RIVERS & LANDS
CONSERVANCY

Consolidated Financial Statements

March 31, 2023

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rivers & Lands Conservancy
Riverside, CA

Report on the Audit of the Consolidated Financial Statements

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, 2023, 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 Rivers & Lands Conservancy (the Conservancy) as of March 31, 2023, 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 Consolidated Financial Statements section of our report. We are required to be independent of the Conservancy 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 Conservancy'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 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 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 consolidated 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 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 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.

Windes, Inc.

Irvine, California
November 29, 2023

RIVERS & LANDS CONSERVANCY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2023

ASSETS

ASSETS		
Cash and cash equivalents	$	2,847,160
Accounts receivable		101,720
Investments		15,631,846
Other assets		23,024
Lands restricted for conservation		46,551,710
Property and equipment, net		57,497
TOTAL ASSETS	$	65,212,957

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	$	69,330
Accrued expenses		65,070
Deferred revenue		503,561
Agency liabilities		2,784,515
		3,422,476
COMMITMENTS AND CONTINGENCIES (Note 6)		
NET ASSETS		
Without donor restrictions		
Undesignated		874,246
Board designated		358,408
		1,232,654
With donor restrictions		60,557,827
Total Net Assets		61,790,481
TOTAL LIABILITIES AND NET ASSETS	$	65,212,957

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND GAINS (LOSSES)			
Contributions and grants	$ 214,170	$ 2,147,112	$ 2,361,282
Service fees	285,142	-	285,142
Investment gain (loss), net	3,548	(818,475)	(814,927)
Change in value of beneficial interest in assets held by others	-	4,788	4,788
In-kind contribution	-	21,564,000	21,564,000
Other income	33,327	-	33,327
Net assets released from restrictions	473,032	(473,032)	-
Total Revenue and Support	1,009,219	22,424,393	23,433,612
EXPENSES			
Program	825,030	-	825,030
General administration	189,343	-	189,343
Development	164,620	-	164,620
El Casco, LLC	18,121	-	18,121
Total Expenses	1,197,114	-	1,197,114
CHANGE IN NET ASSETS	(187,895)	22,424,393	22,236,498
NET ASSETS, BEGINNING OF YEAR	1,420,549	38,133,434	39,553,983
NET ASSETS, END OF YEAR	$ 1,232,654	$ 60,557,827	$ 61,790,481

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, 2023

	Program Services							
	Land Acquisition	Outreach Education	Land Stewardship	Total	General Administration	Development	El Casco, LLC	Total
Salaries and wages	$ 101,717	$ 26,232	$ 270,033	$ 397,982	$ 91,208	$ 79,299	$ -	$ 568,489
Payroll taxes	7,606	1,962	20,192	29,760	6,820	5,930	-	42,510
Employee benefits	13,325	3,436	35,375	52,136	11,949	10,388	-	74,473
Total salaries, taxes, and benefits	122,648	31,630	325,600	479,878	109,977	95,617	-	685,472
Accounting and Auditing Fees	24,957	6,436	66,256	97,649	22,379	19,457	-	139,485
Bad Debt Expense	1,870	482	3,721	6,073	1,392	1,210	1,775	10,450
Contracted Services	12,261	3,162	28,222	43,645	10,482	9,113	3,193	66,433
Depreciation Expense	3,157	814	6,291	10,262	2,351	2,044	2,988	17,645
Insurance	4,766	1,229	12,652	18,647	4,273	3,715	-	26,635
Legal Fees	13,926	3,591	34,075	51,592	11,824	10,280	4,136	77,832
Licenses, Fees & Permits	3,961	1,023	6,743	11,727	2,952	2,566	3,742	20,987
Program Materials & Supplies	9,108	2,349	24,182	35,639	8,169	7,104	-	50,912
Property Taxes	7,098	1,830	18,039	26,967	6,180	5,373	1,147	39,667
Rent and Occupancy	4,250	1,096	10,483	15,829	3,628	3,154	1,140	23,751
Technology and Software	4,780	1,233	12,690	18,703	4,286	3,726	-	26,715
Travel and Auto Expense	1,618	417	6,384	8,419	1,450	1,261	-	11,130
TOTAL EXPENSES	$ 214,400	$ 55,292	$ 555,338	$ 825,030	$ 189,343	$ 164,620	$ 18,121	$ 1,197,114

RIVERS & LANDS CONSERVANCY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 22,236,498
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	17,645
Bad debt expense	10,450
Net realized and unrealized loss on investments	1,091,620
Change in value of beneficial interest held by others	2,240
Contributions and other deposits restricted for investment in endowment	(1,435,322)
Interest and dividends restricted for investment in endowment	(336,722)
Noncash grant for purchase of land restricted for conservation	(21,564,000)
Increase (decrease) in:	
Accounts receivable	43,077
Accounts payable	(35,293)
Accrued expenses	(7,918)
Deferred revenue	(77,047)
Agency liabilities	(213,470)
Net Cash Used In Operating Activities	(268,242)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	(8,060,931)
Purchases of investments	6,728,571
Net Cash Used In Investing Activities	(1,332,360)
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions and other deposits restricted for investment in endowment, net of appropriations	1,435,322
Interest and dividends restricted for investment in endowment	336,722
Net Cash Provided By Financing Activities	1,772,044
NET CHANGE IN CASH AND CASH EQUIVALENTS	171,442
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,675,718
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,847,160
SUPPLEMENTAL CASH FLOW INFORMATION	
Cash paid for taxes	$ 800

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

NOTE 1 – Conservancy

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 Conservancy). All material intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statements of the Conservancy 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 Conservancy 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 Conservancy 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 Conservancy 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 consolidated statement of activities as net assets released from restrictions.

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. The primary change in generally accepted accounting principles addressed by ASU 2016-02 is the requirement for a lessee to recognize on the consolidated statement of financial position a liability to make lease payments ("lease liability") and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 also requires qualitative and quantitative disclosures to enable users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 Topic 842 is effective for fiscal years beginning after December 15, 2021. Lessees must apply a modified retrospective transition approach for leases existing at, or entered after, the beginning of the earliest comparative period presented in the financial statements. The Conservancy has adopted and evaluated the effect of ASU 2016-02 Topic 842 and there are no material leases to disclose on its consolidated financial statements and related disclosures.

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.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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 Conservancy 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 Conservancy 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.

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 Conservancy did not record an allowance for doubtful accounts at March 31, 2023.

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 Conservancy capitalizes all purchases of property and equipment with a cost greater than $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 consolidated financial statement purposes. Depreciation is computed over the estimated useful lives for the individual assets. The Conservancy uses the straight-line method of depreciation.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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.

Revenue Recognition

Service Fees and Conditional Agreements

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, 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 $503,561 that has not been recognized at March 31, 2023 because certain conditions have not yet been met as a result of the permit process and legal barriers the donor must navigate.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contributed Nonfinancial Assets

The Conservancy recognizes contributed nonfinancial assets within revenue, which may include donated materials, assets, land, space, and professional services. A number of volunteers have made significant contributions of their time to the Conservancy's programs and supporting services. The value of this contributed time is not reflected in these consolidated financial statements since it does not require a specialized skill.

Land and assets can be contributed to the Conservancy. The Conservancy will determine whether to sell or utilize the contributed land and assets based on the current needs of the Conservancy. The Conservancy assigns values based on fair market value of the land or asset at the time it was donated.

Contributed services are valued and reported at the estimated fair value based on current rates for similar services.

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.

Agency Funds

The Conservancy may serve as a fiscal agent for third-party donors to conduct various land conservation specific projects and programs. As a fiscal agent, the Conservancy may receive funds with donor-imposed restrictions for which it does not have either 1) a unilateral right to redirect the funds to other uses ("variance power"), 2) significant involvement in the determination of specific beneficiaries, or 3) the donor has designated themselves as the beneficiary of the funds. Such funds are not considered to be contributions and are recorded as agency fund liabilities.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes

The Conservancy 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 Conservancy 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 Conservancy receives unrelated business income from net water sales, which is subject to tax. The Conservancy believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

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 and employee benefits, which are allocated based on estimates of how utilized by Conservancy activity.

Subsequent Events

Subsequent events have been evaluated through November 29, 2023, 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	$ 2,847,160
Accounts receivable	101,720
Investments	15,631,846
	18,580,726
Less amounts unavailable for general expenditure within one year due to:	
Other assets	21,122
Perpetually held endowment funds	11,234,939
Donor restrictions for time or purpose	4,918,878
Board designations	358,408
	16,533,347
	$ 2,047,379

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, as of March 31, 2023:

Truck	$ 42,852
Office equipment	8,287
Field equipment	27,799
Mobile home	54,550
El Casco well	27,631
	161,119
Less accumulated depreciation	(103,622)
Property and equipment, net	$ 57,497

RIVERS & LANDS CONSERVANCY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

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, equities, and mutual funds) and level 2 (corporate bonds) on the fair value hierarchy and consisted of the following as of March 31, 2023:

	Fair Value	Cost
Cash and cash equivalents	$ 436,344	$ 436,344
Government securities	2,722,872	3,005,814
Corporate bonds	1,147,148	1,250,634
Equities	7,106,547	6,449,885
Mutual funds	4,218,935	4,365,649
Total investments	$15,631,846	$15,508,326

NOTE 5 – Investments (Continued)

Net investment income consists of the following for the year ended March 31, 2023:

Dividends and interest	$ 392,038
Net realized and unrealized (loss)	(1,091,620)
Investment fees	(115,345)
Net investment loss	$ (814,927)

NOTE 6 – Commitments and Contingencies

Litigation

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

Retirement Plan

The Conservancy established a SIMPLE IRA plan effective October 1, 2008 for all employees who work at least 30 hours a week. The Conservancy agrees to match employees' contributions up to a limit of 3% of compensation for the year. For the year ended March 31, 2023, the Conservancy's expense for matching contributions to the plan totaled $16,720.

NOTE 7 – Contributed Nonfinancial Assets

During the year ended March 31, 2023, the Conservancy received a contributed nonfinancial asset of land through a grant, which is included within the consolidated statement of activities. The grant requires that the land be held for conservation purposes. The fair value of the contributed land was approximately $21,564,000 based on comparable land values.

NOTE 8 – 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 restrictions to be used for the following purposes as of March 31, 2023:

General stewardship and other	$ 136,187
Board-designated endowment	222,221
	$ 358,408

Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of March 31, 2023:

Subject to expenditure for a specific purpose:	
Land easement projects	$ 62,832
Land and easement management	378,115
Fish and Wildlife Services DSF	105,139
Preservation of Riverside County agricultural land	83,716
Mt. Rubidoux stewardship, education, and outreach	24,738
Land restricted for conservation available for transfer to another agency	2,168,822
Other	26,176
Endowment earnings	2,069,340
	4,918,878
Perpetual in nature:	
Land restricted for conservation	44,382,888
Endowment funds, subject to endowment spending policy – stewardship	11,234,939
Other assets	21,122
	55,638,949
Total net assets with donor restrictions	$ 60,557,827

NOTE 9 – 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:

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.

NOTE 9 – Endowment Fund (Continued)

Endowment Investment and Spending Policies (Continued)

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.

Endowment net assets consists of the following at March 31, 2023:

March 31, 2023	Without Donor Restrictions	With Donor Restrictions Subject to Expiration	With Donor Restrictions In Perpetuity	Total
Board-designated endowment funds	$ 222,221	$ -	$ -	$ 222,221
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	-	11,234,939	11,234,939
Accumulated investment gains	-	2,069,340	-	2,069,340
Total	$ 222,221	$ 2,069,340	$11,234,939	$ 13,526,500

NOTE 9 – Endowment Fund (Continued)

Endowment Investment and Spending Policies (Continued)

Changes in the endowment net assets for the years ended March 31, 2023 and 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions Subject to Expiration	With Donor Restrictions in Perpetuity	Total
Endowment net assets, March 31, 2022	$ 204,540	$ 3,178,012	$ 9,445,877	$ 12,828,429
Investment return, net of fees	(21,718)	(807,339)	-	(829,057)
Contributions	39,399	-	1,789,062	1,828,461
Appropriation of endowment assets	-	(301,333)	-	(301,333)
Endowment net assets, March 31, 2023	$ 222,221	$ 2,069,340	$11,234,939	$ 13,526,500