 331,677,388	\$ -	\$ 342,668,194
LIABILITIES				
Accounts payable and accrued expenses	\$ 794,574	\$ 1,408,772	\$ -	\$ 2,203,346
Deferred contributions and grants revenue	-	8,763,733	-	8,763,733
Conservation borrowing and lending program	-	41,594,515	-	41,594,515
Grants payable	-	4,145,700	-	4,145,700
Operating lease liabilities	1,411,297	-	-	1,411,297
Other liabilities	576,013	1,175,411	-	1,751,424
TOTAL LIABILITIES	2,781,884	57,088,131	-	59,870,015
NET ASSETS				
Without donor restrictions				
Operating net assets	5,772,997	71,163,802	-	76,936,799
Board designated - easement enforcement fund	-	982,452	-	982,452
Board designated - land and parks improvement	-	1,799,516	-	1,799,516
Total net assets without donor restrictions	5,772,997	73,945,770	-	79,718,767
With donor restrictions				
Endowment	1,143,418	148,333,308	-	149,476,726
Other net assets with donor restrictions	1,292,507	52,310,179	-	53,602,686
With donor restrictions	2,435,925	200,643,487	-	203,079,412
TOTAL NET ASSETS	8,208,922	274,589,257	-	282,798,179
TOTAL LIABILITIES AND NET ASSETS	\$ 10,990,806	\$ 331,677,388	\$ -	\$ 342,668,194

See independent auditors' report.

OPEN SPACE INSTITUTE, INC. AND CONSOLIDATED ENTITY
SUPPLEMENTARY INFORMATION
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Open Space Institute, Inc.	Open Space Institute Land Trust, Inc.	Consolidating Eliminations	Consolidated Total
NET ASSET ACTIVITIES WITHOUT DONOR RESTRICTIONS				
OPERATING REVENUES AND SUPPORT:				
Contributions and grants	\$ 1,376,660	\$ 1,250,302	\$ (70,000)	\$ 2,556,962
Donated land	-	30,000	-	30,000
Conservation lending program interest income	-	181,983	-	181,983
Project revenues	-	2,966,868	-	2,966,868
Investment income and appreciation utilized	-	8,049,502	-	8,049,502
Revenue recovery	2,209	2,332,503	-	2,334,712
Gain on real estate activity	-	1,753	-	1,753
Miscellaneous income	120,797	507,041	(124,408)	503,430
Net assets released from restrictions	712,815	17,768,939	-	18,481,754
Total Operating Revenues and Support Without Donor Restrictions	<u>2,212,481</u>	<u>33,088,891</u>	<u>(194,408)</u>	<u>35,106,964</u>
OPERATING EXPENSES:				
Program services:				
Land conservation operations	-	16,582,898	-	16,582,898
Stewardship	70,000	1,642,368	(70,000)	1,642,368
Conservation capital	-	6,071,765	-	6,071,765
Conservation communities	1,245,442	-	(30,591)	1,214,851
Parks and public policy	-	5,753,198	(93,817)	5,659,381
Total program services	<u>1,315,442</u>	<u>30,050,229</u>	<u>(194,408)</u>	<u>31,171,263</u>
Supporting services:				
Management and general	286,996	3,881,419	-	4,168,415
Fundraising	107,733	1,103,760	-	1,211,493
Total supporting services	<u>394,729</u>	<u>4,985,179</u>	<u>-</u>	<u>5,379,908</u>
Total Operating Expenses	<u>1,710,171</u>	<u>35,035,408</u>	<u>(194,408)</u>	<u>36,551,171</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS FROM OPERATIONS	<u>502,310</u>	<u>(1,946,517)</u>	<u>-</u>	<u>(1,444,207)</u>
NON-OPERATING ACTIVITIES:				
Investment activity	(56)	(7,861,529)	-	(7,861,585)
Transfers of net assets	152,660	(551,026)	-	(398,366)
NET NON-OPERATING ACTIVITIES	<u>152,604</u>	<u>(8,412,555)</u>	<u>-</u>	<u>(8,259,951)</u>
Net change in without donor restrictions net assets	<u>654,914</u>	<u>(10,359,072)</u>	<u>-</u>	<u>(9,704,158)</u>
NET ASSET ACTIVITIES WITH DONOR RESTRICTIONS				
OPERATING REVENUES AND SUPPORT:				
Contributions and grants	371,929	27,429,711	-	27,801,640
Project revenues	85,868	70,000	-	155,868
Miscellaneous income	508	349,104	-	349,612
Net assets released from restrictions	(712,815)	(17,768,939)	-	(18,481,754)
Subtotal	<u>(254,510)</u>	<u>10,079,876</u>	<u>-</u>	<u>9,825,366</u>
NON-OPERATING ACTIVITIES				
Investment activity	(418,111)	(34,146,735)	-	(34,564,846)
Investment appreciation utilized	-	(8,049,502)	-	(8,049,502)
Transfers of net assets	(152,660)	551,026	-	398,366
Total other deductions	<u>(570,771)</u>	<u>(41,645,211)</u>	<u>-</u>	<u>(42,215,982)</u>
Net change in net assets with donor restrictions	<u>(825,281)</u>	<u>(31,565,335)</u>	<u>-</u>	<u>(32,390,616)</u>
CHANGE IN TOTAL NET ASSETS	<u>(170,367)</u>	<u>(41,924,407)</u>	<u>-</u>	<u>(42,094,774)</u>
NET ASSETS - BEGINNING OF YEAR	<u>8,379,289</u>	<u>316,513,664</u>	<u>-</u>	<u>324,892,953</u>
NET ASSETS - END OF YEAR	<u>\$ 8,208,922</u>	<u>\$ 274,589,257</u>	<u>\$ -</u>	<u>\$ 282,798,179</u>