RIVERS & LANDS CONSERVANCY

Consolidated Financial Statements

March 31, 2021
(With Comparative Totals for 2020)

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rivers & Lands Conservancy

Opinion

We have audited the accompanying consolidated financial statements of Rivers & Lands Conservancy (a nonprofit organization), which comprise the consolidated statement of financial position as of March 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of March 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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.

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 consolidated 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 within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the 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 generally accepted auditing standards 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 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 the 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.

Report on Summarized Comparative Information

The financial statements of Rivers & Lands Conservancy as of March 31, 2020, were audited by other auditors whose report dated May 26, 2021, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended March 31, 2020, is consistent, in all material respects, with the 2020 audited financial statements from which it has been derived.

Windes, Inc.

Irvine, California
April 7, 2022

RIVERS & LANDS CONSERVANCY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

ASSETS

	March 31, 2021	March 31, 2020
Cash and cash equivalents	$ 1,356,682	$ 338,157
Accounts receivable	109,549	79,173
Beneficial interest in assets held by others	25,026	17,946
Investments	15,795,065	11,677,880
Lands restricted for conservation	20,061,710	20,061,710
Property and equipment, net	92,635	107,477
TOTAL ASSETS	$ 37,440,667	$ 32,282,343

LIABILITIES AND NET ASSETS

	2021	2020
LIABILITIES		
Accounts payable	$ 53,093	$ 65,373
Accrued expenses	52,458	12,705
Deferred revenue	1,915,210	913,892
	2,020,761	991,970
COMMITMENTS AND CONTINGENCIES (Note 6)		
NET ASSETS		
Without donor restrictions		
Undesignated	733,690	105,382
Board designated	335,698	436,832
	1,069,388	542,214
With donor restrictions	34,350,518	30,748,159
Total Net Assets	35,419,906	31,290,373
TOTAL LIABILITIES AND NET ASSETS	$ 37,440,667	$ 32,282,343

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

RIVERS & LANDS CONSERVANCY

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE, SUPPORT AND GAINS (LOSSES)				
Contributions and grants	$ 129,196	$ 714,084	$ 843,280	$ 11,030,300
Service fees	495,523	-	495,523	546,065
Investment income (loss), net	327,779	3,558,293	3,886,072	(467,926)
Change in value of beneficial interest in assets held by others	-	-	-	(4,109)
PPP loan forgiveness	108,097	-	108,097	-
Other income	63,338	-	63,338	13,297
Net assets released from restrictions	670,018	(670,018)	-	-
Total Revenue and Support	1,793,951	3,602,359	5,396,310	11,117,627
EXPENSES				
Program	867,092	-	867,092	834,877
General administration	218,980	-	218,980	255,760
Development	160,776	-	160,776	135,684
El Casco, LLC	19,929	-	19,929	13,775
Total Expenses	1,266,777	-	1,266,777	1,240,096
CHANGE IN NET ASSETS	527,174	3,602,359	4,129,533	9,877,531
NET ASSETS, BEGINNING OF YEAR	542,214	30,748,159	31,290,373	21,412,842
NET ASSETS, END OF YEAR	$ 1,069,388	$ 34,350,518	$ 35,419,906	$ 31,290,373

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

RIVERS & LANDS CONSERVANCY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021								2020
	Program Services								
	Land Acquisition	Outreach Education	Land Stewardship	Total	General Administration	Development	El Casco, LLC	Total	Total
Salaries and wages	$ 168,935	$ 55,217	$ 225,058	$ 449,210	$ 78,880	$ 79,791	$ -	$ 607,881	$ 545,338
Payroll taxes	12,307	4,023	16,396	32,726	5,747	5,813	-	44,286	43,172
Employee benefits	25,182	8,231	33,548	66,961	11,758	11,894	-	90,613	82,432
Total salaries, taxes, and benefits	206,424	67,471	275,002	548,897	96,385	97,498	-	742,780	670,942
Stewardship contractor	2,500	2,564	37,477	42,541	-	36,583	-	79,124	84,369
Legal fees	100,805	-	29,033	129,838	15,586	-	-	145,424	148,676
Consulting fees	7,717	-	4,150	11,867	31,531	7,150	-	50,548	95,195
Accounting fees	-	-	-	-	38,854	-	-	38,854	6,300
Maintenance and repairs	-	21	14,773	14,794	389	8,750	11,540	35,473	31,838
Miscellaneous expense	7,314	1,702	67,392	76,408	13,405	5,971	5,401	101,185	127,453
Insurance	843	-	7,785	8,628	18,061	-	-	26,689	39,488
Memberships, sponsorships, and events	6,189	2,023	8,245	16,457	2,890	2,923	-	22,270	18,716
Bad debt	6,922	40	-	6,962	-	-	-	6,962	-
Depreciation	4,024	1,315	5,361	10,700	1,879	1,901	2,988	17,468	17,119
TOTAL EXPENSES	$ 342,738	$ 75,136	$ 449,218	$ 867,092	$ 218,980	$ 160,776	$ 19,929	$ 1,266,777	$ 1,240,096

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

RIVERS & LANDS CONSERVANCY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	For the Year Ended March 31, 2021	For the Year Ended March 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 4,129,533	$ 9,877,531
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	17,468	17,119
Net realized and unrealized (gain) loss on investments	(3,573,037)	737,688
Change in value of beneficial interest held by others	(7,080)	4,109
Contributions and other deposits restricted for investment in endowment	(243,716)	(1,801,505)
Interest and dividends restricted for investment in endowment	(300,857)	(65,123)
Purchases of land restricted for conservation	-	(4,239)
Noncash contribution of land restricted for conservation	-	(3,836,000)
Noncash grant for purchase of land restricted for conservation	-	(5,934,000)
Increase (decrease) in:		
Accounts receivable	(30,376)	188,221
Prepaid expenses	-	15,664
Accounts payable	(12,280)	29,104
Accrued expenses	39,753	(21,921)
Deferred revenues	1,001,318	626,588
Net Cash Provided By (Used In) Operating Activities	1,020,726	(166,764)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	5,695,154	4,615,653
Purchases of investments	(6,239,302)	(6,335,306)
Purchases of property, plant, and equipment	(2,626)	-
Net Cash Used In Investing Activities	(546,774)	(1,719,653)

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

RIVERS & LANDS CONSERVANCY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)
(Continued)

	For the Year Ended March 31, 2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions and other deposits restricted for investment in endowment, net of appropriations	243,716	1,801,505
Interest and dividends restricted for investment in endowment	300,857	65,123
Net Cash Provided By Financing Activities	544,573	1,866,628
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,018,525	(19,789)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	338,157	357,946
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,356,682	$ 338,157
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for taxes	$ 800	$ 800

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

NOTE 1 – Organization

Rivers & Lands Conservancy (the Conservancy) was incorporated in 1989 as a California nonprofit corporation. The purpose of the Conservancy is the preservation of open space by seeking to identify, protect, and manage habitats of rare and endangered species, natural land, and other sensitive sites throughout southern California. The Conservancy receives support from contributions from individuals, businesses, and government grants. Service fees are received to facilitate the protection and stewardship of lands set aside as mitigation for developments.

The El Casco LLC (the LLC) is a California limited liability company and was created on February 16, 2011 by board resolution of the Conservancy to manage the lake well, the water system, and the mobile home parcel, and to limit the liability of the Conservancy. The LLC creates a separation between the conservation work and assets of the Conservancy from the potential liability risk inherent in operating a state small water system.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of Rivers & Lands Conservancy and its wholly owned subsidiary, El Casco LLC (collectively, the Organization). All material intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Consolidated Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions.

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Consolidated Financial Statement Presentation (Continued)

> ***With Donor Restrictions*** – Net assets subject to donor-imposed restrictions that are temporary in nature that will be met by either actions of the Organization or the passage of time. Other donor stipulations are perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Management believes that the estimates utilized in preparing its consolidated financial statements are reasonable and prudent. Actual results could differ from these estimates.

Prior-Period Information

The consolidated financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended March 31, 2020, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents include cash in bank deposit accounts and highly liquid investments with an original maturity of three months or less.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000 per depositor. From time to time, cash balances may exceed federally insured limits. The Organization has not experienced any previous losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year-end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectable amounts. Payments received in advance of services to be rendered are recorded as deferred revenue. The Organization did not record an allowance for doubtful accounts at March 31, 2021.

Property and Equipment

Property and equipment is stated at cost. Donated property and equipment is recorded at fair value at the time of the gift. Expenditures for major additions are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. The Organization capitalizes all purchases of property and equipment with a cost of $2,500. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations for the respective period. Depreciation is calculated over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. Depreciation is computed over the estimated useful lives for the individual assets. The Organization uses the straight-line method of depreciation.

Investments

The Conservancy carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statement of financial position. Investments include certain cash and cash equivalents. Investment gains and losses are included in the change in net assets in the consolidated statement of activities.

Investment return on restricted assets is reported as an increase in net assets without donor restrictions if the asset restriction expires in the reporting period in which the income is recognized. All other restricted investment return is reported as an increase in net assets with donor restrictions.

Lands and Conservation Easements Restricted for Conservation

Lands restricted for conservation consists of land acquired by the Conservancy through purchase or donation and is stated at cost or the estimated fair market value of the land on the date of receipt. Easements acquired as mitigation are valued at zero due to the liability of associated stewardship requirements.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Service revenue and evaluation fees are recognized in the period in which the service is provided. Funds received in advance of providing these services are recorded as deferred revenue until the services are provided. Contributions are recognized when cash, or other assets, or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

The Conservancy is party to conditional contribution agreements with terms that span an indefinite period and additional funding of $1,515,060 that has not been recognized at March 31, 2021 because certain conditions have not yet been met as a result of the permit process and legal barriers the donor must navigate.

Deferred Revenue

Deferred revenue mainly consists of advance deposits for conservation easement agreements and evaluation mitigation. Revenue for conservation easements is recognized upon acquisition of land by a developer whose permit has been approved by the governing authority. Evaluation mitigation and related services are recognized over the future periods as services are provided.

Income Taxes

The Organization qualifies as a not-for-profit tax-exempt corporation under Section 50l(c)(3) of the Internal Revenue Code and applicable provisions of the California Revenue and Taxation Code, Section 23701(d). The Organization is classified as other than a private foundation within the meaning of Section 509(a)(2) of the Internal Revenue Code and is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal purposes is three years and for California is four years. The Organization receives unrelated business income from net water sales, which is subject to tax. The Organization believes that it is has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Allocation of Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Direct expenses are charged directly to the functional area to which they relate, including direct salaries and wages based on time records and management's estimates of employee activities. Indirect expenses that are allocated include payroll taxes, employee benefits, utilities, office rent and overhead, office overhead, and IT communications and website, which are allocated based on estimates of how utilized by organizational activity.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities and functional expenses. The ASU is effective for annual reporting periods beginning after December 15, 2021. The Organization is currently evaluating the impact of the adoption of the new standard on the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958):* Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash or other financial assets. Additionally, the standard requires a not-for-profit to disclose a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets and additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The ASU is effective for annual reporting periods beginning after June 15, 2021. The Organization is currently evaluating the impact of the adoption of the new standard on the consolidated financial statements.

Reclassification of Prior-Period Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These classifications had no effect on the reported results of operations. (See Note 11.)

Subsequent Events

Subsequent events have been evaluated through April 7, 2022, which is the date the consolidated financial statements were available to be issued.

NOTE 3 – Liquidity and Availability of Funds

Financial assets available to meet cash needs for current liabilities and general expenditures within one year of the consolidated statement of financial position date, comprise the following:

Cash and cash equivalents	$ 1,356,682
Accounts receivable	109,549
Investments	15,795,065
	17,261,296
Less amounts unavailable for general expenditure within one year due to:	
Perpetually held endowment funds	(10,036,802)
Donor restrictions for time or purpose	(4,196,479)
Board designations	(335,698)
	(14,568,979)
	$ 2,692,317

The Conservancy considers revenue, support and gains received within one year for use in programs that are ongoing, major, and central to its annual operations as available to meet cash needs for general expenditures subject to the spending policy for any endowment related income.

NOTE 4 – Property and Equipment

The following is a summary of property and equipment, net:

	March 31,	
	2021	2020
Truck	$ 42,852	$ 42,852
Office equipment	8,287	5,659
Field equipment	27,799	27,799
Mobile home	54,550	54,550
El Casco well	27,631	27,631
	161,119	158,491
Less accumulated depreciation	(68,484)	(51,014)
Property and equipment, net	$ 92,635	$ 107,477

NOTE 5 – Investments

The Conservancy follows the guidance required for fair value measurements of financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring or nonrecurring basis. The fair value of a financial instrument is 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. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques.

The Conservancy groups its assets measured at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Conservancy has the ability to access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability.

Investments are classified as level 1 (cash and cash equivalents, government securities, and mutual funds) and level 2 (corporate bonds and equities) on the fair value hierarchy and consisted of the following:

	March 31, 2021		March 31, 2020	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	$ 256,332	$ 256,332	$ 335,730	$ 335,730
Government securities	2,226,745	2,235,334	1,928,538	1,704,259
Corporate bonds	1,564,263	1,552,665	1,418,959	1,392,783
Equities	7,371,091	5,340,702	4,798,956	5,198,372
Mutual funds	4,376,634	3,813,045	3,195,697	3,595,350
Total investments	$15,795,065	$13,198,078	$ 11,667,880	$ 12,226,494

NOTE 5 – Investments (Continued)

Net investment income consists of the following:

	For the Year Ended March 31, 2021	For the Year Ended March 31, 2020
Dividends and interest	$ 300,857	$ 322,855
Net realized and unrealized gain (loss)	3,672,745	(688,104)
Investment fees	(87,530)	(102,677)
Net investment gain (loss)	$ 3,886,072	$ (467,926)

NOTE 6 – Commitments and Contingencies

Litigation

The Organization is periodically subject to legal complaints and/or lawsuits in the ordinary course of operations. The Organization is not presently a party to any litigation that it believes might have a material adverse effect on its business operations.

Lease Agreements

The Company leases office space and equipment under operating lease agreements expiring through December 2022. Total rent expense for the years ended March 31, 2021 and 2020 were $20,795 and $16,200, respectively. Future minimum payments under these operating lease commitments are as follows:

Year Ending March 31,	
2022	$ 7,090
2023	3,960
Total	$ 11,050

NOTE 6 – Commitments and Contingencies (Continued)

Business Risks Associated with the Impact of COVID-19

The Organization's operations may be affected by the recent and ongoing outbreak of COVID-19, which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, possible effects may include, but are not limited to, reduction in the Organization's revenue streams, which could result in a material impact on the Organization's financial position and operating results. There is significant uncertainty as to the severity and longevity of the outbreak and management is in the process of evaluating the impact on the Organization and its consolidated financial statements.

Retirement Plan

The Organization established a SIMPLE IRA plan effective October 1, 2008 for all employees who work at least 30 hours a week. The Organization agrees to match employees' contributions up to a limit of 3% of compensation for the year. For the years ended March 31, 2021 and 2020, the Organization's expense for matching contributions to the plan totaled $16,309 and $15,850, respectively.

NOTE 7 – Net Assets

Net Assets without Donor Restrictions – Board Designated

The Conservancy maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Conservancy's governing board has designated a portion of its resources for endowment purposes, which are identified as board-designated in the table below. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board.

The board designated net assets without donor restriction to be used for the following purposes:

	March 31,	
	2021	2020
General stewardship and other	$ 136,187	$ 136,187
Board-designated endowment	199,511	300,645
	$ 335,698	$ 436,832

NOTE 7 – Net Assets (Continued)

Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	March 31,	
	2021	**2020**
Subject to expenditure for a specific purpose:		
Land easement projects	$ 75,563	$ 107,894
Land and easement management	261,475	420,262
Fish and Wildlife Services DSF	109,790	498,268
Preservation of Riverside County agricultural land	83,716	83,716
Mt. Rubidoux stewardship, education, and outreach	24,603	21,336
Land restricted for conservation available for transfer to another agency	2,168,822	2,168,822
Other	30,499	27,030
Endowment earnings	3,641,333	542,404
	6,395,801	3,869,732
Perpetual in nature:		
Land restricted for conservation	17,892,888	17,892,888
Endowment funds, subject to endowment spending policy – stewardship	10,036,802	8,967,593
Beneficial interest in assets held by others	25,027	17,946
	27,954,717	26,878,427
Total net assets with donor restrictions	$ 34,350,518	$ 30,748,159

NOTE 8 – Endowment Fund

The Board of Directors of the Conservancy has interpreted the Uniform Prudent Management of Institutional Funds Act (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 Conservancy classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Conservancy in a manner that is consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Conservancy considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

NOTE 8 – Endowment Fund (Continued)

1) The duration and preservation of the fund
2) The purposes of the Conservancy and the donor-restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the Conservancy
7) The investment policies of the Conservancy

Endowment Investment and Spending Policies

The Conservancy has adopted investment and spending policies for endowment assets that attempt to provide a forecasted stream of funding to programs supported by its endowment while seeking to maintain the corpus of the endowment funds. The Conservancy's spending and investment policies work together to achieve this objective. The current long-term return objective is to return 5% net of investment fees. Actual returns in any given year may vary from this amount. The expected return utilizes reasonable investment assumptions; however, a different set of assumptions could also be considered reasonable and result in varying expectations.

To satisfy its long-term rate-of-return objectives, the Conservancy 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 Conservancy targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy on the endowments is to spend money as needed for stewardship and property management, without invading the corpus of the endowment. The amount of expenses can vary from year to year, depending on the requirements of the property and/or easement. In cases of market decline of investment values, the Conservancy will allocate such losses to the endowments, possibly causing the value of the endowment to be underwater. In such instances, the Conservancy will make every effort to ensure that future market increases are allocated to the endowments to restore their original amounts and will at no time spend from an underwater fund.

Earnings on corpus are maintained in the same investment account as the corpus. As expenses are incurred, funds are transferred from the endowment investment account to cash to pay expenses.

During the year ended March 31, 2021, the United States Fish and Wildlife Service approved the transfer of revenues restricted for the management and monitoring of the Delhi Sands flower-loving fly (DSF) to an endowment for the long-term funding towards DSF stewardship on a property acquired in San Bernadino County, California. The transfer to endowment funds totaled $436,276.

Endowment net assets consists of the following at March 31, 2021 and 2020:

NOTE 8 – Endowment Fund (Continued)

Endowment Investment and Spending Policies (Continued)

March 31, 2021	Without Donor Restrictions	With Donor Restrictions Subject to Expiration	With Donor Restrictions In Perpetuity	Total
Board-designated endowment funds	$ 199,511	$ -	$ -	$ 199,511
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	-	10,036,802	10,036,802
Accumulated investment gains	-	3,641,333	-	3,641,333
Total	$ 199,511	$ 3,641,333	$ 10,036,802	$ 13,877,646

March 31, 2020	Without Donor Restrictions	With Donor Restrictions Subject to Expiration	With Donor Restrictions In Perpetuity	Total
Board-designated endowment funds	$ 294,361	$ -	$ -	$ 294,361
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	-	8,967,593	8,967,593
Accumulated investment gains	6,284	542,404	-	548,688
Total	$ 300,645	$ 542,404	$ 8,967,593	$ 9,810,642

NOTE 8 – Endowment Fund (Continued)

Endowment Investment and Spending Policies (Continued)

Changes in the endowment net assets for the years ended March 31, 2021 and 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions Subject to Expiration	With Donor Restrictions in Perpetuity	Total
Endowment net assets, March 31, 2019	$ 283,907	$ 1,194,889	$ 7,987,378	$ 9,466,174
Investment return, net of fees	(14,404)	(431,776)	-	(446,180)
Contributions	35,000	-	980,215	1,015,215
Appropriation of endowment assets	(3,858)	(220,709)	-	(224,567)
Endowment net assets, March 31, 2020	300,645	542,404	8,967,593	9,810,642
Investment return, net of fees	93,288	3,497,627	-	3,590,915
Contributions	34,000	-	632,933	666,933
Appropriation of endowment assets	(228,422)	(398,698)	-	(627,120)
Transfer of endowment funds	-	-	436,276	436,276
Endowment net assets, March 31, 2021	$ 199,511	$ 3,641,333	$ 10,036,802	$ 13,877,646

NOTE 9 – Paycheck Protection Program

In March 2020, Congress passed the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act, authorizing loans to small businesses for use in paying employees that they continue to employ throughout the COVID-19 pandemic and for rent, utilities, and interest on mortgages. Loans obtained through the program are eligible to be forgiven as long as the proceeds are used for qualifying purposes and certain other conditions are met. On May 9, 2020, the Conservancy received a loan in the amount of $108,097 through the PPP. Management utilized the entire loan for qualifying purposes during the year ended March 31, 2021 and recognized the forgiveness of the loan in the year ended March 31, 2021. Subsequent to year-end, in December 2021, management was notified that final approval of loan forgiveness of the entire $108,097 amount was granted and approved by the Small Business Administration.

NOTE 10 – Related-Party Transactions

Office space was provided to the Organization by a board member. During the years ended March 31, 2021 and 2020, the estimated fair market value of the donated rent included in contributions and grants was $9,000 and $12,000, respectively.

NOTE 11 – Reclassification

In the March 31, 2020 financial statements, accumulated investment earnings related to the Conservancy's endowment were incorrectly presented as perpetually-restricted net assets instead of net assets restricted for purpose or time. As a result, such amounts totaling $542,404 were reclassified in the presentation of the March 31, 2020 financial information to correct this error. This error had no impact on total net assets, total net assets with donor restrictions, or change in net assets for the fiscal year ended March 31, 2020.