

MENDOCINO LAND TRUST

FINANCIAL STATEMENTS

YEAR ENDED

JUNE 30, 2017

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INFORMATION ABOUT THE ORGANIZATION

NAME OF ORGANIZATION	Mendocino Land Trust
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EXECUTIVE DIRECTOR	Ann Cole



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Mendocino Land Trust
Fort Bragg, California

We have audited the accompanying financial statements of Mendocino Land Trust (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mendocino Land Trust as of June 30, 2017, 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.



Fort Bragg, California

January 2, 2018

MENDOCINO LAND TRUST, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

Current assets		
Cash and equivalents	\$	379,881
Accounts receivable, net of allowance for doubtful accounts of \$0		126,728
Other current assets		<u>2,963</u>
Total current assets	\$	509,572
Long-term investments		1,308,298
Furniture, equipment and leasehold improvements, net		4,232
Land for sale		306,000
Conservation lands and easements		<u>5,972,500</u>
TOTAL ASSETS	\$	<u><u>8,100,602</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$	74,903
Accrued expenses		19,370
Deferred income		<u>11,129</u>
Total current liabilities	\$	105,402
TOTAL LIABILITIES		<u>105,402</u>
Net assets		
Unrestricted net assets		
Operating	1,104,359	
Board designated	19,117	
Fixed assets, conservation lands and easements	<u>5,755,372</u>	
Total unrestricted net assets		6,878,848
Temporarily restricted net assets		1,116,352
Permanently restricted net assets		-
Total net assets		<u>7,995,200</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>8,100,602</u></u>

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

MENDOCINO LAND TRUST
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Contributions and memberships	\$ 605,485	\$ 55,726	\$ -	\$ 661,211
Foundation grants	10,750	-	-	10,750
Governmental grants	472,981	-	-	472,981
Program service fees	67,911	-	-	67,911
Other support and revenue	3,659	-	-	3,659
Investment income realized, net	46,630	-	-	46,630
Investment income unrealized	60,535	-	-	60,535
Net assets released from restrictions	<u>34,431</u>	<u>(34,431)</u>	<u>-</u>	<u>-</u>
Total support and revenue	1,302,382	21,295	-	1,323,677
EXPENSES				
Program services				
Program and stewardship	<u>795,522</u>	<u>-</u>	<u>-</u>	<u>795,522</u>
Total program services	795,522	-	-	795,522
Supporting services				
Management and general	106,939	-	-	106,939
Fundraising	<u>21,059</u>	<u>-</u>	<u>-</u>	<u>21,059</u>
Total supporting services	<u>127,998</u>	<u>-</u>	<u>-</u>	<u>127,998</u>
Total expenses	<u>923,520</u>	<u>-</u>	<u>-</u>	<u>923,520</u>
CHANGE IN NET ASSETS	378,862	21,295	-	400,157
NET ASSETS, beginning of year	6,477,268	1,117,775	-	7,595,043
Prior period correction	<u>22,718</u>	<u>(22,718)</u>	<u>-</u>	<u>-</u>
NET ASSETS, end of year	<u>\$ 6,878,848</u>	<u>\$ 1,116,352</u>	<u>\$ -</u>	<u>\$ 7,995,200</u>

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

**MENDOCINO LAND TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATION ACTIVITIES

Change in net assets	\$	400,157
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization		1,702
Net realized and unrealized (gain) loss on investments		(107,165)
Changes in operating assets and liabilities:		
Accounts receivable		6,325
Other current assets		-
Accounts payable		71,050
Accrued expenses		(1,246)
Deferred income		<u>3,102</u>
Net cash provided by (used in) operating activities	\$	373,925

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of fixed assets		-
Purchases of investments		(247,083)
Proceeds from sale of investments		262,331
Transfer of conservation land		<u>(221,360)</u>
Net cash provided by (used in) investing activities		(206,112)

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash provided by (used in) financing activities		<u>-</u>
Net increase (decrease) in cash	\$	167,813
Cash and equivalents, beginning of the year		<u>212,068</u>
Cash and equivalents, end of the year	\$	<u><u>379,881</u></u>

Supplemental disclosures

Noncash transactions		
In-kind contributions and land transfers	\$	228,631
Cash paid for:		
Interest	\$	994
Taxes	\$	10

MENDOCINO LAND TRUST
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Program and Stewardship</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related expenses				
Salaries	\$ 174,412	\$ 46,510	\$ 11,628	\$ 232,550
Payroll taxes	14,771	3,939	985	19,695
Employee benefits	31,769	8,714	2,179	42,662
Total compensation and related expenses	<u>220,952</u>	<u>59,163</u>	<u>14,792</u>	<u>294,907</u>
Fees				
Professional services and subcontractors	395,585	-	-	395,585
Legal	2,956	3,965	-	6,921
Accounting	-	33,395	-	33,395
Environmental compliance permits	21,699	-	-	21,699
Other	-	696	-	696
Total fees	<u>420,240</u>	<u>38,056</u>	<u>-</u>	<u>458,296</u>
Advertising and promotion	-	-	170	170
Office expenses	5,903	1,968	808	8,679
Occupancy costs	8,207	2,188	547	10,942
Meals and food	1,082	289	72	1,443
Travel expenses	5,168	-	12	5,180
Conferences, conventions and meetings	1,241	331	83	1,655
Depreciation	-	1,702	-	1,702
Insurance	5,891	1,571	393	7,855
Postage and shipping	1,066	355	465	1,886
Printing and publications	1,397	468	2,857	4,722
Miscellaneous program expenses				
Vehicle maintenance, insurance and fuel	2,072	-	-	2,072
Construction expenses program work	115,734	-	-	115,734
Stewardship equipment and supplies	2,270	-	-	2,270
Closing and escrow costs	188	-	-	188
Property taxes	4,111	-	-	4,111
Other expenses	-	848	860	1,708
Total miscellaneous program expenses	<u>124,375</u>	<u>848</u>	<u>860</u>	<u>126,083</u>
Total expenses before land acquisition	<u>\$ 795,522</u>	<u>\$ 106,939</u>	<u>\$ 21,059</u>	<u>\$ 923,520</u>

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

MENDOCINO LAND TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. ORGANIZATION AND NATURE OF ACTIVITIES

Mendocino Land Trust is a California non-profit public benefit corporation formed in 1976 under the laws of the State of California for the purpose of protecting the scenic, natural, agricultural and open spaces of the Mendocino Coast for the benefit of the community, including future generations, by developing long-term land protection strategies, by promoting private and public funding for land conservation, by acquiring land and conservation easements, by practicing stewardship, including the restoration of conservation properties, and by developing both a sense of place and a land ethic through activities, education and outreach.

In February 2017 Mendocino Land Trust became Accredited and received national recognition from the Land Trust Alliance joining a network of only 372 accredited land trusts across the nation that have demonstrated their commitment to professional excellence and to maintaining the public's trust in their work.

Mendocino Land Trust has an office in Fort Bragg, California and its operations are funded by support from donors, contracts from various state and federal agencies, and from fee for service work.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Mendocino Land Trust have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Land Trust reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions in the following net asset categories.

Unrestricted Net Assets

Unrestricted net assets represent available resources other than donor-restricted contributions. These funds may be expended at the discretion of the Board of Directors. The Board periodically designates a portion of unrestricted net assets for use on specific projects or programs. Current designations are for land, land preservation and other conservation projects.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure and accumulated investment gains and income on endowment investments that have not been appropriated for expenditure. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

MENDOCINO LAND TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Permanently Restricted Net Assets

Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal is maintained in perpetuity. The income from these net assets is available to support activities as designated by the donors. At June 30, 2017, Mendocino Land Trust had no permanently restricted net assets.

Cash and Cash Equivalents

Mendocino Land Trust considers cash balances and unrestricted highly liquid investments with original or remaining maturities of three months or less at the time of purchase to be cash equivalents. The Land Trust reports money market accounts and certificates of deposits held as part of investment accounts as investments.

Accounts Receivable

Accounts receivable are recorded at net realizable value consisting of the carrying amount less an allowance for uncollectible accounts. The allowance is established based on factors such as historical experience, credit quality and the age of the account balances. At June 30, 2017, the total allowance for doubtful accounts was \$0.

Investments

Investments are stated at fair value. Realized and unrealized gains and losses are reflected in the statement of activities.

Furniture, Equipment, and Leasehold Improvements

Mendocino Land Trust has adopted a capitalization policy requiring all assets acquired whether purchased or received by donation, with a cost or value of more than \$500 to be capitalized. Those below that threshold are expenses in the period received.

Purchased fixed assets are stated at cost. Donations of fixed assets are recorded as contributions at their estimated fair value. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets, which range from five to seven years, or over the lesser of the term of the lease or the estimated useful life of the asset for assets under capital lease.

Leasehold improvements are amortized over the lesser of the term of the lease or the estimated useful life of the improvements.

Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation or amortization are removed from the accounts. Any gain or loss on the sale or retirement is recognized in current operations.

MENDOCINO LAND TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Conservation Lands and Easements

Mendocino Land Trust records land it acquires at cost or records the land at fair value on the date of acquisition if all or part of the land is received as a donation. Values are recorded based on the following:

- Independent professional appraisals are performed for the donor or the organization; or
- Value is adopted by the acquiring public agency; or
- Where neither of the preceding sources is available, the organization may use the full cash value as established by the local tax assessor.

Conservation easements acquired by or donated to the Mendocino Land Trust represent numerous restrictions over the use and development of land not owned by the organization. These easements provide that the land will be maintained unimpaired in its current natural, agricultural, scenic or recreational state. Since the benefits of such easements accrue to the public upon acquisition, and the easements themselves have no marketable value, easements acquired by the Mendocino Land Trust are reflected as zero value.

Donated Furniture, Equipment and Property

Donations of furniture and equipment are recorded as support at their estimated fair value at the date of receipt or unconditional promise to give. Donated property is reported at the appraised value of the property when received. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long the donated assets must be maintained, Mendocino Land Trust reports expirations of donor restrictions when the donated or acquired assets are placed in service. Mendocino Land Trust reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributions

Contributions are recorded as revenues at fair value at the date of receipt or unconditional promise to give, and as assets or decreases of liabilities or expenses, depending on the form of the benefit received.

Donor-restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted contributions.

MENDOCINO LAND TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Contributed Services

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation. General volunteers do not meet these recognition criteria, but have donated significant amounts of time and performed a variety of tasks that assist Mendocino Land Trust in meeting their objectives.

Deferred Income

The balance of the deferred income account represents payments that the Mendocino Land Trust received that were not fully expensed by the end of the current fiscal year. The balance of the deferred income at the balance sheet date is \$11,129.

Advertising

Costs incurred for advertising are charged to expenses as incurred. Total advertising costs were \$170 for the year ended June 30, 2017.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain administrative costs have been allocated among the programs and supporting services benefited based on personnel, space, and other factors.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the relevant period. Actual results may differ from those estimates.

Significant accounting estimates reflected in the Mendocino Land Trust's financial statements include the valuation of investments, the valuation of donated land holdings and conservation easements, and functional allocation of expenses.

Income Taxes

Mendocino Land Trust is a not-for-profit organization that is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and related California code sections.

Mendocino Land Trust follows the guidance of FASB ASC 740 – Accounting for Uncertainty in Income Taxes. As of June 30, 2017, management evaluated the Land Trust's tax positions and concluded that Mendocino Land Trust maintained its tax-exempt status and had taken no uncertain tax positions that require adjustments to the financial statements.

MENDOCINO LAND TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3. CONCENTRATIONS

Concentration of Credit Risk

The organization maintains cash balances at several financial institutions. The National Credit Union Administration, the Federal Deposit Insurance Corporation, and the Securities Investor Protection Corporation insure accounts up to \$250,000 at each institution. At June 30, 2017, Mendocino Land Trust had no uninsured cash balances.

The organization maintains investments in one mutual fund family of funds, Fidelity Investments. These investments are exposed to numerous risks, including interest rate fluctuation, market volatility, and credit risks.

Fidelity brokerage accounts are covered by the Securities Investor Protection Corporation which provides a maximum of \$500,000 coverage for securities, including a \$250,000 limit for cash held in brokerage accounts per institution. In addition, the Fidelity offers protection up to aggregate of \$1 billion in excess of coverage by the the Securities Investor Protection Corporation. At June 30, 2017, Mendocino Land Trust had no uninsured investment balances.

Concentrations of Revenue Sources

Mendocino Land Trust has certain customers whose accounts receivables individually represent 10% or more of the total of accounts receivables, or whose revenue individually represent 10% or more of the revenue total.

The following is a summary of major customer and accounts receivable as of June 30, 2017

	Concentration Sales, Percentage	Concentration Accounts Receivables, Percentage
California Department of Fish and Wildlife	11	-
California Department of Fish and Game	20	-
State Coastal Conservancy	58	79
	<u>89%</u>	<u>79%</u>

MENDOCINO LAND TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

The following is a summary of furniture, equipment, and leasehold improvements as of June 30, 2017:

Furniture and fixtures	\$6,143
Equipment	9,303
	<hr/> \$15,446
Less accumulated depreciation	(11,214)
Net fixed assets	<hr/> <u>\$4,232</u>

Depreciation expense charged to operations for the year ended June 30, 2017, is \$1,702.

NOTE 5. FAIR MARKET VALUE AND INVESTMENTS

FASB ASC 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Mendocino Land Trust has the ability to access at the measurement date.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

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

**MENDOCINO LAND TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5. FAIR MARKET VALUE AND INVESTMENTS, CONTINUED

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

Mendocino Land Trust uses appropriate valuation techniques based on the available inputs to measure the fair value of their investments. When available, Mendocino Land Trust measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments.

The following schedule reports the types of investments that Mendocino Land Trust owns as well as the investment's cost and fair market value at June 30, 2017:

Description	Cost Basis	Fair Market Value		
		Using		
		Level 1	Level 2	Level 3
Money market funds	169,928	169,928	-	-
Mutual funds	1,031,768	1,138,370	-	-
	<u>\$1,201,696</u>	<u>\$1,308,298</u>	<u>\$-</u>	<u>\$-</u>

NOTE 6. CONSERVATION LANDS AND EASEMENTS

Mendocino Land Trust has several land holdings that require the organization to adhere to use limits and maintenance requirements. If these requirements are not met by the Mendocino Land Trust, the properties will revert either to the heirs of the donor or other land conservancy organizations. Also, certain conservation lands have been purchased using governmental funds. Such funds restrict the sale and disposition of the property under various agreements.

MENDOCINO LAND TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6. CONSERVATION LANDS AND EASEMENTS, CONTINUED

Conservation lands held as of June 30, 2017, include:

	<i>Year Acquired</i>	<i>Property</i>
1	1999	Navarro Point (55.3 acres for public access, trails and preserve)
2	2010	Hare Creek Beach (5.8 acres for public access, trails, and preserve)
3	2012	Noyo River Redwoods (426 acres of forest land managed for old growth redwoods)
4	2013	Pelican Bluffs (75 acres)
5	2014	Seaside Beach (13.6 acres)
6	2016	Ten Mile Estuary (49 acres)

Conservation easements held as of June 30, 2017, include:

	<i>Year Acquired</i>	<i>Property</i>
1	1992	Phillips/Corning (Oak woodlands near Hopland)
2	1998	Fetzer/Skinner (Oak woodlands and forest near Hopland)
3	1998	Fetzer/Concha y Toro (Oak woodlands and forest near Hopland)
4	2000	Salvation Army/Miller-Schell (Redwood forest near Point Arena)
5	2000	Linney/Dye (Coniferous forest near Point Arena)
6	2001	Galbreath-Johnson (Oak woodlands, Old Growth Redwood and Fir; salmon streams)
7	2005	Ridgewood Ranch (Old Growth and second growth Redwoods)
8	2005	Hannum and Partners (Oak woodlands, grasslands, and salmon habitat)
9	2007	Ridgewood Ranch (Oak woodlands, grasslands, and salmon habitat)
10	2007	Freriks (Nature preserve and retreat near Albion)
11	2012	Maxwell ("Gleason-Prescott Preserve," Oak woodlands, grasslands, and forest)
12	2013	Dolan/Gobbi St. Vineyard (Ukiah valley agricultural conservation)
13	2013	Dolan/Dark Horse Ranch (Ukiah valley agricultural conservation)
14	2014	Big River (Estuarine, wetlands, and wildlife)

MENDOCINO LAND TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

15	2014	Gordon/Potter Valley
16	2015	Brush Creek

In addition to the conservation land and easements identified above, the Mendocino Land Trust also has four Open Space Easements near Navarro Point, Little River, Gualala and Gordon Lane pygmy forest, and ninety-seven public access easements granted between June 1996 and July 2014 to preserve the public's right to access the California coast.

NOTE 7. LAND FOR SALE

One of the lands Mendocino Land Trust owns is Caspar Uplands. This 11-acre parcel Mendocino Land Trust acquired in 2014 is listed for sale. Mendocino Land Trust has received an offer to purchase the land. In 2017 it was appraised by an independent professional. A write-down of \$74,000 from the recorded cost to the lower appraised value and counteroffer to the buyer has been made at that time. As of June 30, 2017, the buyer has not accepted the counteroffer.

NOTE 8. VACATION LIABILITY

Mendocino Land Trust provides for vacation benefits in accordance with current policy. As of June 30, 2017, the vacation benefit liability is \$7,860.

NOTE 9. LINE OF CREDIT

Mendocino Land Trust has a line of credit agreement with The Conservation Fund of \$740,000. The line bears interest of 86% of the prime rate or 2.8% as of the date of the first draw. Under the terms, the line of credit expires in 18 months from the date of the first draw and is secured by an assignment of proceeds of Mendocino Land Trust's grants.

There were \$100,000 borrowings against the line during the fiscal year 2016. As of June 30, 2017, interest expense at 3% of \$994 was paid for the use of the line of credit.

No amount from the line is outstanding as of June 30, 2017.

NOTE 10. BOARD DESIGNATED NET ASSETS

The Land Trust board has designated a portion of unrestricted net assets as an Operating Reserve fund that the board may use for whatever it chooses. Current designations are for land, land preservation and other conservation projects. The balance of the fund as of June 30, 2017, is \$19,117.

MENDOCINO LAND TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2017, the temporarily restricted assets of the organization were as follows:

Easement Stewardship & Legal Defense Fund	\$402,648
Noyo River Redwoods Fund	596,186
Fee Land Stewardship & Legal Defense Funds:	
Pelican Bluffs	11,882
Hare Creek	11,630
Ten Mile	57,502
Other fee lands funds	3,924
Fiscal Sponsorship Fund	9,862
DOT Mitigation Trust Fund	22,718
	<u>\$1,116,352</u>

NOTE 12. PRIOR PERIOD CORRECTION

Certain corrections of beginning net assets have been made between unrestricted and temporarily restricted categories.

NOTE 13. PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2017, Mendocino Land Trust had no permanently restricted net assets.

NOTE 14. GOVERNMENT SUPPORT

Mendocino Land Trust received a substantial amount of its operating support from state and local governments. Any significant reduction in the level of this support could affect the Land Trust's programs.

NOTE 15. IN-KIND DONATIONS

The following is a summary of in-kind donations Mendocino Land Trust received for the year ended June 30, 2017. These donations have been recorded both as revenue and expense in the financial statements. The donation of land has been capitalized and recorded on the statement of financial position.

Conservation Land	\$221,360
Stocks	5,779
Supplies	991
Services	500
	<u>228,630</u>

MENDOCINO LAND TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 16. RETIREMENT BENEFITS

Mendocino Land Trust sponsors a Simple IRA retirement plan covering qualified employees as defined. For the year ended June 30, 2017, the Land Trust contributed approximately \$326 as a matching a maximum of two percent of the eligible employee's compensation.

NOTE 17. OPERATING LEASE COMMITMENTS

Mendocino Land Trust has entered into a lease for a facility in Fort Bragg, California that is both its operating headquarters and a place for program activities. The lease term is month-to-month rent with a monthly payment of \$710.

NOTE 18. SPONSORSHIP COMMITMENT

In July 2015 Mendocino Land Trust entered into a fiscal sponsorship agreement with Friends of Point Arena-Stornetta Lands group, a start-up nonprofit aiming to spin off into their own 501(c)(3) organization. The mission of the group is protection and support of the Point Arena-Stornetta Unit of the California Coastal National Monument. All of the financial activities of the group is aggregated for the financial statement purposes. However, their funds are kept segregated in individual accounts. As of June 30, 2017, \$9,716 is available to pursue the objective for which the group is being established.

NOTE 19. CONTINGENCIES

Amounts received or receivable from federal and state government agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts, already collected, would become a liability of Mendocino Land Trust if so determined in the future.

NOTE 20. SUBSEQUENT EVENTS

Mendocino Land Trust has evaluated subsequent events through January 2, 2018, the date which the financial statements were available to be issued. No subsequent events were identified that required adjustment to or additional disclosure within the financial statement for the year ended June 30, 2017.