

MENDOCINO LAND TRUST, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

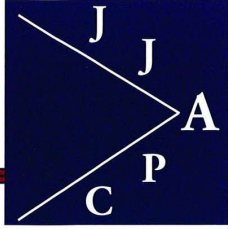


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Mendocino Land Trust, Inc.
Financial Statements
For the year ended June 30, 2022
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JJACPA, Inc.

A Professional Accounting Services Corp.

Independent Auditor's Report

Governing Board
Mendocino Land Trust, Inc.
Fort Bragg, California

Report on the Financial Statements

Opinion

We have audited the financial statements of the Mendocino Land Trust (Land Trust), which comprise the statement of financial position as of June 30, 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Land Trust as of June 30, 2022, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Land Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the Land Trust's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Governing Board
Mendocino Land Trust
Fort Bragg, California

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Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Land Trust'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 the Land Trust'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.

March 15, 2023

JJACPA, Inc.
JJACPA, Inc.
Fort Bragg, CA

Mendocino Land Trust, Inc.

Statement of Financial Position

June 30, 2022

ASSETS

Current Assets:

Cash and cash equivalents:

Unrestricted	\$ 680,349
Restricted	13,127

Accounts receivable	159,277
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Prepaid expenses and deposits	<u>3,500</u>
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Total current assets	<u>856,253</u>
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Noncurrent Assets:

Long-term investments:

Unrestricted	824,272
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Restricted	2,396,265
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Furniture, equipment and leasehold improvements, net	10,210
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Conservation lands and easements	<u>6,212,500</u>
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Total noncurrent assets	<u>9,443,247</u>
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Total assets	<u>\$ 10,299,500</u>
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LIABILITIES AND NET ASSETS

Liabilities:

Current Liabilities:

Accounts payable	\$ 2,033
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Accrued payroll and benefits	20,596
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Accrued vacation	17,226
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Unearned revenue	<u>66,629</u>
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Total current liabilities	<u>106,484</u>
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Total liabilities	<u>106,484</u>
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Net Assets:

Without donor restrictions:

Unrestricted	308,985
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Board designated	1,361,788
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Capital assets, conservation lands and easements	6,222,710
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With donor restrictions:

Purpose	<u>2,299,533</u>
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Total net assets	<u>10,193,016</u>
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Total liabilities and net assets	<u>\$ 10,299,500</u>
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The accompanying notes are an integral part of these financial statements.

Mendocino Land Trust, Inc.
Statement of Activities
For the year ended June 30, 2022

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 240,391	\$ 742,616	\$ 983,007
Contribution of real property	240,000	-	240,000
Foundation grants	21,457	-	21,457
Governmental grants	191,745	-	191,745
Program service fees	191,383	-	191,383
Other support	22,371	-	22,371
Investment income	43,139	-	43,139
Net realized and unrealized gain (loss) on investments	(138,624)	(304,922)	(443,546)
Sale of merchandise	\$ 660		
Cost of sales	(667)	-	(7)
Bequests	807,000	10,129	817,129
PPP Loan Forgiveness	77,982	-	77,982
Other revenues and gains	21,795	-	21,795
Total support and revenue	<u>1,718,632</u>	<u>447,823</u>	<u>2,166,455</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>170,305</u>	<u>(170,305)</u>	<u>-</u>
TOTAL SUPPORT, REVENUE AND NET POSITION RELEASED FROM RESTRICTIONS	<u>1,888,937</u>	<u>277,518</u>	<u>2,166,455</u>
EXPENSES			
Program and stewardship	699,371	-	699,371
Supporting services:			
Management and general	217,593	-	217,593
Fundraising	63,658	-	63,658
Total expenses	<u>980,622</u>	<u>-</u>	<u>980,622</u>
CHANGE IN NET ASSETS	<u>908,315</u>	<u>277,518</u>	<u>1,185,833</u>
NET ASSETS - Beginning of year	<u>6,985,168</u>	<u>2,022,015</u>	<u>9,007,183</u>
NET ASSETS - End of year	<u>\$ 7,893,483</u>	<u>\$ 2,299,533</u>	<u>\$ 10,193,016</u>

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

Mendocino Land Trust, Inc.
Statement of Cash Flows
For the year ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from contributions and bequests	\$ 1,800,136
Receipts from grants	179,401
Receipts from program service fees and other support	169,409
Receipts from sales of merchandise	(7)
Payments to vendors for services and supplies	(495,558)
Payments to employees for services	(497,835)
Net cash provided by operating activities	<u>1,155,546</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments	114,816
Sales of investments	(667,599)
Investment income received	43,139
Net cash provided (used) by investing activities	<u>(509,644)</u>
Net increase in cash	<u>645,902</u>

CASH AND INVESTMENTS:

Beginning of year	<u>47,574</u>
End of year	<u>\$ 693,476</u>

PRESENTATION IN STATEMENT OF NET POSITION:

Cash and cash equivalents:	
Unrestricted	\$ 680,349
Restricted	13,127
Total	<u>\$ 693,476</u>

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

(continued)

Mendocino Land Trust, Inc.
Statement of Cash Flows
For the year ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase (decrease) in net position	\$ 1,185,833
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	7,249
Investment income	(43,139)
Net realized and unrealized gain (loss) on investments	443,546
In-kind contributions	(240,000)
Changes in operating assets and liabilities:	
Accounts receivable	(111,783)
Prepays and deposits	(3,500)
Accounts payable	(21,717)
Accrued payroll and benefits	2,119
Accrued vacation	3,078
Unearned revenue	(66,140)
Net cash provided by operating activities	<u>\$ 1,155,546</u>

Supplemental disclosures

Noncash transactions	
In-kind contributions	\$ 240,000
Cash paid for:	
Interest	\$ -
Taxes	\$ 4,702

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

(concluded)

Mendocino Land Trust, Inc.
Statement of Functional Expenses
For the year ended June 30, 2022

	Program and Stewardship	Supporting Expenses		Total Supporting Expenses	Total Expenses
		Management and General	Fundraising		
Personnel expenses:					
Payroll Expenses	\$ 301,771	\$ 155,995	\$ 45,266	\$ 201,261	\$ 503,032
Total personnel costs	301,771	155,995	45,266	201,261	503,032
Fees:					
Legal	1,870	286	154	440	2,310
Accounting	-	9,900	-	9,900	9,900
Other contract services	81,466	6,540	1,700	8,240	89,706
Payroll & IT	2,133	8,337	-	8,337	10,470
Total fees	85,469	25,063	1,854	26,917	112,386
Bad debt	525	-	-	-	525
Bank charges and credit card processing	-	46	1,076	1,122	1,122
Dues and memberships	4,375	-	-	-	4,375
Software subscriptions	1,119	2,209	3,703	5,912	7,031
Repairs and maintenance	519	-	-	-	519
Trash disposal (non office)	1,077	-	-	-	1,077
Event expenses	271	-	3,047	3,047	3,318
Licenses, fees and permits	7,715	4,243	1,068	5,311	13,026
Travel expenses	2,097	886	-	886	2,983
Conferences, conventions and meetings	1,416	610	129	739	2,155
Depreciation and amortization	6,525	362	362	724	7,249
Insurance	15,967	3,308	-	3,308	19,275
Technology	1,345	740	157	897	2,242
Postage and shipping	196	721	808	1,529	1,725
Printing and publications	646	746	3,008	3,754	4,400
Staff development	-	1,430	303	1,733	1,733
Supplies	2,671	2,454	131	2,585	5,256
Volunteer and donor appreciation	1,037	559	142	701	1,738
Vehicle maintenance, insurance and fuel	7,081	839	562	1,401	8,482
Signage	6,068	793	227	1,020	7,088
Construction expenses program work	159,113	-	-	-	159,113
Mowing and maintenance contractors	3,054	40	-	40	3,094
Construction materials and small tools	17,420	401	53	454	17,874
Closing costs and escrow expenses	45,468	-	-	-	45,468
Rent	19,202	8,306	1,762	10,068	29,270
Utilities, internet and phone	1,089	6,257	-	6,257	7,346
Property taxes	4,571	131	-	131	4,702
Other expenses	1,564	1,454	-	1,454	3,018
Total expenses	\$ 699,371	\$ 217,593	\$ 63,658	\$ 281,251	\$ 980,622
Percentages	71.32%	22.19%	6.49%	28.68%	100.00%

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Organization

Mendocino Land Trust is a California non-profit public benefit corporation, as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Land Trust was 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 (LTA) 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. In August of 2022, Mendocino Land Trust was reaccredited by LTA, since this designation requires accreditation every 5 years.

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.

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 (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). 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.

Net Assets Without Donor Restrictions

Net assets without donor restrictions 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.

Net Assets With Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Mendocino Land Trust, Inc.
Notes to Financial Statements, Continued
For the year ended June 30, 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

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, if amounts are deemed uncollectible. The allowance is established based on factors such as historical experience, credit quality and the age of the account balances. At June 30, 2022, all amounts were deemed collectible with no allowance required.

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 \$5,000 to be capitalized. Those below that threshold are expenses in the period received.

Purchased fixed assets are stated at cost. Donated capital 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.

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.

Mendocino Land Trust, Inc.
Notes to Financial Statements, Continued
For the year ended June 30, 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

Conservation Lands and Easements, continued

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 recognized a contributed nonfinancial asset of real property within revenue in the amount of \$240,000. This contribution did not have donor-imposed restrictions. The contributed real property will be sold and is located east of the City of Fort Bragg. The estimated FMV was obtained by an appraisal.

Under the provisions of the Cares Act, we are eligible for a refundable employee retention credit subject to certain criteria. In connection with the Cares Act, Mendocino Land Trust adopted a policy to recognize the credit of \$103,354 in government grants in the Statement of Activities and a current receivable for the Employment Retention Credit amount of \$103,354 in the Statement of Financial Position.

Mendocino Land Trust entered into a promissory note which provided for a PPP loan in the amount of \$77,982 pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act signed into law on March 27, 2020. On July 8, 2021, this loan was forgiven and has been recorded in Other Income in the Statement of Activities.

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

Mendocino Land Trust, Inc.
Notes to Financial Statements, Continued
For the year ended June 30, 2022

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.

Unearned revenue

The balance of the unearned revenue 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 unearned revenue account at the balance sheet date is \$66,629.

Advertising

Costs incurred for advertising are charged to expenses as incurred. Total advertising costs were \$138 for the year ended June 30, 2022.

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued**

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, 2022, 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.

2. LIQUIDITY AND AVAILABILITY

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

Mendocino Land Trust, Inc.
Notes to Financial Statements, Continued
For the year ended June 30, 2022

	<u>2022</u>	<u>2021</u>
Financial assets at June 30:		
Cash and cash equivalents	\$ 693,476	\$ 47,574
Accounts receivable	55,923	47,494
Investments	<u>3,220,537</u>	<u>3,111,300</u>
Total financial assets	<u>3,969,936</u>	<u>3,206,368</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(2,299,533)</u>	<u>(2,022,015)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,670,403</u>	<u>\$ 1,184,353</u>

Although the Mendocino Land Trust does not intend to spend from the board-designated funds of \$1,361,788, these amounts could be made available if necessary and are included in the \$1,670,403 above.

3. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

The following is a summary of changes for furniture, equipment, and leasehold improvements as of June 30, 2022:

	<u>July 1, 2021,</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>
Depreciable assets:				
Autos	\$ 36,248	\$ -	\$ -	\$ 36,248
Total depreciable assets	36,248	-	-	36,248
Total accumulated depreciation	<u>(18,789)</u>	<u>(7,249)</u>	<u>-</u>	<u>(26,038)</u>
Net depreciable assets	<u>17,459</u>	<u>(7,249)</u>	<u>-</u>	<u>10,210</u>
Total capital assets	<u>\$ 17,459</u>	<u>\$ (7,249)</u>	<u>\$ -</u>	<u>\$ 10,210</u>

Depreciation expense charged to operations for the year ended June 30, 2022, is \$7,249.

4. FAIR MARKET VALUE AND INVESTMENTS

FASB ASC 820 established 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;

Mendocino Land Trust, Inc.
Notes to Financial Statements, Continued
For the year ended June 30, 2022

- 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.

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.

4. FAIR MARKET VALUE AND INVESTMENTS, Continued

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, 2022:

Description	Cost Basis	Fair Market Value Using		
		Level 1	Level 2	Level 3
Money market funds	\$567,116	\$661,248	-	-
Mutual funds	1,578,084	1,471,763	-	-
	<u>\$2,145,200</u>	<u>\$2,133,011</u>	<u>\$-</u>	<u>\$-</u>
Presented in the Statement of Financial Position – Long-term investments				
Unrestricted		\$ 824,272		
Restricted		<u>2,396,265</u>		
		<u>\$3,220,537</u>		

Mendocino Land Trust, Inc.
Notes to Financial Statements, Continued
For the year ended June 30, 2022

5. 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.

5. CONSERVATION LANDS AND EASEMENTS, Continued

Conservation lands held as of June 30, 2022, 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, 2022, 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)

Mendocino Land Trust, Inc.
Notes to Financial Statements, Continued
For the year ended June 30, 2022

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)
15	2014	Gordon/Potter Valley

5. CONSERVATION LANDS AND EASEMENTS, Continued

Conservation easements held as of June 30, 2022, continued

16	2015	Brush Creek
17	2018	Smith Family Conservation Easement
18	2019	Lovers Lane
19	2019	Trout Creek
20	2019	Alder Creek
21	2021	R&R Ranch
22	2021	Weiss
23	2021	Rosen
24	2021	Ayres
25	2022	Eel River

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 one hundred-two public access easements granted between June 1996 and July 2021 to preserve the public’s right to access the California coast.

6. VACATION LIABILITY

Mendocino Land Trust provides for vacation benefits at a rate of 10 days accrued for full-time employees having 0-2 years of tenure, 15 days accrued for employees with 3 to 5 years of tenure and 20 days for 6

Mendocino Land Trust, Inc.
Notes to Financial Statements, Continued
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or more years of tenure. Part-time employees accrue days based upon their hours worked at a pro rata.

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amount in accordance with the days accrued for full-time employees in accordance with the current policy. As of June 30, 2022, the vacation benefit liability is \$17,226.

7. BOARD DESIGNATED NET ASSETS

The Land Trust Board of Directors has designated portions of unrestricted net assets as an Operating Reserve fund of \$311,249 and a Stewardship Reserve Fund of \$1,050,539 that the Board may use for whatever it chooses in conjunction with the Trust’s exempt purpose. Current designations are for land, land preservation and other conservation projects. The balance of the fund as of June 30, 2022, in total, is \$1,361,788.

8. RESTRICTED NET ASSETS

At June 30, 2022, the restricted net assets of the organization were as follows:

Easement Stewardship & Legal Defense Fund	\$1,467,354
Noyo River Redwoods Fund	638,686
Fee Land Stewardship & Legal Defense Funds:	
Hare Creek	1,224
Ten Mile	67,472
Coastal Beach Access	9,208
DOT Mitigation Trust Fund	12,827
Intern Program Fund	16,776
Redwood Protection and Restoration Fund	85,986
	\$2,299,533

9. 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 and ability to maintain operations at their current level.

10. RETIREMENT BENEFITS

Mendocino Land Trust sponsors a Simple IRA retirement plan covering qualified employees as defined by their Personnel Policy. For the year ended June 30, 2022, the Land Trust contributed \$7,209 as a matching contribution of three percent of the eligible employee’s compensation.

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11. 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 for three-years rent with a monthly payment of \$2,558 ending July 31, 2024. Present value of the minimum lease payments is as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 15,348
2023	30,696
2024	<u>17,906</u>
Total	\$ 63,950

12. CONTINGENCIES

As of June 30, 2022, Mendocino Land Trust did not have any pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements.

13. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2021, FASB issued ASU 2021-10 - *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*. These amendments are expected to increase transparency in financial reporting by requiring business entities to disclose information about certain types of government assistance they receive. The amendments require the following annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy to other accounting guidance such as a grant model within FASB Accounting Standards Codification Topic 958, Not-for-Profit (NFP) Entities, Accounting for Government Grants and Disclosure of Government Assistance: (1)-Information about the nature of the transactions and the related accounting policy used to account for the transactions; (2)-The line items on the balance sheet and income statement that are affected by the transactions, and the amounts applicable to each financial statement line item; and (3)-Significant terms and conditions of the transactions, including commitments and contingencies. ASU No. 2021-10 is effective for financial statements issued for annual periods beginning after December 15, 2021, for all entities except not-for-profit entities and employee benefit plans within the scope of Topics 960, 962, and 965 on plan accounting. The Land Trust has implemented Topic 832 and has adjusted the presentation of these financial statements accordingly.

In September 2020, FASB issued ASU 2020-07 - *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by NFP Entities for Contributed Nonfinancial Assets*. The amendments in this Update apply to NFP that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The amendments address presentation and disclosure of contributed nonfinancial assets. The main provisions in this amendment require that a NFP (1) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash

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and other financial assets. (2) Also, a NFP discloses a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets. The impact of adopting this guidance is reflected in the financial statements and did not have a significant impact on the financial statement disclosures.

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). Under ASU 2016-02, a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-to-use asset representing its right to use the underlying asset for the lease term. The amendments of this ASU are effective for reporting periods beginning after December 15, 2021. The Land Trust will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Management is currently assessing the impact the adoption of ASU 2016-02 will have on its financial statements and disclosures.

13. SUBSEQUENT EVENTS

Mendocino Land Trust has evaluated subsequent events through August 1, 2023, the date which the financial statements were available to be issued. The COVID-19 pandemic in the United States has caused business disruption and a reduction in economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Land Trust's operations and the financial position. Any financial impact to the Land Trust cannot be reasonably estimated at this time. On December 28, 2022, Mendocino Land Trust received a restricted donation to the Redwood Protection and Restoration Fund in the form of transferred securities valued at \$693,494. These securities will be presented in the financial statements for the fiscal year ended June 30, 2023, in Restricted Cash and Investments. A subsequent valuation was completed on the contributed nonfinancial asset of real property in the amount of \$116,000. The original valuation recorded in contributions in the financial statements is \$240,000.