

**DONNA COHEN**  
Certified Public Accountant

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**Marin Agricultural Land Trust**

**Financial Statements &**

**Independent Auditor's Reports**

**for the year ended**

**June 30, 2011**

**DONNA COHEN**  
Certified Public Accountant

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### Independent Auditor's Report

To the Board of Directors  
Marin Agricultural Land Trust  
Point Reyes Station, California

I have audited the accompanying statement of financial position of Marin Agricultural Land Trust (MALT), a nonprofit corporation, as of June 30, 2011 and the related statements of activity and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit. The prior year summarized comparative information has been derived from MALT's June 30, 2010 financial statements and, in my report dated September 25, 2010, I expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MALT, as of June 30, 2011, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

September 26, 2011

  
Certified Public Accountant

**Marin Agricultural Land Trust**  
**Statement of Financial Position**  
**June 30, 2011**  
**With Comparative Totals for June 30, 2010**

	UNRESTRICTED			TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	June 30, 2011	June 30, 2010
	Operating	Land Preservation	Board Designated Endowment			Total	Total
<b>ASSETS</b>							
Current Assets:							
Cash & equivalents (Note 3)	\$158,261	\$67,920	\$9,587	\$235,768		\$235,768	\$397,197
Marketable securities (Notes 4, 10)	359,240	4,063,060		4,422,300		4,422,300	4,147,743
Accounts receivable	235	2,942		3,177		3,177	18,443
Grants receivable, current		403,600		403,600	\$203,388	606,988	210,000
Pledges receivable, net, current portion (Note 5)			1,000	1,000	17,000	18,000	85,500
Bequests receivable				0		0	16,297
Note receivable & accrued interest, current (Note 6)		256,677		256,677		256,677	243,596
Inventory	22,278			22,278		22,278	27,276
Prepaid expenses	23,821	22,472	455	46,748		46,748	49,384
Option to purchase conservation easement (Note 7)		310,000		310,000		310,000	0
Interfund Receivable (Payable), current	(77,785)	(81,697)	(4,630)	(164,112)	194,060	(29,948)	0
Total current assets	486,050	5,044,974	6,412	5,537,436	414,448	5,921,936	5,195,436
Grants receivable, long-term				0	10,000	10,000	20,000
Pledges receivable, net, long-term (Note 5)			2,775	2,775	47,177	49,952	10,890
Marketable securities, held for long-term (Notes 4, 10)			1,566,201	1,566,201	4,448,301	6,014,502	5,036,343
Construction in progress	28,530			28,530		28,530	20,322
Property & equipment, net (Note 8)	1,066,264		6,073	1,072,337		1,072,337	1,099,795
Beneficial interest in charitable remainder trust, net (Notes 9,10,19)				0	279,294	279,294	249,122
Beneficial interest in charitable gift annuities, net (Notes 9,10,19)				0	184,816	184,816	69,508
Conservation easements (Note 2)		67		67		67	66
<b>TOTAL ASSETS</b>	<b>\$1,580,844</b>	<b>\$5,045,041</b>	<b>\$1,581,461</b>	<b>\$8,207,346</b>	<b>\$935,735</b>	<b>\$13,561,434</b>	<b>\$11,701,482</b>
<b>LIABILITIES &amp; NET ASSETS</b>							
Current Liabilities:							
Accounts payable	\$54,849		\$480	\$55,329		\$55,329	\$72,879
Accrued vacation pay	50,594			50,594		50,594	35,635
<b>TOTAL LIABILITIES</b>	<b>105,443</b>	<b>0</b>	<b>480</b>	<b>105,923</b>	<b>0</b>	<b>105,923</b>	<b>108,514</b>
Net Assets:							
Unrestricted	1,475,401	5,045,041	\$1,580,981	8,101,423		8,101,423	6,524,301
Temporarily restricted (Note 11)				0	\$935,735	935,735	650,314
Permanently restricted (Note 13)				0	\$4,418,353	4,418,353	4,418,353
<b>TOTAL NET ASSETS</b>	<b>1,475,401</b>	<b>5,045,041</b>	<b>1,580,981</b>	<b>8,101,423</b>	<b>935,735</b>	<b>13,455,511</b>	<b>11,592,968</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$1,580,844</b>	<b>\$5,045,041</b>	<b>\$1,581,461</b>	<b>\$8,207,346</b>	<b>\$935,735</b>	<b>\$13,561,434</b>	<b>\$11,701,482</b>

See accompanying notes to financial statements and independent auditor's report.

**Marin Agricultural Land Trust**  
**Statement of Activity and Changes in Net Assets**  
**For the Year Ended June 30, 2011**  
**With Comparative Totals For the Year Ended June 30, 2010**

	UNRESTRICTED			TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	June 30, 2011	June 30, 2010
	Operating	Land Preservation	Board Designated Endowment	Total		Total	Total
Support & revenue:							
Grants	\$30,000	\$383,600	\$5,000	\$413,600	\$1,433,077	\$1,846,677	\$2,309,332
Contributions	1,213,249	50		1,218,299	2,075,021	3,293,320	1,550,663
Contribution - Charitable remainder trust			0	0		0	142,007
Contributions - Charitable gift annuities			113,054	113,054	116,990	116,990	0
Bequests	3,738		1,500	5,238		5,238	164,175
In-kind revenue							131
Net assets released from restriction							
Satisfaction of donor restrictions (Note 12)	441,510	2,956,595		3,398,105	(3,398,105)	0	0
Change in value of charitable remainder trusts			0	0	30,172	30,172	28,859
Change in value of charitable gift annuities			0	0	(1,682)	(1,682)	(7,584)
Change in value of easement option (Note 7)		310,000		310,000		310,000	0
Commission income - Landscape art sales	65,483			65,483		65,483	74,213
Education program	41,421			41,421		41,421	52,815
Merchandise sales	5,032			5,032		5,032	8,748
Special events	18,054			18,054		18,054	23,540
Interest & dividends	12,990	173,785	125,126	311,901		311,901	216,026
Gain (loss) on investments (Note 4)	603	(11,124)	919,566	909,045	29,948	938,993	363,234
Other				0		0	1,635
Total support & revenue	1,832,080	3,812,906	1,164,246	6,809,232	285,421	7,094,653	4,927,794
Expenses (Page 4):							
Programs	1,226,743	3,056,627	18,447	4,301,817		4,301,817	4,604,679
General & administration	348,797	12	1,544	350,353		350,353	365,981
Fundraising	567,440	20	12,480	579,940		579,940	521,264
Total expenses	2,142,980	3,056,659	32,471	5,232,110	0	5,232,110	5,491,924
CHANGE IN NET ASSETS	(310,900)	756,247	1,131,775	1,577,122	285,421	1,862,543	(564,130)
NET ASSETS, JULY 1ST	1,579,142	4,288,794	656,365	6,524,301	650,314	11,592,968	12,157,098
Interfund Transfers	207,159		(207,159)	0	0	0	0
NET ASSETS, JUNE 30TH	\$1,475,401	\$5,045,041	\$1,580,981	\$8,101,423	\$935,735	\$13,455,511	\$11,592,968

See accompanying notes to financial statements & independent auditor's report.

Marin Agricultural Land Trust

Statement of Functional Expenses  
for the Year Ended June 30, 2011  
With Comparative Totals for the Year Ended June 30, 2010

	Programs	General & Administrative	Fundraising	06/30/11 Total	(Note 2) 06/30/10 Total
Salaries	\$511,268	\$196,050	\$299,109	\$1,006,427	\$922,887
Payroll taxes	40,257	15,437	23,552	79,246	75,100
Benefits	65,593	22,291	32,975	120,859	88,976
Advertising	2,168	1,191	4,695	8,054	1,052
Education programs	36,054			36,054	39,268
Special events	5,794	6,079	44,430	56,303	58,671
Travel	12,358	4,756	1,672	18,786	16,886
Printing	2,623	15	57,228	59,866	44,721
Legal		7,017		7,017	39,760
Dues & subscriptions	24,974	2,881	11,917	39,772	44,782
Consultants & contractors	460,392	44,090	31,280	535,762	400,358
Accounting		17,050		17,050	17,213
Telephone	2,669	1,024	1,561	5,254	5,305
Occupancy	9,846	3,776	5,760	19,382	18,768
Postage	1,629	2,443	12,218	16,290	16,432
Cost of merchandise sold	3,297	1,264	1,929	6,490	7,784
Direct mail			12,558	12,558	13,310
Office supplies	13,670	5,242	8,054	26,966	26,553
Insurance	8,692	3,332	5,085	17,109	16,282
Conferences & training	4,765	1,278	2,824	8,867	18,045
Easement acquisition	2,954,298			2,954,298	3,230,462
Other easement-related expenses				0	321,848
Stewardship assistance program	100,000			100,000	1,749
Grants & contributions	1,864	715	1,091	3,670	1,052
Depreciation	24,585	9,427	14,384	48,396	47,411
Other	15,021	4,995	7,618	27,634	17,249
<b>Total Expenses</b>	<b>\$4,301,817</b>	<b>\$350,353</b>	<b>\$579,940</b>	<b>\$5,232,110</b>	<b>\$5,491,924</b>

See accompanying notes to financial statements  
and independent auditor's report.

# Marin Agricultural Land Trust

## Statement of Cash Flows for the year ended June 30, 2011 With Comparative Totals for June 30, 2010

	<u>2011</u>	<u>2010</u> <u>(Note 2)</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$1,862,543	(\$564,130)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	48,396	47,411
Loss on disposal of fixed assets	554	0
Gain on securities	(938,993)	(363,234)
Bequest income restricted for permanent investment	0	0
Contributions of split-interest agreements	(116,990)	(142,007)
Change in value of split-interest agreements	(28,490)	(21,275)
Change in value of option to purchase conservation easement	(310,000)	312,848
Interest accrued on note receivable	(13,081)	(12,518)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	15,266	(14,252)
Decrease (increase) in grants receivable	(386,988)	(190,000)
Decrease (increase) in pledges receivable	28,438	118,897
Decrease (increase) in bequests receivable with no long-term restrictions	16,297	253,914
Decrease (increase) in prepaid expenses	(5,572)	16,002
Decrease (increase) in inventory	4,998	6,632
(Increase) in conservation easements	1	(3)
Increase (decrease) in accounts payable	(17,550)	55,651
Increase (decrease) in accrued vacation pay	14,959	(2,790)
Cash provided (used) by operating activities:	<u>173,788</u>	<u>(498,854)</u>
<b>Cash flows from investing activities:</b>		
Purchase of fixed assets	(21,494)	(5,373)
Purchase of securities for permanent investment	0	(70,862)
Purchase of other securities	(313,723)	(4,680,687)
Cash provided (used) by investing activities	<u>(335,217)</u>	<u>(4,756,922)</u>
<b>Cash flows from financing activities:</b>		
Bequest collected for permanent investment	0	70,862
Cash provided (used) by financing activities	<u>0</u>	<u>70,862</u>
<b>Cash provided (used) during year</b>	<u>(161,429)</u>	<u>(5,184,914)</u>
Cash & equivalents, July 1st	397,197	5,582,111
Cash & equivalents, June 30th	<u>\$235,768</u>	<u>\$397,197</u>

See accompanying notes to financial statements  
and independent auditor's report.

# Marin Agricultural Land Trust

## Notes to Financial Statements

June 30, 2011

### 1. The Organization

#### Nature of activities

Marin Agricultural Land Trust (MALT), a California nonprofit corporation, was created in 1980 by a coalition of local ranchers and environmentalists to help save Marin County's agricultural land. MALT acquires, in voluntary transactions with landowners, agricultural conservation easements. In addition, the Trust encourages public policies in support of agriculture, and conducts hikes, tours, and lectures relating to agriculture. MALT is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and Franchise Tax Board section 23701(d).

#### Funding

Operations are funded by support from members and donors, as well as grants from the Marin Community Foundation and the County of Marin. In addition, MALT's investments generate income. Easement acquisitions are funded by individual donations, grants from government agencies, and grants from charitable foundations.

### 2. Summary of Significant Accounting Policies

#### Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted net assets**, which includes resources not subject to donor-imposed restrictions. Within this fund, the Board of Directors has designated funds for *Land Preservation*, resources intended for the purchase of agricultural conservation easements and related costs, and *Endowment*, funds invested with income available to fund easement monitoring and enforcement costs, and other program expenses.

**Temporarily restricted net assets**, which includes resources subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

**Permanently restricted net assets**, which includes resources subject to donor-imposed restrictions that require permanent investment by the Organization.

#### Accounting for Restricted Support

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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.

#### Cash & Cash Equivalents

Cash & equivalents include funds on deposit with banks as well as money market funds held with investment brokerage firms. All accounts are immediately accessible.

#### Marketable Securities

Investments, consisting primarily of mutual funds, are carried on the books at fair value as discussed in Note 4. All of the Organization's investments are traded in an active market on a national exchange. Accordingly, the price quoted by the exchange determines fair value.

(continued)

# Marin Agricultural Land Trust

## Notes to Financial Statements

June 30, 2011

(continued)

### Grants Receivable

Grants receivable are reported at the amount management expects to receive from contributors. Conditional grants are recorded when the respective donor conditions are met. The vast majority of grants receivable are due within one year of the balance sheet date. As such, there is no present value discount.

### Pledges Receivable

Pledges receivable are recorded when pledges are received. Pledges to be received beyond one year are discounted to their present value.

### Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents and receivables approximate fair value because of the short maturity of these instruments. The carrying amounts of long-term pledges receivable approximate fair value as these receivables are discounted to present value.

### Inventory

Inventory, valued at cost, consists of hats, tote bags, books, note cards, and landscape paintings. All items are related to MALT's mission, and are available for sale to the public.

### Property & Equipment

Fixed assets, stated at cost, consist of an office building, office furnishings and equipment, vehicles, software and a website. Items with an initial cost at least \$1,000 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from three to 31.5 years.

### Notes Receivable

Notes receivable are carried at unpaid principal balances, plus accrued interest to date. Interest on notes is recognized over the term of the loan and is compounded semiannually.

### Conservation Easements

As they are not salable commodities, conservation easements held by MALT have only a nominal value and are carried on the books at \$1 each. During the year of acquisition, grants and contributions received for this purpose are recorded as revenue while acquisition expenditures are, likewise, recorded as expenses of the Land Preservation Fund.

MALT currently holds 67 easements. Since MALT's inception in 1980, \$50,708,576 has been spent on easement acquisition.

### Functional Expenses

MALT allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific activity or support service are allocated directly. Expenses that are common to several functions are allocated according to a formula based on the respective amount of staff time spent on the various functions.

### Advertising

MALT uses advertising to promote its programs among the audiences it serves. All advertising costs are expensed as incurred.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(continued)



# Marin Agricultural Land Trust

## Notes to Financial Statements June 30, 2011

(continued)

### Comparative Data

The financial statement information for the year ended June 30, 2010 presented for comparative purposes, is not intended to be a complete financial statement presentation. For a complete presentation, please refer to the financial statements for that year.

### Reclassifications

Certain amounts in the June 30, 2010 financial statements have been reclassified to conform to the June 30, 2011 presentation.

### 3. Cash & Equivalents

Cash and equivalents at June 30, 2011 consist of the following:

Savings accounts	\$118,888
Checking accounts	110,897
Brokerage money market accounts	5,818
Petty cash	<u>165</u>
	\$235,768

### 4. Marketable Securities

Marketable securities held by MALT at June 30, 2011 are as follows:

	Available for Operations (Current)	Board-Designated Endowment	Donor-Restricted Endowment	Total
Bond mutual funds	\$4,422,300	\$607,242	\$1,233,959	\$6,263,501
Equity funds		\$958,959	3,106,094	\$4,065,053
Commodity-linked derivative funds			<u>108,248</u>	<u>108,248</u>
Total marketable securities	\$4,422,300	\$1,566,201	\$4,448,301	\$10,436,802

Components of investment income:

Realized gains (losses) on investments	(\$90,100)
Unrealized gains (losses) on investments	1,029,093
Dividends & interest from securities	<u>311,901</u>
	\$1,250,894

In accordance with the *Uniform Prudent Management of Institutional Funds Act (UPMIFA)* and FASB ASC #958-205-45, investment income, realized and unrealized gains generated by permanently restricted assets are reported as temporarily restricted until they are appropriated for expenditure. Investment losses on permanently restricted assets reduce the unappropriated endowment earnings in temporarily restricted net assets. Any additional losses reduce unrestricted net assets. Subsequent gains shall then replenish unrestricted net assets for the previous losses. Once the unrestricted losses have been replenished, future gains shall be recorded as temporarily restricted.

Earnings of the Board-Designated Endowment are recorded as unrestricted in that fund.

# Marin Agricultural Land Trust

## Notes to Financial Statements June 30, 2011

### 5. Pledges Receivable

Pledges receivable due within a year are stated at face value, while amounts due after one year are discounted to present value using an interest rate of 4%. It is management's opinion that all contributions receivable are fully collectible. As such, no allowance for doubtful accounts has been made.

	Due in <u>1 year</u>	Due in <u>1 – 5 years</u>	<u>Total</u>
Gross Pledges Receivable	\$18,000	\$54,000	\$72,000
Discount to Present Value	<u>0</u>	(4,048)	(4,048)
Pledges receivable, net	\$18,000	\$49,952	\$67,952

### 6. Note Receivable

In August 2007, MALT made a \$210,000 loan secured by real property. The amount shown on the statement of financial position includes the note principal and interest earned to date (at 5.03% per annum). The note and accrued interest are repayable in August 2011. Also see Note 7 for discussion of MALT's *Option to Purchase Conservation Easement* on this property, and Note 21 as to the easement acquisition.

### 7. Option to Purchase Conservation Easement

In August 2007, MALT acquired an Option to Purchase a Conservation Easement on a local ranch. The terms of the option agreement call for a series of payments by MALT to the ranch owner over the course of a four-year period, totaling \$312,848. At the end of that period, MALT could purchase the easement for \$2,430,000, the estimated fair value of the conservation easement as of August 2007.

As of June 30, 2010, based on an updated appraisal, the estimated fair value of the conservation easement had decreased to approximately \$1.6 million. As a result, the option no longer had economic value and was written down to \$0. In March 2011, the easement was reappraised at a value of \$2,329,500. This resulted in an increase in the option's fair value to \$310,000. This increase is reflected in the statement of activity as a *Change in Value of Easement Option*. See Note 21 regarding the easement acquisition.

### 8. Property & Equipment

Fixed assets as of June 30, 2011 consist of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$462,582		\$462,582
Office Building & Improvements	672,719	\$113,606	559,113
Furnishings & Equipment	74,735	45,495	29,240
Vehicle	18,000	15,617	2,383
Website and other software	<u>65,428</u>	<u>46,409</u>	<u>19,019</u>
Total	\$1,293,464	\$221,127	\$1,072,337

# Marin Agricultural Land Trust

## Notes to Financial Statements

June 30, 2011

### 9. Beneficial Interests in Split-Interest Agreements

MALT was named as long-term beneficiary in two irrevocable charitable remainder trusts (CRTs) and five irrevocable charitable gift annuities (CGAs) whereby donors have contributed assets in exchange for annual distributions to named individuals. These distributions are based on the value of the gift instruments' underlying assets and the earnings thereof. Following the deaths of the specified individuals, a percentage of the remaining principal will be distributed to MALT, with the remaining earmarked for other charities.

The CRTs are maintained by third-party trustees, while the CGAs are managed by foundations. The amount recorded on the books represents the projected future fair value of MALT's interest in these instruments discounted to present value using an interest rate of 6%. On an annual basis, MALT revalues its beneficial interest in each instrument based on applicable life expectancy tables published by the Internal Revenue Service and the Centers for Disease Control. Since there is an implied time restriction, the beneficial interests are classified as temporarily restricted.

### 10. Fair Value Measurements

MALT has valued its investments in accordance with FASB ASC #820, which establishes a framework for measuring fair value in accordance with generally accepted accounting principles. The Statement clarifies the definition of fair value, taking the position that fair value is the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

There are three defined levels in the fair value hierarchy:

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date
- Level 2 - Prices or valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities
- Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable (i.e. supported by little or no market activity)

Fair values of assets measured on a recurring basis at June 30, 2011 are as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable Securities	\$10,436,802	\$10,436,802		
Beneficial Interests in:				
Charitable Remainder Trust	279,294			\$279,294
Charitable Gift Annuities	<u>184,816</u>			<u>184,816</u>
Total	\$10,900,912	\$10,436,802		\$464,110

(continued)

# Marin Agricultural Land Trust

## Notes to Financial Statements June 30, 2011

(continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Charitable Remainder Trusts	Charitable Gift Annuities	Total
July 1, 2010	\$249,122	\$69,508	\$318,630
Contributions	0	116,990	116,990
Total gains or losses (realized & unrealized)	<u>30,172</u>	<u>(1,682)</u>	<u>28,490</u>
June 30, 2011	\$279,294	\$184,816	\$464,110

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices for identical assets in active markets. Fair value for split-interest agreements (level 3) is determined by calculating the present value of the future distributions expected to be received, using published life expectancy tables and a 6% discount rate.

The current year gains and losses of these split-interest agreements (shown above) are included in temporarily restricted net assets and reflected on the statement of activity as *Change in Value of Charitable Remainder Trusts* and *Change in Value of Charitable Gift Annuities*, respectively.

### 11. Temporarily Restricted Net Assets

Temporarily restricted net assets represent donations, grants, and gifts to MALT, which have been restricted for a specific purpose, as follows:

Charitable Remainder Trusts - implied long-term time restriction (Note 9)	\$279,295
Marin Carbon Project	239,232
Charitable Gift Annuities - implied long-term time restriction (Note 9)	184,816
Easement acquisition	133,210
Distaff Thistle project	47,704
General support for future periods	29,948
To produce a manuscript on the history of the Point Reyes Peninsula	15,000
Feasibility study - tax issues for easement properties	4,425
Other	<u>2,105</u>
	<u>\$935,735</u>

# Marin Agricultural Land Trust

## Notes to Financial Statements

June 30, 2011

### 12. Net Assets Released from Restriction

During the fiscal year, donor restrictions were satisfied, and net assets released from restriction, as follows:

Agricultural conservation easements	\$2,954,299
Marin Carbon Project	388,621
To produce a manuscript on the history of the Point Reyes Peninsula	15,000
Farm Field Studies program	12,700
Strategic planning	10,000
Landowners' Dinner	5,000
Multi-media equipment	2,500
Other	<u>9,985</u>
	\$3,398,105

### 13. Endowment Funds

The Organization's endowments consist of a donor-restricted endowment as well as funds designated by the Board of Directors to function as an endowment (together the "Fund"). As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the MALT Board has adopted a policy that permanently restricted funds be valued at the date received by MALT and remain fixed at that value, absent explicit donor stipulations to the contrary.

**Spending Policy:** The amount available for expenditure is 4.5% of the average value of the Fund over the preceding twelve quarters. Unrestricted funds may be transferred for expenditure monthly; amounts from permanently restricted funds in excess of their original, fixed value may be transferred for expenditure semi-annually or as otherwise directed by the donor. The Board may direct the transfer of unrestricted funds in excess of a target balance to other MALT purposes. Distributions from permanently restricted funds in excess of 7% of the fair market value of those funds, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure is made, are ordinarily deemed imprudent.

**Investment Policy:** MALT is committed to managing the Fund in accordance with the restrictions of donors, if any, and UPMIFA; to preserving the purchasing power of the Fund, and to realizing a long-term average real rate of return sufficient to meet Fund purposes.

*Capital Preservation* – Maintain the purchasing power (value) of the Fund with respect to the prevailing rate of inflation (Consumer Price Index- CPI).

*Rate of Return* – Attain "real" growth by a long-term average rate of return greater than the prevailing rate of inflation and competitive with market opportunities.

*Risk* – Minimize risk (the variability of returns) for the expected rate of return by investing in a diversified portfolio of funds, securities and asset classes, and maintaining sufficient liquidity to meet planned expenditures.

(continued)

# Marin Agricultural Land Trust

## Notes to Financial Statements

June 30, 2011

(continued)

*Fiduciary Standards* – Invest Fund assets in a manner consistent with UPMIFA’s standards, managing and investing funds in good faith and with the care an ordinary prudent person in a like position would exercise under similar circumstances.

Endowment Net Asset Composition by Type of Fund as of June 30, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$29,948	\$4,418,353	\$4,448,301
Board-designated endowment funds	<u>\$1,580,981</u>	—	0	<u>1,580,981</u>
Total	\$1,580,981	\$29,948	\$4,418,353	\$6,029,282

Changes in endowment net assets as of June 30, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$656,365	\$0	\$4,418,353	\$5,074,718
Contributions and bequests	119,554			119,554
Investment return				
<i>Board-designated endowment fund</i>	265,719			265,719
<i>Donor-restricted endowment fund</i>	<u>778,973</u>	<u>29,948</u>		<u>808,921</u>
Total investment return	1,044,692	29,948		1,074,640
Appropriation of endowment net assets for expenditure	(32,471)			(32,471)
Other transfers from board-designated endowment to operating fund	<u>(207,159)</u>			<u>(207,159)</u>
Endowment net assets, end of year	\$1,580,981	\$29,948	\$4,418,353	\$6,029,282

Components of Endowment Funds’ Investment Return:

Dividends & interest on securities	\$125,126			\$125,126
Realized and unrealized gains & losses	<u>919,566</u>	<u>\$29,948</u>		<u>949,514</u>
Total	\$1,044,692	\$29,948		\$418,386

#### 14. Retirement Plan

MALT has a SEP IRA retirement plan. Plan expense was \$28,875 for the 10/11 fiscal year.

#### 15. Concentration of Investment Risk

MALT has invested \$10,442,621 in several mutual funds invested in multiple fixed income, equity and asset allocation portfolios. This group of diversified funds is subject to market fluctuation. Management believes that the investment portfolio is adequately diversified.

# Marin Agricultural Land Trust

## Notes to Financial Statements

June 30, 2011

### 16. Quasi-Endowment Fund with Marin Community Foundation

MALT is the beneficiary to "The Fund to Preserve Marin Agriculture: A Component Fund of the Marin Community Foundation." The purpose of the fund is to accept contributions and, with the advice of the MALT Board of Directors, to distribute funds to support MALT's activities and programs. As Marin Community Foundation retains control over the fund, it is not recorded on MALT's books. The market value of this fund at June 30, 2011 is \$76,288.

### 17. Commitments – Contractual Obligations

#### Marin Carbon Project

As part of the Marin Carbon Project, MALT has engaged a university to conduct carbon sequestration research. Under the terms of the contract, MALT must pay \$356,777 for work to be performed from March 2011 through February 2012. As of June 30, 2011, half of this amount had been incurred as an expense and paid, with the remaining \$178,388 due in fiscal year 2011-2012.

#### Office Building Expansion

On June 30, 2011, MALT signed a contract for \$205,117 for construction of its planned office building expansion.

### 18. Gain Contingency – Unrecorded Beneficial Interest in Charitable Trust

During the 10/11 fiscal year, MALT was informed that it has an irrevocable beneficial interest in a charitable remainder trust. As of the date that the June 30, 2011 financial statements were available to be issued, the trustee had not released information sufficient to calculate MALT's beneficial interest. As such, MALT's interest is not reflected in its financial statements.

### 19. Significant Estimates – Charitable Remainder Trusts and Gift Annuities

The amounts recorded on the books are based on certain actuarial assumptions and future investment performance projections (as indicated in Note 9). Although these estimates appear reasonable, the actual amount realized by MALT could differ from the amount recorded on the books.

### 20. Related Party Transaction

In May 2011, MALT purchased an agricultural easement from a group of landowners, including one whose daughter-in-law serves on MALT's board of directors. The easement purchase price of \$2,913,400 was determined by an independent real estate appraiser, and the board member, following MALT's conflict of interest policy, did not participate in the decision to purchase the easement. The decision to purchase the easement was approved by MALT's board of directors.

# Marin Agricultural Land Trust

## Notes to Financial Statements June 30, 2011

### 21. Subsequent Events

#### Acquisition of Conservation Easement

In August 2011, MALT purchased a conservation easement on the land referenced in Note 6 and 7. The balance of the note receivable (Note 6) and the value of the easement option (Note 7) were applied in full to the purchase price of \$2,329,500.

#### Management's Review

Management has reviewed subsequent events through September 26, 2011, which is the date the financial statements were available to be issued.