



MARIN AGRICULTURAL LAND TRUST

Financial Statements

For the Year Ended
JUNE 30, 2014
With Independent Auditors' Report

MARIN AGRICULTURAL LAND TRUST

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

June 30, 2014

Mission and Core Values

Marin Agricultural Land Trust is a private, member-supported non-profit organization created in 1980 by a coalition of ranchers and environmentalists to permanently preserve Marin County farmland for agricultural use. MALT eliminates the development potential on farmland through the acquisition of conservation easements in voluntary transactions with landowners. MALT also promotes public awareness and encourages policies which support and enhance agriculture.

History

In the early 1970s, increased coastal development and plans for a city with a population of 125,000 people on the shores of Tomales Bay were just some of the ideas being proposed for the future of western Marin County, located about 40 miles north of San Francisco. The developments would have ended a 150-year-old tradition of family farming and permanently degraded many of the natural resource treasures of the area, but change seemed inevitable.

In a unique alliance, Marin ranchers and environmentalists came together to fight the development proposals. Ranching was given a second chance through a combination of restrictive zoning, land use regulations, active support for ranching by County government, and the establishment of Marin Agricultural Land Trust's (MALT) agricultural conservation easement program. "We felt MALT was an opportunity to be part of something really important to the future of Marin County," said MALT founder and dairywoman Ellen Straus, who died in 2002. Since its birth, the organization has permanently preserved nearly 46,000 acres of farmland that might otherwise have been sold or developed.

"What we've learned," adds wetlands biologist and co-founder Phyllis Faber, "is that you can have a vision of what you want the future to look like, and you can make it happen." Former Marin County Supervisor Gary Giacomini, who served on the founding board of directors would agree, "It's glorious to be involved in an effort that lasts forever," he said.

Board of Directors and Executive Management as of June 30, 2014

Name	Position	Name	Position
Rick Lafranchi	Chair	Ralph Grossi	Director
Chris Kelly	Vice Chair	Janine Guillot	Director
Sam Dolcini	Secretary	Steve Kinsey	Director
Bob Bingham	Treasurer	Peter Martinelli	Director
		Rebecca Patton	Director
Bill Barboni II	Director	Ellie Rilla	Director
Sue Conley	Director	Julie Evans Rossotti	Director
Phyllis Faber	Director	Neil Rudolph	Director
Mike Gale	Director	Gail Seneca	Director

Jamison Watts
Executive Director

MARIN AGRICULTURAL LAND TRUST

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

June 30, 2014

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MARIN AGRICULTURAL LAND TRUST

Post Office Box 809

Point Reyes Station, California 94956

Office 415-663-1158; Fax 415-663-1099

Web Site Address: www.malt.org

Email: farmland@malt.org

REGALIA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors Marin Agricultural Land Trust

We have audited the accompanying financial statements of Marin Agricultural Land Trust (a California nonprofit organization) which comprise the statements of financial position as of June 30, 2014 and 2013 and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

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

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marin Agricultural Land Trust as of June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Supplementary Schedules

Our audit was conducted for the purpose of forming an opinion on the financial statements of Marin Agricultural Land Trust as a whole. The accompanying Supplementary Statement of Financial Position (Schedule A) and Supplementary Statement of Activities and Changes in Net Assets (Schedule B) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules A and B are fairly stated in all material respects in relation to the financial statements taken as a whole.

Prior Year Summarized Comparative Information

The prior year summarized comparative information has been derived from Marin Agricultural Land Trust's June 30, 2013 financial statements. In our report dated September 26, 2013, we expressed an unqualified opinion on those financial statements.

Regalia & Associates

***Danville, California
September 22, 2014***

MARIN AGRICULTURAL LAND TRUST

Statements of Financial Position

June 30, 2014 and 2013

Assets

	2014	2013
	Total	Total
Assets:		
Cash and cash equivalents	\$ 1,476,407	\$ 492,832
Investments	10,628,114	9,467,899
Other current assets	327,172	511,031
Property and equipment, net	1,355,653	1,389,361
Other noncurrent assets	539,727	443,349
	<hr/>	<hr/>
Total assets	\$ 14,327,073	\$ 12,304,472

Liabilities and Net Assets

Liabilities:		
Accounts payable and accrued liabilities	\$ 354,344	\$ 628,208
Total liabilities	<hr/>	<hr/>
	354,344	628,208
	<hr/>	<hr/>
Net Assets:		
Unrestricted	5,541,132	5,070,660
Temporarily restricted	3,463,244	1,637,251
Permanently restricted	4,968,353	4,968,353
Total net assets	<hr/>	<hr/>
	13,972,729	11,676,264
	<hr/>	<hr/>
Total liabilities and net assets	\$ 14,327,073	\$ 12,304,472

MARIN AGRICULTURAL LAND TRUST

**Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2014 and 2013**

	2014	2013
	Total	Total
<i>Support and revenue:</i>		
Grants	\$ 91,500	\$ 4,024,500
Contributions	2,979,242	2,114,611
Other support and revenue	225,540	174,553
Subtotal	3,296,282	6,313,664
<i>Other changes in net assets:</i>		
Change in value of charitable gifts	45,883	(2,099)
Total support and revenue	3,342,165	6,311,565
<i>Expenses:</i>		
Programs:		
Easement acquisition	-	5,245,304
Other programs and activities	939,495	1,124,121
Total Programs	939,495	6,369,425
General and administrative	452,874	361,655
Fundraising	781,319	726,357
Total expenses	2,173,688	7,457,437
Increase (decrease) in net assets from operating activities before investment return	1,168,477	(1,145,872)
Investment interest and dividends	176,854	288,342
Realized gains on investments	53,048	75,154
Net unrealized gains on investments	898,086	288,025
Total investment return	1,127,988	651,521
Increase (decrease) in net assets	2,296,465	(494,351)
Net assets at beginning of year	11,676,264	12,170,615
Net assets at end of year	\$ 13,972,729	\$ 11,676,264

MARIN AGRICULTURAL LAND TRUST

Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013

	2014	2013
	Total	Total
<i>Cash flows from operating activities:</i>		
Increase (decrease) in net assets	\$ 2,296,465	\$ (494,351)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	62,928	66,171
Change in discount related to present value of receivables	6,468	(5,570)
Net realized and unrealized gains on investments	(951,134)	(363,177)
Loss on disposal of property and equipment	-	231
Change in value of charitable gifts	(45,883)	2,099
<i>Changes in:</i>		
Receivables	203,519	91,636
Inventory	3,602	(42,580)
Prepaid expenses and other assets	(29,730)	14,637
Conservation easements and options	(50,495)	5,174
Accounts payable and accrued liabilities	34,002	(71,586)
Deferred revenue	15,631	15,772
Obligation to Sponsored Project	(336,390)	536,201
Accrued payroll liabilities	12,893	(11,568)
Net cash provided by (used for) operating activities	1,221,876	(256,911)
<i>Cash flows from investing activities:</i>		
Purchases, acquisitions and rollovers of investments	(16,904,525)	(4,567,554)
Proceeds from sales and maturities of investments	16,695,444	5,307,591
Acquisition of property and equipment	(29,220)	(69,350)
Net cash provided by (used for) investing activities	(238,301)	670,687
Increase in cash and cash equivalents	983,575	413,776
Cash and cash equivalents at beginning of year	492,832	79,056
Cash and cash equivalents at end of year	\$ 1,476,407	\$ 492,832

MARIN AGRICULTURAL LAND TRUST

Statement of Functional Expenses

For the Year Ended June 30, 2014

(with Comparative Financial Information for the Year Ended June 30, 2013)

	General and			2014	2013
	Programs	Admin- istrative	Fund- raising	Total	Total
Salaries	\$ 525,887	\$ 266,794	\$ 384,610	\$ 1,177,291	\$ 1,186,893
Payroll taxes	41,792	21,202	30,565	93,559	95,703
Contract services - office	-	4,511	-	4,511	-
Employee benefits	79,401	35,280	52,736	167,417	130,359
Accounting	-	14,850	-	14,850	14,850
Advertising	1,479	1,700	-	3,179	3,761
Appraisal costs	-	-	-	-	4,500
Conferences and training	5,778	5,722	202	11,702	10,987
Consultants	16,097	43,189	66,975	126,261	137,880
Cost of merchandise sold	8,886	4,508	6,499	19,893	15,461
Depreciation	28,125	14,245	20,558	62,928	66,171
Direct mail	-	-	11,781	11,781	7,978
Dues and subscriptions	28,964	3,863	17,607	50,434	52,116
Easement acquisition	-	-	-	-	5,245,304
Insurance	14,333	5,421	7,815	27,569	25,911
Legal	4,167	-	-	4,167	8,065
Lobbying	12,000	-	-	12,000	38,644
Occupancy	9,605	4,873	7,025	21,503	38,169
Office supplies (and equipment)	13,453	6,825	9,839	30,117	25,586
Other (credit card and bank fees)	8,290	4,198	6,052	18,540	13,468
Other project expenses	1,627	-	-	1,627	2,096
Outreach programs	43,650	-	-	43,650	49,935
Postage	1,696	2,544	12,970	17,210	17,218
Printing	24	2,905	79,639	82,568	69,158
Special events (includes capital campaign)	7,656	2,908	59,051	69,615	74,730
Sponsorships	19,750	-	2,000	21,750	87,956
Stewardship Assistance Program	50,000	-	-	50,000	-
Telephone	3,479	1,765	2,545	7,789	7,261
Travel	13,356	5,571	2,850	21,777	27,277
	\$ 939,495	\$ 452,874	\$ 781,319	\$ 2,173,688	\$ 7,457,437

Notes to Financial Statements

June 30, 2014

1. Organization

Marin Agricultural Land Trust (MALT) was established as a California nonprofit corporation 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. Some of the Bay Area's most highly acclaimed dairy products and organic crops are produced on farmland protected by MALT conservation easements, which total nearly 46,000 acres on 72 family farms and ranches. Additionally, MALT encourages public policies in support of agriculture, and conducts hikes, tours, and lectures relating to agriculture.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of MALT and have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, accrued assets, accrued liabilities, and net asset accounts.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, MALT is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. MALT has also adopted the provisions of ASC 958.205.55.31 thru 958.205.55.53, *Presentation of Financial Statements – Endowment Disclosures* (which incorporated the previously issued FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*).

Revenue Recognition

MALT records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Use of 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 that 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 support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Cash and Cash Equivalents

MALT considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. MALT maintains its cash balances in high quality financial institutions, which at times may exceed federally insured limits. MALT has not experienced any losses in such accounts.

Investments and Endowment

MALT follows the provisions of *Accounting Standards Update (ASU) 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRSs* and has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that MALT could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of June 30, 2014. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented.

Investments include money market funds, certificates of deposit, and mutual funds. Purchased investments are initially stated at cost. Investments received by gift are recorded at market value at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the statements of activities and changes in net assets.

MALT's endowment consists of a diverse mixture of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by ASC 958.320, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. MALT has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, MALT classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as either temporarily restricted net assets or unrestricted net assets until those amounts are appropriated for expenditure by MALT in a manner consistent with the standard of prudence prescribed by UPMIFA (and SPMIFA, the State Prudent Management of Institutional Funds Act which California has adopted).

Inventory

Inventory includes various boutique items which are recorded at the lower of cost or market value using the first in-first out (FIFO) method and amounted to \$55,291 and \$58,893 at June 30, 2014 and 2013, respectively.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Property, Equipment, and Improvements

Property and equipment are valued at cost or, if donated, at fair market value on the date of donation. Depreciation is provided by use of the straight-line method over the estimated useful lives of the assets. The cost of property and equipment which benefit future periods is capitalized and depreciated over the estimated useful life of each class of depreciable asset.

Contributed Services and Costs

Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Net Assets

In accordance with accounting principles generally accepted in the United States of America, financial statements must present classes of net assets based on the following categories: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Grants and contributions are classified in the appropriate net asset category based on the absence or existence of donor-imposed restrictions that limit the use of the donated assets if they are designated as support for future periods or future projects when they are received.

MALT reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor's intended purpose is met or a time restriction expires, the temporarily restricted net asset is transferred to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as unrestricted support.

Permanently restricted net assets include those net assets that must be maintained in perpetuity in accordance with donor restrictions (see Note 14). The investment return from such assets may be used for purposes as specified by the donor or, if the donor has not specified a purpose, the income from such investments is not restricted and is included in unrestricted net assets. Permanently restricted net assets were created by gifts from donors who stipulated that their contributions be used to perpetuate the operating and program activities of MALT.

Unrestricted net assets include all of those donated assets that have no restrictions or limitations imposed on their use. The Board of Directors may elect certain unrestricted funds to be set aside as Board designated funds, which may not be spent without approval by the Board.

Reclassifications

Certain reclassifications have been made to the 2013 financial statements in order to conform to the presentation used in 2014.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Advertising

Advertising costs are incurred by MALT to promote its programs and are expensed as incurred. Advertising expense amounted to \$3,179 and \$3,761 for the years ended June 30, 2014 and 2013, respectively, and such costs are reflected on the statement of functional expenses.

Conservation Easements

Conservation Easements reflect legally enforceable land preservation agreements between landowners and MALT and were created specifically for the purposes of land conservation. MALT's policy is to assign each easement a nominal value of \$1 because it is the intention of MALT to hold such easements in perpetuity. During the year of acquisition, grants and contributions received for the acquisition of conservation easements are recorded as revenue while the related expenditures are recorded as expenses of the Land Preservation Fund (which is part of the unrestricted activities of the organization).

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in unrestricted net assets, unless they are restricted in accordance with donor instructions, in which case such amounts are reflected as either temporarily or permanently restricted contributions (as indicated under "*Net Assets*" on page 8).

Functional Allocation of Expenses

The costs of providing MALT's various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, MALT is required to report information regarding its exposure to various tax positions taken by MALT and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that MALT has adequately evaluated its current tax positions and has concluded that as of June 30, 2014, MALT does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

MALT has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that MALT continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. MALT could potentially receive unrelated business income in the future (such as program advertising or sub-lease rental income) requiring MALT to file separate tax returns under federal and state statutes. If such conditions exist, MALT will calculate and accrue the applicable taxes.

Notes to Financial Statements

3. Cash and Cash Equivalents

Cash and cash equivalents include all funds in banks (checking, savings, and certificates of deposit) at the time of purchase that have a maturity date of three months or less. The components of cash and cash equivalents are as follows at June 30, 2014 and 2013:

	2014	2013
Checking (noninterest-bearing)	\$ 1,470,236	\$ 486,728
Money market (interest-bearing)	5,896	5,889
Cash on hand	275	215
Total cash and cash equivalents	\$ 1,476,407	\$ 492,832

MALT attempts to limit its credit risk associated with cash equivalents by utilizing highly rated financial institutions. Funds in money market accrue interest at 0.10% per annum at June 30, 2014.

4. Receivables

Receivables consist of the following at June 30, 2014 and 2013:

	2014	2013
Accounts receivable	\$ -	\$ 719
Pledges Receivable	160,464	175,200
Grants Receivable	10,000	157,500
Bequests Receivable	-	53,500
Discount on long-term pledges receivable	(2,535)	(9,003)
Total receivables	\$ 167,929	\$ 377,916

Receivables are expected to be collected as follows at June 30, 2014:

Year ending June 30, 2015	\$ 115,125
Year ending June 30, 2016	44,339
Year ending June 30, 2017	11,000
Subtotal	170,464
Less: Allowance for uncollectible amounts **	-
Less: Unamortized discount	(2,535)
Subtotal	167,929
Long-term receivables (net)	(55,339)
Receivables due within one year	\$ 112,590

Pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 4% per annum. The change in the value of the long-term receivables during the years ended June 30, 2014 and 2013 amounted to (\$2,535) and \$5,570, respectively, and is reflected as a component of changes in temporarily restricted net assets.

** MALT uses the direct write-off method with regards to receivables deemed uncollectible. During the year ended June 30, 2014, MALT recognized \$200 in bad debts. There were no bad debts for the year ended June 30, 2013. Management has evaluated the receivables as of June 30, 2014 and determined that such amounts are fully collectible based on the financial health of the donors involved.

MARIN AGRICULTURAL LAND TRUST

Notes to Financial Statements

5. Investments and Endowment

Investments consist of the following at June 30, 2014 and 2013:

	2014	2013
Money market accounts and certificates of deposit	\$ 2,512,832	\$ 3,967
Mutual funds principally invested in bonds	2,492,547	4,735,956
Mutual funds principally invested in equity securities	5,439,195	4,589,997
Commodity linked derivatives	183,540	137,979
Total investments	\$ 10,628,114	\$ 9,467,899

Endowment net asset composition by type of fund is summarized as follows as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Money market accounts and certificates of deposit	\$ 2,111,124	\$ -	\$ 401,708	\$ 2,512,832
Mutual funds principally invested in bonds	1,083,426	-	1,409,121	2,492,547
Mutual funds principally invested in equity securities	730,137	-	4,709,058	5,439,195
Commodity linked derivatives	-	-	183,540	183,540
Total investments	\$ 3,924,687	\$ -	\$ 6,703,427	\$10,628,114

Changes in endowment net assets for the year ended June 30, 2014 and net asset composition by type of fund at June 30, 2014 is summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets-beginning of year	\$ 954,743	\$ 802,568	\$ 4,968,353	\$ 6,725,664
<i>Investment return:</i>				
Investment income	22,558	-	-	22,558
Investment income-Perm Restricted Fund	-	145,595	-	145,595
Realized/unrealized gain-Interfund	125,295	-	-	125,295
Realized/unrealized gain-Perm Restricted	-	826,106	-	826,105
Total investment return	147,853	971,701	-	1,119,553
Contributions	419,924	-	-	419,925
Appropriation of endowment assets	(38,904)	(1,250)	-	(40,154)
Transfers to operating fund	(331,626)	-	-	(331,626)
<i>Endowment net assets by type of fund:</i>				
Donor-restricted endowment funds	-	1,773,019	4,968,353	6,741,372
Board-designated endowment funds	1,151,990	-	-	1,151,990
Endowment net assets-end of year	\$ 1,151,990	\$ 1,773,019	\$ 4,968,353	\$ 7,893,362

During the years ended June 30, 2014 and 2013, earnings on investments were reinvested. Net realized gains amounted to \$53,048 and \$75,154 for the years ended June 30, 2014 and 2013, respectively. Net unrealized gains amounted to \$898,086 and \$288,025 for the years ended June 30, 2014 and 2013, respectively. All realized and unrealized gains (losses) are reflected as components of investment return on the statements of activities and changes in net assets.

Notes to Financial Statements

5. Investments and Endowment *(continued)*

MALT has an Investment Committee which has the responsibility for establishing MALT's return objectives (generally lower rates of return associated with more stable and safer investments) and to define the risk parameters. The committee routinely oversees investment performances and reviews cash flows necessary to sustain MALT's operating activities.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires MALT to retain as a fund of perpetual duration. In accordance with ASC 958.205.55.31, there are no deficiencies of this nature that are required to be reported in unrestricted net assets at June 30, 2014 and 2013. Such future deficiencies could result from unfavorable market fluctuations occurring after the investment of new restricted contributions and continued appropriation for certain programs which are deemed prudent by the Board of Directors. MALT's investments may decline below their original basis due to market fluctuations and unrealized losses which are beyond the control of MALT's management. Deficiencies of this nature are reported in unrestricted net assets.

Return Objectives and Risk Parameters

MALT has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that MALT must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Investment Committee and the Board of Directors, the endowment assets are invested in a manner that is intended to (1) produce results that approximate the price and yield results of the general market conditions (2) subject MALT to a moderate level of investment risk and (c) maintain sufficient liquidity to meet planned expenditures.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, MALT relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). MALT targets a diversified asset allocation that places a greater emphasis on equity-based investments (mutual funds) to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

MALT has a policy of appropriating for distribution an amount equal to or less than 4.5% of the average value of the total fund investments for the most recent twelve calendar 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 the fund, 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.

Notes to Financial Statements

5. Investments and Endowment *(continued)*

Spending Policy and How the Investment Objectives Relate to Spending Policy (continued)

In accordance with this policy, MALT appropriated \$40,154 and \$56,761 which represented the board-approved budgeted draw from its investment portfolio for the years ended June 30, 2014 and 2013, respectively. The appropriation requires approval of the investment committee. In establishing this policy, MALT considered the long-term expected return on the investments in its endowment fund. Accordingly, over the long term, MALT expects the current spending policy to allow its endowment fund assets to grow at a moderate rate annually. This is consistent with MALT's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

6. Fair Value Measurements

Composition of assets utilizing fair value measurements at June 30, 2014 is as follows:

	Totals	Level 1	Level 2	Level 3
Investments	\$10,628,114	\$10,628,114	\$ -	\$ -
Receivables	167,929	-	167,929	-
Inventory	55,291	15,741	-	39,550
Beneficial interest in charitable gifts	489,160	-	-	489,160
Conservation easements and options	50,567	-	-	50,567
Totals	<u>\$11,391,061</u>	<u>\$10,643,855</u>	<u>\$ 167,929</u>	<u>\$ 579,277</u>

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on "unobservable inputs," such as a company's own estimates and pricing models.

Assets Classified as Level 3

The significant unobservable inputs used in the fair value measurement of the entity's asset-backed gifts are the estimated future values of the underlying assets. The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. Those valuation techniques principally include present value techniques which incorporate certain rate of return assumptions. Conservation easements are valued by management at a nominal \$1 per easement. Options are valued using original cost basis.

Notes to Financial Statements

7. Beneficial Interest in Charitable Gifts

MALT was named the long-term beneficiary of two irrevocable charitable remainder trusts (CRTs) and five irrevocable charitable gift annuities (CGAs) in prior years 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 thereon. Following the passing of the specified individuals, a percentage of the remaining principal will be distributed to MALT, with the remaining funds earmarked for other charities.

The CRTs are maintained by third-party trustees, while the CGAs are managed by independent foundations. The amount recorded on the books represents the projected future fair value of MALT's vested interest in the underlying asset (instrument) which is discounted to net present value using an interest rate of 5.5% per annum. 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.

For the years ended June 30, 2014 and 2013, the interest in all of the life annuities was adjusted for changes in fair value of the assets held in the trusts. Management has determined that the fair values reflected on the statements of financial position as of June 30, 2014 and 2013 amounted to \$489,160 and \$443,277, respectively. These assets are classified as Level 3 under fair value hierarchy. The change in the value of the life annuities as reflected on the statements of activities and changes in net assets amounted to \$45,883 and (\$2,099) for the years ended June 30, 2014 and 2013, respectively.

8. Property and Equipment

Property and equipment consist of the following at June 30, 2014 and 2013:

	2014	2013
Land	\$ 462,582	\$ 462,582
Office building and improvements	1,012,973	998,971
Furnishings and equipment	125,634	117,002
Website and software	123,601	117,014
Vehicles	18,000	18,000
Less accumulated depreciation	(387,136)	(324,208)
Total property and equipment (net)	\$ 1,355,653	\$ 1,389,361

Total depreciation expense amounted to \$62,928 and \$66,171 for the years ended June 30, 2014 and 2013, respectively, and is reflected on the statement of functional expenses. During the year ended June 30, 2013, MALT disposed of certain fully and partially depreciated equipment which resulted in a loss of \$231. There were no disposals during the year ended June 30, 2014. MALT owns and occupies the land and building in which its headquarters is based.

9. Conservation Easements

MALT purchased conservation easements totaling \$5,245,304 during the year ended June 30, 2013 which are reflected on the statement of functional expenses. There were no purchases of conservation easements for the year ended June 30, 2014. Subsequent to June 30, 2014, MALT exercised its option to purchase a conservation easement in Bolinas and anticipates closing escrow on *(continued)*

Notes to Financial Statements

9. Conservation Easements *(continued)*

October 31, 2014. Additionally, in September 2014, MALT acquired a conservation easement on a local ranch in Chileno Valley for a purchase price of \$1,807,000. See footnote 18 "Subsequent Events."

10. Related Party Transactions

MALT board members made monetary contributions totaling \$132,786 and \$42,405 during the years ended June 30, 2014 and 2013, respectively. Pledges receivable due from board members amounted to \$83,714 and \$131,000 at June 30, 2014 and 2013, respectively.

11. Retirement Plans

MALT offers eligible employees the opportunity to participate in a Simplified Employee Retirement Plan ("SEP IRA") which is qualified under the Internal Revenue Code. Employees of MALT, regardless of earnings, are eligible to participate in the Plan after two years of service. Employer contributions are discretionary and subject to the approval of the Board of Directors. Contributions are based on a percentage of each employee's eligible compensation, provided that the contribution does not exceed the statutory maximum of pre-tax deferrals set by the Internal Revenue Service. Employer contributions amounted to \$39,047 and \$37,956 for the years ended June 30, 2014 and 2013, respectively. MALT has also established a 403(b)(7) Retirement Plan by which individual employees may, through salary reduction payments, make "pre-tax" contributions to a self-directed custodial account in which dividends, interest, capital gain, and other earnings accumulate on a tax-deferred basis.

12. Capital Campaign

During the year ended June 30, 2013, MALT launched a \$1 million campaign to raise funds to protect a local farm. The campaign was successfully completed and MALT anticipates closing escrow on the conservation easement in Bolinas by October 31, 2014.

13. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, MALT is required to record a liability for the estimated amounts of compensation and related benefits under existing employment laws. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Sick leave is not paid upon termination. Annual leave accruals are recorded in the financial statements as an accrued liability on the statements of financial position based on employee compensation rates. Accrued payroll liabilities amounted to \$56,432 and \$43,539 at June 30, 2014 and 2013, respectively.

MARIN AGRICULTURAL LAND TRUST

Notes to Financial Statements

14. Net Assets

Unrestricted Net Assets

Unrestricted net assets consist of the following at June 30, 2014 and 2013:

	2014	2013
Unrestricted cumulative operating activities	\$ 1,529,499	\$ 1,315,998
Unrestricted for land preservation	2,859,644	2,799,919
Designated by the Board of Directors for endowment fund	1,151,989	954,743
Total unrestricted net assets	\$ 5,541,132	\$ 5,070,660

Temporarily Restricted Net Assets

Temporarily restricted net assets are summarized as follows for the year ended June 30, 2014:

Restricted For:	Beginning	Additions	Reductions	Ending
Charitable Gift Annuities and Trusts	\$ 443,277	\$ * 45,883	\$ -	\$ 489,160
Distaff Thistle management	33,081	-	4,986	28,095
Easement acquisition	328,358	811,283	-	1,139,641
Feasibility study:				
Tax issues for easement properties	4,425	-	-	4,425
General support for future periods	15,500	61,994	58,494	19,000
Mandatory Agricultural Use				
enforcement for future periods	-	25,000	25,000	-
Others	10,042	-	138	9,904
Stewardship Endowment	802,568	** 971,701	1,250	1,773,019
Balance	\$ 1,637,251			\$ 3,463,244

* Represents the change in the calculated values of the charitable gifts. The net change of \$45,883 has been reflected as an "other change in net assets" under temporarily restricted on the statements of activities and changes in net assets for the year ended June 30, 2014. ** Represents investment return on the stewardship endowment.

Permanently Restricted Net Assets

Permanently restricted net assets consist of the following at June 30, 2014 and 2013:

	2014	2013
Gifts received and restricted for endowment programs	\$ 4,968,353	\$ 4,968,353

Contributions of permanently restricted net assets amounted to \$550,000 during the year ended June 30, 2013. There were no contributions to permanently restricted net assets during the year ended June 30, 2014. All of the endowment funds, classified as permanently restricted net assets, represent donor contributions that are subject to restrictions of gift instruments requiring that the principal balances be maintained in perpetuity. The income generated from these instruments is to be used for the perpetual monitoring and enforcement of MALT's conservation easement properties. By law, MALT is permitted to transfer all interest and realized/unrealized gains to unrestricted net assets. During the years ended June 30, 2014 and 2013, MALT utilized investment earnings generated by assets classified as permanently restricted (see Note 5).

Notes to Financial Statements

15. Obligation to the Marin Carbon Project

The Marin Carbon Project (MCP) is a collaboration between UC Berkeley, UC Davis, UC Cooperative Extension, Marin Organic, MALT, Marin Resource Conservation District, the USDA Natural Resources Conservation Service, and Nicasio Native Grass Ranch. MCP is also supported by the Marin County Agriculture Commissioner and the Environmental Defense Fund. In connection with its support of the MCP, MALT holds a balance of \$199,811 and \$536,201 in funds which are reflected as a liability on the statements of financial position at June 30, 2014 and 2013, respectively.

16. Other Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future program activities, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate MALT to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond MALT's control, such as generosity of donors and general economic conditions, and (c) Financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments or contingencies have been properly addressed, appropriate amounts have been accrued (where necessary), and there will not be any resolution with a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting agencies.

17. Bequests

During the year ended June 30, 2014, MALT was informed that it was named as beneficiary of two separate bequests comprised of (a) cash under an irrevocable trust in excess of \$6.2 million and (b) ranch property under a revocable trust. As of June 30, 2014, insufficient data existed to value the bequests and they are thus not reflected in the financial statements. Subsequent to June 30, 2014, additional information was provided for the cash bequest and this donation will be recorded during the fiscal year ending June 30, 2015.

18. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, MALT has evaluated subsequent events through September 22, 2014, the date the financial statements were available to be issued. As noted in footnote 9 "Conservation Easements": On August 1, 2014, MALT exercised an option to purchase a conservation easement in Bolinas, which was acquired in August 2013, and anticipates closing escrow by October 31, 2014. In September 2014, MALT acquired a conservation easement on a local ranch in Chileno Valley for a purchase price of \$1,807,000. In the opinion of management there are no other subsequent events which need to be disclosed.

MARIN AGRICULTURAL LAND TRUST

Statement of Financial Position

June 30, 2014

(with Summarized Financial Information for June 30, 2013)

Assets

	Unrestricted				Tempo- rarily Restricted	Perman- ently Restricted	2014 Total	2013 Total
	Operating	Land Preservation	Board Designated	Total				
Total Assets:								
Cash and cash equivalents	\$1,251,470	\$ 224,937	\$ -	\$1,476,407	\$ -	\$ -	\$ 1,476,407	\$ 492,832
Investments	479,564	2,233,066	1,212,057	3,924,687	-	6,703,427	10,628,114	9,467,899
Receivables	-	-	-	-	167,929	-	167,929	377,916
Inventory	55,291	-	-	55,291	-	-	55,291	58,893
Prepaid expenses and other assets	44,035	59,403	514	103,952	-	-	103,952	74,222
Interfund receivables (payables)	(1,301,459)	291,671	(61,293)	(1,071,081)	2,806,155	(1,735,074)	-	-
Property and equipment, net	1,354,941	-	712	1,355,653	-	-	1,355,653	1,389,361
Beneficial interest in charitable gifts	-	-	-	-	489,160	-	489,160	443,277
Conservation easements and options	-	50,567	-	50,567	-	-	50,567	72
Total assets	\$1,883,842	\$2,859,644	\$1,151,990	\$5,895,476	\$3,463,244	\$4,968,353	\$14,327,073	\$12,304,472

Liabilities and Net Assets

Liabilities:								
Accounts payable and accrued liabilities	\$ 66,698	\$ -	\$ -	\$ 66,698	\$ -	\$ -	\$ 66,698	\$ 32,696
Deferred revenue	31,403	-	-	31,403	-	-	31,403	15,772
Obligation to Sponsored Project	199,811	-	-	199,811	-	-	199,811	536,201
Accrued payroll liabilities	56,432	-	-	56,432	-	-	56,432	43,539
Total liabilities	354,344	-	-	354,344	-	-	354,344	628,208
Net Assets:								
Unrestricted	1,529,498	2,859,644	1,151,990	5,541,132	-	-	5,541,132	5,070,660
Temporarily restricted	-	-	-	-	3,463,244	-	3,463,244	1,637,251
Permanently restricted	-	-	-	-	-	4,968,353	4,968,353	4,968,353
Total net assets	1,529,498	2,859,644	1,151,990	5,541,132	3,463,244	4,968,353	13,972,729	11,676,264
Total liabilities and net assets	\$1,883,842	\$2,859,644	\$1,151,990	\$5,895,476	\$3,463,244	\$4,968,353	\$14,327,073	\$12,304,472

See accompanying auditors' report and notes to financial statements.

Schedule A

MARIN AGRICULTURAL LAND TRUST

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2014

(with Summarized Financial Information for the Year Ended June 30, 2013)

	Unrestricted				Tempo- rarily Restricted	Perman- ently Restricted	2014 Total	2013 Total
	Operating	Land Preservation	Board Designated	Total				
<i>Support and revenue:</i>								
Grants	\$ 30,000	\$ -	\$ -	\$ 30,000	\$ 61,500	\$ -	\$ 91,500	\$ 4,024,500
Contributions	1,574,572	141,500	-	1,716,072	843,246	-	2,559,318	2,064,354
Bequests and memorials	-	-	419,924	419,924	-	-	419,924	50,257
In-kind contributions	22,631	-	-	22,631	-	-	22,631	77,011
Net assets released from restrictions	83,632	4,986	1,250	89,868	(89,868)	-	-	-
Special events	100,445	-	-	100,445	-	-	100,445	79,377
Special events - expense	(39,461)	-	-	(39,461)	-	-	(39,461)	(39,716)
Outreach program	42,157	-	-	42,157	-	-	42,157	30,616
Merchandise sales	21,142	-	-	21,142	-	-	21,142	8,815
Special projects	73,399	-	-	73,399	-	-	73,399	10,780
Fiscal sponsor fee	11,695	-	-	11,695	-	-	11,695	2,100
Subtotal	1,920,212	146,486	421,174	2,487,872	814,878	-	3,302,750	6,308,094
<i>Other changes in net assets:</i>								
Change in value of charitable gifts	-	-	-	-	45,883	-	45,883	(2,099)
Change in value of pledges receivable	-	-	-	-	(6,468)	-	(6,468)	5,570
Total support and revenue	1,920,212	146,486	421,174	2,487,872	854,293	-	3,342,165	6,311,565
<i>Expenses:</i>								
<i>Programs</i>								
Easement Acquisition	-	-	-	-	-	-	-	5,245,304
Other Program	858,430	51,971	29,094	939,495	-	-	939,495	1,124,120
Total Programs	858,430	51,971	29,094	939,495	-	-	939,495	6,369,424
General and administrative	452,874	-	-	452,874	-	-	452,874	361,655
Fundraising	770,958	-	10,361	781,319	-	-	781,319	726,357
Total expenses	2,082,262	51,971	39,455	2,173,688	-	-	2,173,688	7,457,437
Increase (decrease) in net assets from operating activities before investment return	(162,050)	94,515	381,719	314,184	854,293	-	1,168,477	(1,145,872)
Investment interest and dividends	58	8,678	22,558	31,294	145,560	-	176,854	288,342
Realized gains (losses) on investments	(81)	(67,102)	27,389	(39,794)	92,842	-	53,048	75,154
Net unrealized gains on investments	97	66,785	97,906	164,788	733,298	-	898,086	288,025
Total investment return	74	8,361	147,853	156,288	971,700	-	1,127,988	651,521
Increase (decrease) in net assets	(161,976)	102,876	529,572	470,472	1,825,993	-	2,296,465	(494,351)
Net assets at beginning of year	1,315,998	2,799,919	954,743	5,070,660	1,637,251	4,968,353	11,676,264	12,170,615
Interfund transfers	375,476	(43,151)	(332,325)	-	-	-	-	-
Net assets at end of year	\$1,529,498	\$2,859,644	\$1,151,990	\$5,541,132	\$3,463,244	\$4,968,353	\$13,972,729	\$11,676,264

See accompanying auditors' report and notes to financial statements.

Schedule B