RIVERS & LANDS CONSERVANCY

Financial Statements

March 31, 2024

(with Comparative Totals for 2023)

CONTENTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Rivers & Lands Conservancy (a nonprofit organization), which comprise the statement of financial position as of March 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rivers & Lands Conservancy as of March 31, 2024, 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 Rivers & Lands 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rivers & Lands Conservancy's ability to continue as a going concern within one year after the date that the 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 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 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 Rivers & Lands Conservancy'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about Rivers & Lands Conservancy'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

We have previously audited the consolidated financial statements of Rivers & Lands Conservancy as of March 31, 2023, and we expressed an unmodified opinion on those consolidated financial statements in our report dated November 29, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2023, is consistent, in all material respects, with the 2023 consolidated financial statements from which it has been derived.

Windes, Inc.

Irvine, California
November 1, 2024

RIVERS & LANDS CONSERVANCY

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

ASSETS

	March 31, 2024	March 31, 2023 (As Restated)
ASSETS		
Cash and cash equivalents	$ 1,900,853	$ 2,847,160
Restricted cash	1,131,750	-
Accounts receivable	60,814	101,720
Employee Retention Credit receivable	189,883	-
Investments	18,115,338	12,847,331
Restricted investments	2,562,787	2,784,515
Other assets	49,636	23,024
Lands restricted for conservation	45,263,108	46,112,625
Property and equipment, net	3,775	57,497
TOTAL ASSETS	$ 69,277,944	$ 64,773,872

LIABILITIES AND NET ASSETS

	2024	2023
LIABILITIES		
Accounts payable	$ 62,889	$ 69,330
Accrued expenses	62,571	65,070
Deferred revenue	402,315	503,561
Agency fund liabilities	3,694,537	2,784,515
	4,222,312	3,422,476
COMMITMENTS AND CONTINGENCIES (Note 6)		
NET ASSETS		
Without donor restrictions		
Undesignated	1,279,610	874,246
Board designated	420,978	358,408
	1,700,588	1,232,654
With donor restrictions	63,355,044	60,118,742
Total Net Assets	65,055,632	61,351,396
TOTAL LIABILITIES AND NET ASSETS	$ 69,277,944	$ 64,773,872

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

RIVERS & LANDS CONSERVANCY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total (As Restated)
REVENUE AND SUPPORT				
Contributions and grants	$ 394,261	$ 2,604,645	$ 2,998,906	$ 2,361,282
Employee Retention Credits	189,883	-	189,883	-
Service fees	332,055	-	332,055	285,142
Investment gain (loss), net	269,311	1,989,366	2,258,677	(814,927)
Change in value of beneficial interest in assets held by others	-	(15,369)	(15,369)	4,788
Donated land	-	-	-	21,564,000
Other income	88,228	-	88,228	33,327
Net assets released from restrictions	1,342,340	(1,342,340)	-	-
Total Revenue and Support	2,616,078	3,236,302	5,852,380	23,433,612
EXPENSES				
Program	1,719,445	-	1,719,445	825,030
General administration	320,909	-	320,909	189,343
Development	96,968	-	96,968	164,620
El Casco, LLC	10,822	-	10,822	18,121
Total Expenses	2,148,144	-	2,148,144	1,197,114
CHANGE IN NET ASSETS	467,934	3,236,302	3,704,236	22,236,498
NET ASSETS, BEGINNING OF YEAR, AS RESTATED (Note 10)	1,232,654	60,118,742	61,351,396	39,114,898
NET ASSETS, END OF YEAR	$ 1,700,588	$ 63,355,044	$ 65,055,632	$ 61,351,396

RIVERS & LANDS CONSERVANCY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

	Program	General Administration	Development	El Casco, LLC	2024 Total	2023 Total
Salaries and wages	$ 412,496	$ 122,465	$ 69,842	$ -	$ 604,803	$ 568,489
Payroll taxes	31,638	9,393	5,357	-	46,388	42,510
Employee benefits	55,020	16,335	9,316	-	80,671	74,473
Total salaries and related	499,154	148,193	84,515	-	731,862	685,472
Accounting and auditing fees	2,272	143,725	385	-	146,382	139,485
Bad debt expense	3,867	-	-	-	3,867	10,450
Contracted services	149,890	-	-	2,671	152,561	66,433
Depreciation expense	5,638	1,674	955	2,988	11,255	17,645
Insurance	5,917	1,757	1,002	-	8,676	26,635
Land grant	903,523	-	-	-	903,523	-
Legal fees	63,282	3,331	-	20	66,633	77,832
Licenses, fees, and permits	13,254	5,031	301	3,817	22,403	20,987
Program materials and supplies	24,178	3,979	2,270	-	30,427	50,912
Property taxes	3,947	-	-	1,167	5,114	39,667
Rent and occupancy	15,032	4,463	2,546	159	22,200	23,751
Technology and software	16,783	4,983	2,842	-	24,608	26,715
Travel and auto expense	12,708	3,773	2,152	-	18,633	11,130
TOTAL EXPENSES	$ 1,719,445	$ 320,909	$ 96,968	$ 10,822	$ 2,148,144	$ 1,197,114

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

RIVERS & LANDS CONSERVANCY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

	For the Year Ended March 31, 2024	For the Year Ended March 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,704,236	$ 22,236,498
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	11,255	17,645
Bad debt expense	3,867	10,450
Net realized and unrealized (gain) loss on investments	(1,876,937)	1,091,620
Change in value of beneficial interest held by others	(26,612)	2,240
Contributions and other deposits restricted for investment in endowment	(2,778,483)	(1,435,322)
Interest and dividends restricted for investment in endowment	(421,386)	(336,722)
Noncash grant for purchase of lands restricted for conservation	-	(21,564,000)
Noncash donation of land and property and equipment to others	895,584	-
Change in operating assets and liabilities:		
Accounts receivable	37,039	43,077
Employee Retention Credit receivable	(189,883)	-
Accounts payable	(6,441)	(35,293)
Accrued expenses	(2,499)	(7,918)
Deferred revenue	(101,246)	(77,047)
Agency fund liabilities	910,022	(213,470)
Net Cash Provided By (Used In) Operating Activities	158,516	(268,242)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	5,418,743	6,728,571
Purchases of investments	(8,326,985)	(8,060,931)
Purchases of property and equipment	(3,600)	-
Net Cash Used In Investing Activities	(2,911,842)	(1,332,360)

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

RIVERS & LANDS CONSERVANCY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)
(Continued)

	For the Year Ended March 31, 2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions and other deposits restricted for investment in endowment, net of appropriations	2,778,483	1,435,322
Interest and dividends restricted for investment in endowment	421,386	336,722
Interest and dividends allocated to agency fund liabilities	(261,100)	-
Net Cash Provided By Financing Activities	2,938,769	1,772,044
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	185,443	171,442
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	2,847,160	2,675,718
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	$ 3,032,603	$ 2,847,160
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for taxes	$ 800	$ 800

The accompanying notes are an integral part of these 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 LLC's lake well, water system, and 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. The LLC accounts were previously consolidated in the financial statements along with the accounts of Rivers & Land Conservancy (collectively, the Conservancy). As of March 29, 2024, the Conservancy transferred their sole membership interest in El Casco LLC to an outside conservancy (the Transfer) and accordingly, has deconsolidated the entity as of March 31, 2024. Any activity during the year ended March 31, 2024 has been incorporated into the statement of activities for the year. All material intercompany balances and transactions have been eliminated as of the date of the Transfer. The value of the land associated with El Casco LLC and other property and equipment included in the Transfer is included as land grant expense in the statement of activities.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation

The 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 (U.S. GAAP).

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

The Conservancy reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with 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.
>
> ***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 statement of activities as net assets released from restrictions.

Recently Adopted Accounting Pronouncement

Beginning April 1, 2023, the Conservancy adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* and its related amendments, which replaces the incurred loss methodology with an expected loss methodology referred to as the current expected credit loss (CECL) methodology. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU also requires the Conservancy to use forward-looking information to better formulate its credit loss estimates.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncement (Continued)

The ASU permits the use of either a prospective transition method or a modified-retrospective transition method with the cumulative-effect adjustment to the opening balance of net assets. The Conservancy has elected the use of the modified-retrospective transition method. The transition method selected resulted in no adjustment to the opening balance of net assets.

After a thorough evaluation, management has determined that the impact of adopting the CECL standard on the financial statements is immaterial. The Conservancy has considered factors such as historical loss experience, current economic conditions, and other relevant factors in its credit loss estimation process. As a result, the adoption of the CECL standard has not had a material impact on the Conservancy's financial position, statement of activities, or cash flows.

Reclassifications

Certain amounts in 2023 have been reclassified to conform with the 2024 financial statement presentation.

Prior-Period Information

The financial statements include certain prior period 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Conservancy's consolidated financial statements for the year ended March 31, 2023, from which the summarized comparative information was derived.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its 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, cash equivalents, and restricted cash.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable arise in the normal course of operations. Payments received in advance of services to be rendered are recorded as deferred revenue. The Conservancy provides for losses on receivables using the CECL methodology. The allowance is based on historical loss experience, current economic conditions, and other relevant factors in its credit loss estimation process and provides for probable uncollectable amounts through a charge to earnings and a credit to a credit losses allowance. The Conservancy did not record an allowance for credit losses at March 31, 2024 and 2023. Bad debt expense totaled $3,867 and $10,450 for the years ended March 31, 2024 and 2023, respectively.

Property and Equipment

Property and equipment are stated at cost. Donated property and equipment are 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 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 statement of financial position. Investments include certain cash, cash equivalents, and restricted cash. Investment gains and losses are included in change in net assets in the 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 consist 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.

During the year ended March 31, 2024, the Conservancy recognized land grant expenses of $903,523 related to a transfer of lands restricted for conservation to an unrelated conservancy. The land was previously held as restricted for conservation available for transfer to another agency, and the Conservancy has included the release of net assets with donor restrictions within the accompanying statement of activities.

Revenue Recognition

<u>Service Fees and Conditional Agreements</u>

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.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Service Fees and Conditional Agreements (Continued)

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. A portion of revenue, including government grants, are derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Conservancy has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are deferred and are included in deferred revenue in the statement of financial position.

The Conservancy is party to conditional contribution agreements with terms that span an indefinite period. Additional funding of $493,035 and $503,561 has not been recognized at March 31, 2024 and 2023, respectively, because the funding is contingent upon the occurrence of certain performance obligations or upon certain conditions that have not yet been met as a result of the permit process and legal barriers the donor must navigate.

Contributed Nonfinancial Assets

The Conservancy recognizes contributed nonfinancial assets within revenue, which may include donated materials, assets, land, space, and professional services. Several 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 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 their estimated fair value based on current rates for similar services.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Employee Retention Credits

The Employee Retention Credit (ERC) was enacted in March 2020 by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and amended in December 2020, by the Taxpayer Certainty and Disaster Tax Relief Act (TCDTR Act). The ERC is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer paid to employees in calendar year 2020 (between March 2020 and before January 2021) and 70% of the qualified wages in calendar year 2021.

During the year ended March 31, 2024, the Conservancy recognized $189,883 of refundable employee retention credits claimed under provisions of the CARES Act and TCDTR Act as a separate item of support in the accompanying statement of activities. As of March 31, 2024, the Conservancy has recognized a corresponding receivable of $189,883 on the accompanying statement of financial position.

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.

Restricted Cash, Restricted Investments, and Agency Fund Liabilities

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 and restricted cash and restricted investments in the statement of financial position.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes

The Conservancy qualifies as a not-for-profit tax-exempt corporation under Section 501(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 received 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 financial statements.

Allocation of Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The 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 they are utilized by Conservancy activity.

Subsequent Events

Subsequent events have been evaluated through November 1, 2024, which is the date the 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 statement of financial position date, comprise the following:

	March 31, 2024
Cash and cash equivalents	$ 1,900,853
Accounts receivable	60,814
Employee Retention Credit receivable	189,883
Investments	18,115,338
	20,266,888
Less amounts unavailable for general expenditure within one year due to:	
Perpetually held endowment funds	13,578,806
Donor restrictions for time or purpose	5,372,228
Board designations	420,978
	19,372,012
	$ 894,876

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,	
	2024	2023
Truck	$ 42,852	$ 42,852
Office equipment	8,287	8,287
Field equipment	27,799	27,799
Land improvements	3,600	-
Mobile home	-	54,550
El Casco well	-	27,631
	82,538	161,119
Less accumulated depreciation	(78,763)	(103,622)
Property and equipment, net	$ 3,775	$ 57,497

Depreciation expense for the years ended March 31, 2024 and 2023 was $11,255 and $17,645, respectively.

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 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.

NOTE 5 – Investments (Continued)

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:

	March 31, 2024		March 31, 2023	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	$ 468,033	$ 468,033	$ 436,344	$ 436,344
Government securities	3,839,054	4,159,265	2,722,872	3,005,814
Corporate bonds	1,993,680	2,075,546	1,147,148	1,250,634
Equities	9,717,093	7,427,995	7,106,547	6,449,885
Mutual funds	4,660,265	4,463,458	4,218,935	4,365,649
Total investments	$ 20,678,125	$ 18,594,297	$ 15,631,846	$ 15,508,326

NOTE 5 – Investments (Continued)

Net investment income consists of the following for the years ended:

	For the Year Ended March 31,	
	2024	2023
Dividends and interest	$ 504,090	392,038
Net realized and unrealized gain (loss)	1,876,937	(1,091,620)
Investment fees	(122,350)	(115,345)
Net investment gain (loss)	$ 2,258,677	$ (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 years ended March 31, 2024 and 2023, the Conservancy's expense for matching contributions to the plan totaled $16,384 and $16,720, respectively.

NOTE 7 – Donated Land

During the year ended March 31, 2023, the Conservancy received a contributed nonfinancial asset of land through a grant, which is included within the statement of activities. The grant requires that the land be held for conservation purposes. The fair value of the contributed land was $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 are to be used for the following purposes:

	March 31,	
	2024	2023
General stewardship and other	$ 62,958	$ 136,187
Board-designated endowment	358,020	222,221
Total board designated net assets	$ 420,978	$ 358,408

NOTE 8 – Net Assets (Continued)

Net Assets With Donor Restrictions

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

	March 31, 2024	March 31, 2023
Subject to expenditure for a specific purpose:		
Land easement projects	$ 70,786	$ 62,832
Land and easement management	419,352	378,115
Fish and Wildlife Services DSF	112,957	105,139
Preservation of Riverside County agricultural land	83,622	83,716
Mt. Rubidoux stewardship, education, and outreach	25,983	24,738
Lands restricted for conservation available for transfer to another agency	880,220	1,729,737
Other	5,275	26,176
Endowment earnings	3,774,033	2,069,340
	5,372,228	4,479,793
Perpetual in nature:		
Lands restricted for conservation	44,382,888	44,382,888
Endowment funds, subject to endowment spending policy – stewardship	13,578,806	11,234,939
Other assets	21,122	21,122
	57,982,816	55,638,949
Total net assets with donor restrictions	$ 63,355,044	$ 60,118,742

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 and spending 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 with a primary emphasis placed on maintaining 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 inflation plus 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.

NOTE 9 – Endowment Fund (Continued)

Endowment Investment and Spending Policies (Continued)

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.

Endowment net assets consist of the following at March 31, 2024:

	Without Donor Restrictions	With Donor Restrictions Subject to Expiration	With Donor Restrictions in Perpetuity	Total
Board-designated endowment funds	$ 358,020	$ -	$ -	$ 358,020
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	-	13,578,806	13,578,806
Accumulated investment gains	-	3,774,033	-	3,774,033
Total	$ 358,020	$ 3,774,033	$ 13,578,806	$ 17,710,859

NOTE 9 – Endowment Fund (Continued)

Endowment Investment and Spending Policies (Continued)

Endowment net assets consist of the following at 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 are as follows for the years ended:

	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
Investment return, net of fees	95,799	1,979,177	-	2,074,976
Contributions	40,000	-	2,343,867	2,383,867
Appropriation of endowment assets	-	(274,484)	-	(274,484)
Endowment net assets, March 31, 2024	$ 358,020	$ 3,774,033	$ 13,578,806	$ 17,710,859

NOTE 10 – Prior-Period Restatement

During the fiscal year ended March 31, 2024, certain adjustments to prior periods were identified in order to properly reflect lands restricted for conservation, with a corresponding impact on net assets.

The adjustments resulted in a restatement of certain balances as of March 31, 2023:

	As Previously Reported	Adjustment	As Restated March 31, 2023
Statements of Financial Position as of March 31, 2023:			
Lands restricted for conservation	$ 46,551,710	$ (439,085)	$ 46,112,625
Net assets with donor restrictions	$ 60,557,827	$ (439,085)	$ 60,118,742
Statements of Activities for the year ended March 31, 2023:			
Net assets, beginning of year	$ 39,553,983	$ (439,085)	$ 39,114,898
Net assets, end of year	$ 61,790,481	$ (439,085)	$ 61,351,396
NOTE 3 - Liquidity and Availability of Funds			
Donor restrictions for time or purpose	$ 4,918,878	$ (439,085)	$ 4,479,793
NOTE 8 - Net Assets			
Land restricted for conservation available for transfer to another agency	$ 2,168,822	$ (439,085)	$ 1,729,737